

Stock Code 5371
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**Coretronic Corporation**

**Handbook for the 2013  
Annual General Shareholders' Meeting**

**Meeting Time: June 18, 2013**

**Place: No. 2, Ke Bei 5th Rd., Science Park, ChuNan , Miao-Li County (Chunan Science Park)**

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**Coretronic Corporation**  
**2013 Annual General Shareholders' Meeting Procedure**

1. Commencement of the Meeting
2. Chairman's Statement
3. Matters to Report
4. Matters for Ratification
5. Matters for Discussion and Election
6. Motions
7. Meeting Adjourned

**Coretronic Corporation**  
**2013 Annual General Shareholders' Meeting Agenda**

Time : 9:00 a.m., June 18 (Tuesday), 2013

Place : No. 2, Ke Bei 5th Rd., Science Park, Chu-Nan, Miao-Li County (Chunan Science Park)

I. Commencement of the Meeting

II. Chairman's Statement

III. Report Items

1. 2012 Annual Business Report.
2. Audit Committee's Report.
3. The execution of issuance of new shares and/or issuance of overseas depositary receipts.
4. The impact on retained earnings as a result of adopting IFRSs for the first time.

IV. Ratification Items

1. Ratification of 2012 Annual Business Report and financial statements.
2. Ratification of the proposal for the distribution of 2012 earnings.

V. Discussion and Election Items

1. Proposal of fund raising by issuance of new shares and/or issuance of overseas depositary receipts through cash capital increase.
2. Proposal of Amending the Company's Procedures of Loaning of Funds and Making of Endorsements /Guarantees.
3. Proposal of Amending the Company's Procedures of Acquisition or Disposal of Assets.
4. Proposal for the Company's Election of Directors.
5. Proposal to release the newly-elected Directors from non-competition restrictions.

VI. Motions

VII. Meeting Adjourned

## **Report Items**

### **1. 2012 Annual Business Report**

Description: 2012 Annual Business Report is attached as Attachment 1.

### **2. Audit Committee's Report**

Description: The Audit Committee's Report on 2012 Financial Statements is attached as Attachment 2.

### **3. The Execution of Issuance of New Shares and/or Issuance of Overseas Depositary Receipts**

Description: (1) In order to support the Company's fund needs for future operation, it was approved by 2012 annual general shareholders' meeting to issue new common shares for cash capital increase or overseas depositary receipts through cash capital increase, to the extent of NTD 5 billion or 100 million shares (collectively and/or individually offerings).

(2) In consideration of economic condition, cash demand, money and capital market factors, the Company had used other financial tools to meet cash demand and the issuance of new shares or overseas depositary receipts cease to be effective.

### **4. The impact on retained earnings as a result of adopting IFRSs for the first time.**

Description:(1) In accordance with Financial Supervisory Commission reference number 1010012865, when the Company adopted International Financial Reporting Standards ("IFRSs") starting from 2013, the retained earnings of the Company increased by NT\$1,566,099 thousands for the first-time adoption of IFRSs on January 1, 2012 and increased cumulatively by NT\$1,543,589 thousands on January 1, 2013.

(2)Due to the Company choose to under exempt items in IFRSs 1 adoption, the increase in the retained earnings by NT\$1,290,820 thousands of the Company on the conversion date for the first-time adoption of IFRSs.

## **Ratification Items**

### **1. Ratification of 2012 Business Report and Financial Statements. (Proposed by the Board of Directors)**

Description:

(1) The 2012 balance sheet, income statement, statement of changes in shareholders' equity and cash flow statement of the Company audited by Ernst & Young and had issued its review report accordingly.

(2) Please refer to attachment 1 and 3 for 2012 Business Report and financial statements.

(3) Please resolve.

Resolution:

**2. Ratification of the Proposal for the Distribution of 2012 Earnings. (Proposed by the Board of Directors)**

Description:

- (1) The 2012 financial statements audited by Ernst & Young and had issued its review report accordingly. The earnings distribution table is made in accordance with the Articles of Incorporation / Company Act and attached as below.
- (2) Record date for paying cash dividend: Upon the approval of the shareholders' meeting, it is proposed to authorize the chairman of BOD to determine the ex-dividend date.
- (3) The total amount of common shares outstanding may change, proposed that the Chairman of BOD be authorized to adjust the cash dividend to be distributed to each common share based on the total amount of profits resolved to be distributed and the number of actual common shares outstanding on the record date for distribution.
- (4) Please resolve.

Resolution:

Coretronic Corporation  
2012's Earnings Distribution Table

Unit : NTD

Item	Amount	
	Subtotal Total	Total
Beginning of Unappropriated Earnings		3,612,621,727
Net Profit After Tax	890,164,279	
Minus: Appropriated For Legal Reserve	89,016,428	
2012's Unappropriated Earnings		801,147,851
Earnings Available For Distribution (Cumulative)		4,413,769,578
Cash Dividends To Shareholders (NTD1.0/per share)		724,038,518
End of Unappropriated Earnings		3,689,731,060
<p>Note 1 : According to the ruling issued by MOF on April 30, 1998 (Ref. 871941343), when distributing earnings it should be taxed as per the year that the earnings were gained. Coretronic adopts last in first out method when distributing earnings, which is to say, first distribute earnings from the most current year and then the previous year's when not sufficient.</p> <p>Note 2 : It is proposed to distribute NTD 127,771,504 for employee cash bonus, NTD 0 for directors' remunerations.</p>		

Chairman: Wade Chang    President : Sarah Lin, SY Chen    Accounting Officer: Franck Ho

## Discussion and Election Items

### 1. Proposal of Fund Raising by Issuance of New Shares and/or Overseas Depositary Receipts Through Cash Capital Increase. (Proposed by the Board of Directors)

(1) In order to support the Company's fund needs for future operation, it is proposed that the shareholders' meeting authorizes the Board based on the Company's needs and market conditions to issue new common shares for cash capital increase and/or issue overseas depositary receipts through cash capital increase, to the extent of NTD 5 billion or 100 million shares (collectively and/or individually offerings).

(2) The principals of fund raising

① Cash capital increase by issuance of new shares

A. If the Company issues new common shares for cash capital increase, the shares have par values of NTD 10 and issue at a premium. In addition, 15% shall be set aside for subscription by employees as per Article 267 of the Company Act.

B. In accordance with Article 28-1 of the Securities and Exchange Act, the remaining should be offered in public through public subscription or book building. With respect to the shares not yet subscribed during the specified period, it is proposed to the shareholders' meeting for authorizing the Chairman to approach and/or designate certain person for the subscription of such shares at the Price. The percentage of public offers shall be as follows:

a. Public Subscription approach : 15% of the total issued new shares shall be retained for employees' options and 10% thereof for public offer, and the remaining 75% for the original shareholders' subscription based on the shareholding ratios held by the shareholders on the record date of subscription.

b. Book Building approach : 15% of the total issued new shares will be retained for employees' options and the remaining 85% will be contributed under the book-building method and offered publicly pursuant to Article 28-1 of the Securities and Exchange Act. The issue price shall be decided by the regulations and market conditions. For the determination of offering price after book building process, it is proposed that the shareholders' meeting authorizes the Chairman to negotiate with the underwriter to have actual price determined and submit the proposal to the Securities and Futures Bureau, Financial Supervisory Commission Executive Yuan for approval.

② Issuance of overseas depositary receipts through cash capital increase

A. Upon participating in issuing overseas depositary receipts through cash increment by common stocks, 15% of the total issued new shares will be retained for employees' options pursuant to Article 267 of the Company Law. The remaining 85% will be contributed and offered publicly by the shareholders' meeting pursuant to Article 28-1 of the Securities and Exchange Act, which serve to be the securities of the overseas depositary receipts as issued. The Chairman of the Board is authorized to contact specific persons to subscribe for the stocks which employees waive the right to

subscribe for or do not subscribe for, or to include such stocks into the securities of the overseas Depositary Receipts.

B. The price of the above overseas depositary receipts will beset in accordance with the “Self Discipline Rules of the Chinese Securities Association Governing Securities Underwriters for Offering and Issuance of Securities by Securities Issuers”. It is hereby proposed to the shareholders’ meeting for authorizing the Chairman to negotiate with the underwriters and determine the price of the overseas depositary receipts taking into consideration of then current capital market conditions, as well as the book-building. The basis of the above price setting arrangement is reasonable.

C. The Company would issue overseas depositary receipts through cash capital increase to the extent of NTD 5 billion or 100 million shares. For the rights of original shareholders, if calculated by the raising amount with par value of NTD 10, the issuance of new shares will have the maximum dilution rate at 69.06%; if calculated by the limited shares, the issuance of new shares will have the maximum dilution rate at 13.81%. However, after the capital increase produces positive effects, the Company’s competitiveness is expected to be enhanced. In addition, as the overseas depositary receipts' issue price is decided based on the fair market price of the company's common stock, the issuance should have no major negative impacts on shareholders' rights and interests.

(3) It is proposed to the shareholders’ meeting for authorizing the Board of Directors to determine the details of the issuance of new shares and/or insurance of overseas depositary receipts through cash capital increase, including the number of shares to be issued, the offering plan, the underwriter approach, the projected items, the projected schedule for the use of proceeds, the projected results and any matters not provided herein, and based on the Company’s needs and market conditions to issue shares collectively and/or individually offerings. It is also proposed to shareholders for authorizing the Board of Directors with full rights to follow-up and/or handles any adjustment, revisions and/or amendments which may be triggered by the amendment of law, the opinion or comments of the authority, and/or then market conditions.

(4) The proposal of Year 2012 on issuance of new shares for capital increase in cash and/or issue GDR for the new common shares from cash capital increase shall automatically cease to be effective once the said proposal would be discussed and passed by the shareholders’ meeting of Year 2013.

(5) Please resolve.

Resolution:

## **2. Proposal of Amending the Company’s Procedures of Loaning of Funds and Making of Endorsements /Guarantees. (Proposed by the Board of Directors)**

(1) To comply with the the Regulations Governing the Loans, Endorsements and Guarantees by Public Companies promulgated by SFC on July 6, 2012 (Ref.1010029874), the adoption of International Financial Reporting Standards ("IFRSs") and accommodate the Company’s

actual business needs. The BOD proposed to amend the Company's Procedures of Loaning of Funds and Making of Endorsements /Guarantees.

(2)The comparison table of amendments to the Procedures of Loaning of Funds and Making of Endorsements/Guarantees is attached as Attachment 4.

(3) Please resolve.

Resolution:

**3. Proposal of Amending the Procedures of Acquisition or Disposal of Assets. (Proposed by the Board of Directors)**

(1)To comply with the adoption of International Financial Reporting Standards ("IFRSs") and to accommodate the Company's actual business needs, the BOD proposed to amend the Procedures of Acquisition or Disposal of Assets.

(2)The comparison table of amendments to the Procedures of Acquisition or Disposal of Assets is attached as Attachment 5.

(3) Please resolve.

Resolution:

**4. Proposal for the Company's Election of Directors. (Proposed by the Board of Directors)**

(1) The seventh term of the office of Directors expired, according to Article of the Company, there shall be a board of Directors consisting of seven persons, including three Independent Directors. Each of whom shall be appointed to a term of office of three years. The eighth term of the office of Directors started from June 18, 2013 and expired on June 17, 2016.

(2)The Company adopts the candidate nomination mechanism for electing Independent Directors. The list of candidates has been approved by the 717<sup>th</sup> Board of Directors on April 25, 2013. The information of the candidates is as follows:

Name	Mr. Ted Tu	Mr. Chual-Hsin Teng	Mr. Houn-Gee Chen
Education	MS in MBA, University of Houston	Executive Master of Business Administration, National Chengchi University	Ph.D. in Industrial Engineering, and Master in Computer Science, University of Wisconsin-Madison
Experience	President, President International Development Corp President, LAFA LifeTech, Inc.	Chairman & President , Thin Chang Co., Ltd	Professor of Business Administration Dept., National Taiwan University
Holding Shares	0	0	0

(3) Please elect.

Election Results:

**5. Proposal to release the newly-elected Directors from non-competition restrictions.**

**(Proposed by the Board of Directors)**

- (1) Pursuant to Article 209-1 of the Company Act, a director engaging, either for himself or on behalf of another person, activities that are within the scope of the Company's business, shall explain at the shareholders' meeting the essential details of such activities and obtain the shareholders approval for engaging in such activities.
- (2) The newly-elected Directors who participate in the operations of another company that engages in the same or similar business scope as the Company, and who have not obtained the approval from the shareholders, hereby requests the shareholders' approval to release the newly-elected directors from the non-competition restrictions since the date of the appointment as Directors, not including the 100% holding subsidiaries by the Company.
- (3) Please resolve.

Resolution:

**Motions**

**Meeting Adjourned**

## Attachment 1

# Coretronic Corporation

## 2012 Annual Business Report

For the fiscal year of 2012, Coretronic reported consolidated sales revenue of NT\$67,626 million and operating income of NT\$1,002 million with a net income of NT\$1,055 million. Net income attributable to equity holders of the parent company was NT\$890 million with the basic EPS\* of NT\$1.23 per common share.

Sales breakdowns by product lines in 2012 as below: (Consolidated)

Product	2012	2011	Diff.
LCD Backlight (pc)	68,525,320	63,010,660	9%
Projector (unit)	1,076,658	1,230,802	(13%)

In the year of 2012, beside the existing technologies such as screen/inkjet printing, and laser direct writing technology, Coretronic continued developing the 3D micro structure LGP with photo mask-less process technique and granted “2012 Innovated Product Award” from Science Park Administration. The benefit of this LGP structure can increase the light efficiency and reduce the number of optical films which can make the BLU more thinner and less cost. Moreover, in response to the trend of less light bar from time to time, a partial single side light bar system, or so called Display Head, have been developed to combine the base stand of TV/Monitor with the result of more slim on four bezels and keep the same brightness under less LED counts. Furthermore, at the high-end TV product segment, a special Slim Block side emitting LGP has been developed to adopt to the local Dimming technique at system level. This can achieve a super high contrast with very thin appearance just like traditional edge light BLU.

Due to the availability of micro projection and LED light source components, Coretronic continues to develop a series of new products with features such as portability, easy setup, auto image detection and USB interface, allowing for integration with portable electronic products. This helps Coretronic expand its product lines in display sharing and mobile projection. Via the introduction of dual-lamp high efficiency optical engine platform, Coretronic has also entered into the professional market of high brightness. In addition, catering to the site characteristics and curve surface projection of professional applications, Coretronic has developed a system thermal design with effective cooling at all installation angles and image blending technology to ensure projector reliability and provide unconstrained setup environments for end users. As corporate and educational applications are the two main projector markets, Coretronic regards enhanced functionality and usability as two pivotal development targets. Hence, a series of new-generation light-weight and high-lumen digital commercial projectors, interactive ultra-short-throw projectors for the educational applications, 3D full HD home theater projectors, and dual-lamp ultra-bright large venue projectors have hit the market in succession.

Looking into the future, Coretronic will adhere to its mission as a leader in the digital display system technology sector and aim to implementing the following strategies:

- (1) Using optical technology as a core competitive strength to expand into other optical components and system products; to increase product value-add and price competitiveness; and to strengthen global competitive edge in terms of backlighting and projection technology.
- (2) Improving processing techniques of various light guide plates and backlight module and develop R&D platforms which can be expansively applied to all kinds of advanced display system products.
- (3) Improving operation models, provide optimal design, production and after-sales services, and foster

closer relationships with LCD panel manufacturers and brand name customers. (4) Continuing to develop Pocket projectors, ultra short-throw projectors, 3D projectors and large venue projectors and expand product applications by working with product road map of Taxes Instrument. (5) In response to the availability of micro projection and LED light source components, continuing to develop new products that combined with portable electronic products, allowing Coretronic to enter the markets of display sharing and mobile projection.(6) Developing seamless multi-projector display technology and multimedia interactive techniques, thus expanding into the system integration field.(7) Promoting the organization using the information technology to manage the potency; Integrate group resources deployment, promote to transfer the investment enterprise achievements; Strengthen various overseas organization function and the establishment, enhance the overall achievements.(8) With reference to corporate operating growth and financial positioning strategies, utilizing financing tools such as optimal capital market and the money market to acquire low-cost working capital as support to sustain operation growth and long-term development needs. Building consensus through engagement to enable teamwork, innovation and execution; materializing the vision to build technologies foundation for sustainable business and pursuing the ultimate interest of shareholders and staff.

Sincerely,

Chairman: Wade Chang      President: Sarah Lin, SY Chen      Accounting Officer: Franck Ho

## **Audit Committee's Report**

To: 2013 General Annual Shareholders' Meeting of Coretronic Corporation

The Board of Directors of the Company has delivered the 2012 business report, the financial statements and the proposed 2012 earnings distribution. The aforesaid 2012 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

Date: April 25, 2013

**INDEPENDENT AUDITORS' REPORT**  
English Translation of a Report Originally Issued in Chinese

To the Board of Directors and Stockholders of Coretronic Corporation

We have audited the accompanying balance sheets of Coretronic Corporation (the "Company") as of December 31, 2012 and 2011, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China (R.O.C.). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coretronic Corporation as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in conformity with requirements of the Business Entity Accounting Act and Regulation on Business Entity Accounting Handling with respect to financial accounting standards, Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the R.O.C.

The Company has prepared consolidated financial statements as of December 31, 2012 and 2011 and for the years then ended. We have expressed an unqualified opinion those consolidated financial statements.

Ernst & Young  
CERTIFIED PUBLIC ACCOUNTANTS  
February 26, 13  
Taipei, Taiwan  
Republic of China

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 financial statements are intended only to present the financial position and 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 audit such financial statements are those generally accepted and applied in the R.O.C.

English Translation of Financial Statements Originally Issued in Chinese  
CORETRONIC CORPORATION  
BALANCE SHEETS  
December 31, 2012 and 2011  
(Expressed in Thousands of New Taiwan Dollars)

	As of December 31,		As of December 31,	
	2012	2011	2012	2011
	Amount	%	Amount	%
<b>A assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 3,871,023	12.30	\$ 4,358,447	14.95
Financial assets at fair value through profit or loss-current	990	-	3,227	0.01
Hedging derivative financial assets-current	32,431	0.10	16,849	0.06
Accounts receivable-net	5,613,201	17.84	2,053,659	7.04
Accounts receivable-related parties-net	1,555,560	4.94	1,922,285	6.59
Other receivables	107,780	0.34	42,414	0.14
Other receivables-related parties	517,936	1.65	591,196	2.03
Inventories-net	1,344,209	4.27	1,410,519	4.84
Prepayments	141,283	0.45	97,697	0.33
Other current assets	27,271	0.09	3,234	0.01
Deferred income tax assets-current	81,203	0.26	72,001	0.25
Restricted assets-current	4,356	0.02	14,629	0.05
<b>Total current assets</b>	<b>13,297,243</b>	<b>42.26</b>	<b>10,586,157</b>	<b>36.30</b>
<b>Funds and investments</b>				
Long-term investments accounted for under the equity method	16,526,142	52.52	16,756,603	57.46
Financial assets measured at cost-noncurrent	221	-	221	-
<b>Total funds and investments</b>	<b>16,526,363</b>	<b>52.52</b>	<b>16,756,824</b>	<b>57.46</b>
<b>Property, plant and equipment</b>				
Land	23,901	0.08	23,901	0.08
Buildings and improvements	2,222,815	7.06	2,235,103	7.67
Machinery and equipments	207,146	0.66	217,384	0.75
Transportation equipments	404	-	404	-
Office equipments	23,845	0.08	24,358	0.08
Leasehold improvements	1,085	-	1,085	-
Other equipments	233,338	0.74	262,577	0.90
Subtotal	2,712,534	8.62	2,764,812	9.48
Less: Accumulated depreciation	(1,102,364)	(3.50)	(994,656)	(3.41)
Accumulated impairment	(66,014)	(0.21)	(70,280)	(0.24)
Prepayments for purchases of machinery and equipment	108	-	108	-
<b>Property, plant and equipment, net</b>	<b>1,544,264</b>	<b>4.91</b>	<b>1,699,984</b>	<b>5.83</b>
<b>Intangible assets</b>				
Patents	13,143	0.04	14,231	0.05
Computer software cost	7,218	0.02	13,768	0.05
<b>Total intangible assets</b>	<b>20,361</b>	<b>0.06</b>	<b>27,999</b>	<b>0.10</b>
<b>Other assets</b>				
Leased assets	46,753	0.15	51,743	0.18
Refundable deposits	11,637	0.04	8,426	0.03
Deferred income tax assets-noncurrent	7,332	0.02	16,745	0.05
Other assets-others	12,692	0.04	14,285	0.05
<b>Total other assets</b>	<b>78,414</b>	<b>0.25</b>	<b>91,199</b>	<b>0.31</b>
<b>Total assets</b>	<b>\$ 31,466,645</b>	<b>100.00</b>	<b>\$ 29,162,163</b>	<b>100.00</b>
<b>Liabilities and Shareholders' Equity</b>				
<b>Current liabilities</b>				
Short-term debts	\$ 3,332,340	10.59	\$ 2,781,626	9.54
Financial liabilities at fair value through profit or loss-current	6,942	0.02	3,328	0.01
Hedging derivative financial liabilities-current	60,142	0.19	13,331	0.05
Notes payable	933	-	853	-
Accounts payable	2,634,689	8.37	2,440,755	8.37
Accounts payable-related parties	2,653,189	8.43	544,636	1.87
Income tax payable	111,398	0.36	275,342	0.94
Accrued expenses	1,158,017	3.68	1,677,374	5.75
Other payables	94,018	0.30	125,883	0.43
Payable to equipment suppliers	17,815	0.06	51,042	0.18
Other current liabilities	419,586	1.33	493,004	1.69
Product warranty liabilities	407,500	1.30	70,401	0.24
<b>Total current liabilities</b>	<b>10,896,569</b>	<b>34.63</b>	<b>8,477,575</b>	<b>29.07</b>
<b>Long-term debts - interest bearing</b>				
Long-term loans	647,592	2.06	-	-
<b>Other liabilities</b>				
Accrued pension liabilities	46,933	0.15	50,516	0.17
Deposits received	119	-	226	-
<b>Total other liabilities</b>	<b>47,052</b>	<b>0.15</b>	<b>50,742</b>	<b>0.17</b>
<b>Total liabilities</b>	<b>11,591,213</b>	<b>36.84</b>	<b>8,528,317</b>	<b>29.24</b>
<b>Stockholders' equity</b>				
Stock	7,240,385	23.01	7,240,385	24.83
Common stock	4,437,847	14.10	4,437,847	15.22
Capital surplus	114,569	0.36	104,980	0.36
Common stock and bonds conversion premiums	472,218	1.50	472,251	1.62
Treasury stocks transactions	2,443,498	7.77	2,292,170	7.86
Change in equities of long-term investments	4,502,785	14.31	4,972,411	16.88
Retained earnings	737,686	2.34	1,290,820	4.42
Legal reserve	(2,854)	(0.01)	(1,339)	-
Unappropriated earnings	(70,702)	(0.22)	(49,168)	(0.17)
Other adjustment in stockholders' equity	-	-	(76,511)	(0.26)
Cumulative translation adjustment	-	-	20,633,846	70.76
Net loss not recognized as pension cost	-	-	-	-
Unrealized gain or loss on financial instruments	-	-	-	-
Treasury stocks	-	-	-	-
<b>Total stockholders' equity</b>	<b>19,875,432</b>	<b>63.16</b>	<b>20,633,846</b>	<b>70.76</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 31,466,645</b>	<b>100.00</b>	<b>\$ 29,162,163</b>	<b>100.00</b>

English Translation of Financial Statements Originally Issued in Chinese  
**CORETRONIC CORPORATION**  
**STATEMENTS OF INCOME**  
For the years ended December 31, 2012 and 2011  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per share)

	For the years ended December 31,			
	2012		2011	
	Amount	%	Amount	%
<b>Operating revenues</b>				
Sales revenues	\$ 21,445,629	102.55	\$ 20,872,251	102.98
Less: sales returns	464,857	2.22	378,045	1.87
sales allowances	69,580	0.33	225,485	1.11
<b>Net operating revenues</b>	<u>20,911,192</u>	<u>100.00</u>	<u>20,268,721</u>	<u>100.00</u>
Cost of goods sold	19,496,600	93.24	18,065,241	89.13
<b>Gross profit</b>	<u>1,414,592</u>	<u>6.76</u>	<u>2,203,480</u>	<u>10.87</u>
Realized intercompany profit	103,879	0.50	87,986	0.44
Unrealized intercompany profit	89,511	0.43	103,879	0.51
<b>Gross profit-net</b>	<u>1,428,960</u>	<u>6.83</u>	<u>2,187,587</u>	<u>10.80</u>
<b>Operating expenses</b>				
Selling	203,226	0.97	336,179	1.66
Administrative	870,022	4.16	760,228	3.75
Research and development	957,346	4.58	1,160,729	5.73
<b>Subtotal</b>	<u>2,030,594</u>	<u>9.71</u>	<u>2,257,136</u>	<u>11.14</u>
<b>Operating loss</b>	<u>(601,634)</u>	<u>(2.88)</u>	<u>(69,549)</u>	<u>(0.34)</u>
<b>Non-operating income</b>				
Interest revenues	17,884	0.09	36,451	0.18
Investment gain accounted for under the equity method, net	1,091,431	5.22	1,155,263	5.70
Dividend income	-	-	62,622	0.31
Gain on disposal of property, plant and equipment	2,268	0.01	540	-
Rent revenue	41,921	0.20	50,305	0.25
Gain on valuation of financial assets and liabilities, net	138,435	0.66	432,317	2.13
Other income	239,188	1.14	156,094	0.77
<b>Subtotal</b>	<u>1,531,127</u>	<u>7.32</u>	<u>1,893,592</u>	<u>9.34</u>
<b>Non-operating expenses</b>				
Interest expense	38,693	0.19	79,954	0.39
Exchange loss, net	74,258	0.35	138,930	0.69
Impairment loss	-	-	39,435	0.19
Other losses	6,429	0.03	7,377	0.04
<b>Subtotal</b>	<u>119,380</u>	<u>0.57</u>	<u>265,696</u>	<u>1.31</u>
<b>Income before income tax</b>	<u>810,113</u>	<u>3.87</u>	<u>1,558,347</u>	<u>7.69</u>
<b>Income tax benefit (expense)</b>	<u>80,051</u>	<u>0.38</u>	<u>(45,069)</u>	<u>(0.22)</u>
<b>Net income</b>	<u>\$ 890,164</u>	<u>4.25</u>	<u>\$ 1,513,278</u>	<u>7.47</u>
	Pre-tax	Post-tax	Pre-tax	Post-tax
<b>Earnings per share-basic (NTD)</b>	<u>\$ 1.12</u>	<u>\$ 1.23</u>	<u>\$ 2.16</u>	<u>\$ 2.09</u>
	Pre-tax	Post-tax	Pre-tax	Post-tax
<b>Earnings per share-diluted (NTD)</b>	<u>\$ 1.11</u>	<u>\$ 1.22</u>	<u>\$ 2.12</u>	<u>\$ 2.06</u>

English Translation of Financial Statements Originally Issued in Chinese  
**CORETRONIC CORPORATION**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
For the years ended December 31, 2012 and 2011  
(In thousands of New Taiwan Dollars)

Description	Retained earnings							Unrealized gain or loss on financial instruments	Treasury Stock	Total stockholders' equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Cumulative translation adjustment	Net loss not recognized as pension cost			
<b>Balance as of January 1, 2011</b>	\$ 7,240,385	\$ 5,005,063	\$ 1,938,635	\$ 23,363	\$ 6,273,440	\$ 175,965	\$ (4,549)	\$ (136,166)	\$ -	\$ 20,516,136
Appropriation and distribution of 2010 retained earnings(Note 1)	-	-	-	-	(353,535)	-	-	-	-	-
Legal reserve	-	-	353,535	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(23,363)	23,363	-	-	-	-	(2,534,135)
Cash dividends	-	-	-	-	(2,534,135)	-	-	-	-	10,015
Adjustment of capital surplus accounted for under the equity method	-	10,015	-	-	1,513,278	-	-	-	-	1,513,278
Net income for the year ended December 31, 2011	-	-	-	-	-	1,114,855	-	-	-	1,114,855
Changes in cumulative translation adjustments	-	-	-	-	-	-	3,210	-	-	3,210
Net loss not recognized as pension cost	-	-	-	-	-	-	-	(51,710)	-	(51,710)
Changes in unrealized gain or loss of available-for-sale financial assets	-	-	-	-	-	-	-	138,708	-	138,708
Changes in unrealized gain or loss of cash flow hedge	-	-	-	-	-	-	-	-	-	-
Treasury stock repurchased	-	-	-	-	-	-	-	-	(76,511)	(76,511)
<b>Balance as of December 31, 2011</b>	7,240,385	5,015,078	2,292,170	-	4,922,411	1,290,820	(1,339)	(49,168)	(76,511)	20,633,846
Appropriation and distribution of 2011 retained earnings (Note 2)	-	-	-	-	(151,328)	-	-	-	-	-
Legal reserve	-	-	151,328	-	-	-	-	-	-	(1,158,462)
Cash dividends	-	-	-	-	(1,158,462)	-	-	-	-	(10)
Adjustment of capital surplus accounted for under the equity method	-	(33)	-	-	890,164	-	23	-	-	890,164
Net income for the year ended December 31, 2012	-	-	-	-	-	(553,134)	-	-	-	(553,134)
Changes in cumulative translation adjustments	-	-	-	-	-	-	(1,538)	-	-	(1,538)
Net loss not recognized as pension cost	-	-	-	-	-	-	-	15,647	-	15,647
Changes in unrealized gain or loss of available-for-sale financial assets	-	-	-	-	-	-	-	(37,181)	-	(37,181)
Changes in unrealized gain or loss of cash flow hedge	-	-	-	-	-	-	-	-	-	-
Treasury stock sold to employees	-	9,589	-	-	-	-	-	-	76,511	86,100
<b>Balance as of December 31, 2012</b>	\$ 7,240,385	\$ 5,024,634	\$ 2,443,498	\$ -	\$ 4,502,785	\$ 737,686	\$ (2,854)	\$ (70,702)	\$ -	\$ 19,875,432

Note 1: Employees' bonuses of NT\$ 480,950 thousand were deducted from statements of income as expenses.

Note 2: Employees' bonuses of NT\$ 191,373 thousand were deducted from statements of income as expenses.

English Translation of Financial Statements Originally Issued in Chinese  
 CORETRONIC CORPORATION  
 STATEMENTS OF CASH FLOWS  
 For the years ended December 31, 2012 and 2011  
 (Expressed in Thousands of New Taiwan Dollars)

Description	For the years ended December 31,	
	2012	2011
Cash flows from operating activities:		
Consolidated net income	\$ 890,164	\$ 1,513,278
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation (including assets leased to others)	178,069	175,829
Amortization	11,323	14,028
Impairment loss	-	39,435
Bad debt (reversal) expenses	(2,364)	2,444
Net gain on disposal of property, plant and equipment	(2,268)	(540)
Inventory loss provision	27,095	14,809
Cash dividends received under the equity method	801,905	1,246,130
Employees' bonuses	125,676	191,373
Transfer of financial assets measured at cost-return of capital to other income	-	(14,477)
Stock-based payment-treasury stock sold to employees	7,108	-
Net gain on equity investments	(1,091,431)	(1,155,263)
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss-current	2,237	7,092
Notes receivable	-	2,830
Accounts receivable	(3,557,178)	730,270
Accounts receivable-related parties	366,725	(229,353)
Other receivables	(65,366)	4,784
Other receivables-related parties	73,260	87,382
Inventories	39,215	(80,140)
Prepayments	(43,586)	(17,536)
Other current assets	(24,037)	1,126
Deferred income tax assets	211	20,085
Financial liabilities at fair value through profit or loss-current	3,614	(179,987)
Notes payable	80	21
Accounts payable	193,934	(1,790,070)
Accounts payable-related parties	2,108,553	(290,556)
Income tax payable	(163,944)	(116,516)
Accrued expenses	(645,033)	(710,200)
Other payables	(31,865)	24,139
Other current liabilities	(73,418)	183,886
Product warranty liabilities	337,099	(277,580)
Deferred income tax liabilities	-	7,396
Accrued pension liabilities	(3,583)	(19,583)
Net cash used in operating activities	(537,805)	(615,464)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(51,648)	(184,691)
Proceeds from disposal of property, plant and equipment	3,330	10,137
Proceeds from disposal of intangible assets	-	116
Financial assets measured at cost-return of capital	-	58,506
Acquisition of long-term investments accounted for under the equity method	(25,000)	(300,000)
Increase in intangible assets	(2,092)	(3,072)
Increase in refundable deposits	(3,211)	(330)
Decrease (increase) in restricted assets	10,273	(3,873)
Net cash used in investing activities	(68,348)	(423,207)
Cash flows from financing activities:		
Increase (decrease) in short-term debts	550,714	(2,968,636)
Decrease in long-term bank loans	-	(436,950)
Increase in long-term bank loans	647,592	-
Decrease in deposits received	(107)	(770)
Repurchase of treasury stock	-	(76,511)
Proceed from disposal of treasury stock	78,992	-
Cash Dividends	(1,158,462)	(2,534,135)
Net cash provided by (used in) financing activities	118,729	(6,017,002)
Net decrease in cash and cash equivalents	(487,424)	(7,055,673)
Cash and cash equivalents at beginning of the period	4,358,447	11,414,120
Cash and cash equivalents at end of the period	\$ 3,871,023	\$ 4,358,447
Supplemental disclosures of cash flow information:		
Interest paid during the year	\$ 39,728	\$ 83,491
Income tax paid during the year	\$ 126,203	\$ 133,832
Cash paid for acquisition of property, plant and equipment:		
Purchase of property, plant and equipment	\$ 18,421	\$ 179,932
Changes in payable to equipment suppliers (including other payable-related parties)	33,227	4,759
Cash paid	\$ 51,648	\$ 184,691

**INDEPENDENT AUDITORS' REPORT**  
English Translation of a Report Originally Issued in Chinese

To the Board of Directors and Stockholders of Coretronic Corporation

We have audited the accompanying consolidated balance sheets of Coretronic Corporation and its subsidiaries (the "Company") as of December 31, 2012 and 2011, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China (R.O.C.). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Coretronic Corporation and its subsidiaries as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in conformity with requirements of the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the R.O.C.

Ernst & Young  
CERTIFIED PUBLIC ACCOUNTANTS  
February 26, 13  
Taipei, Taiwan  
Republic of China

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 financial statements are intended only to present the financial position and 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 audit such financial statements are those generally accepted and applied in the R.O.C.

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
CORBITRONIC CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
December 31, 2012 and 2011  
(Expressed in Thousands of New Taiwan Dollars)

	As of December 31,			As of December 31,		
	2012	2011	%	2012	2011	%
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$ 12,930,125	\$ 14,321,728	28.97	\$ 5,780,723	\$ 7,068,063	14.30
Financial assets at fair value through profit or loss-current	3,944	23,414	0.05	18,921	3,036	0.01
Hedging derivative financial assets-current	42,223	20,866	0.04	76,862	18,325	0.04
Notes receivable-net	340,583	152,276	0.31	5,007	2,201	-
Accounts receivable-net	14,607,751	14,515,714	29.37	12,373,323	12,138,450	24.56
Accounts receivable-related parties-net	4,704	35,566	0.07	8,147	-	-
Other notes receivable	246,602	295,529	0.52	577,816	671,489	1.36
Other notes receivable-related parties	54	74	-	3,103,194	3,569,925	7.22
Investments-net	7,073,084	7,678,860	15.54	7,536	7,674	0.02
Prepayments	493,596	513,471	1.04	522,667	680,122	1.38
Other current assets	146,083	151,933	0.31	59,692	119,993	0.24
Deferred income tax assets-current	164,920	147,396	0.30	882	882	-
Restricted assets-current	76,327	71,388	0.14	659,236	654,960	1.32
<b>Total current assets</b>	<b>36,129,956</b>	<b>37,890,213</b>	<b>76.66</b>	<b>681,560</b>	<b>573,975</b>	<b>1.16</b>
				362	354	-
				<b>23,676,428</b>	<b>25,512,449</b>	<b>51.61</b>
<b>Funds and investments</b>						
Long term investments accounted for under the equity method	-	52,108	0.11	-	-	-
Financial assets at fair value through profit or loss-noncurrent	132,145	113,100	0.23	660,831	14,142	0.03
Available-for-sale financial assets-noncurrent	66,852	62,486	0.13	728	1,137	-
Financial assets measured at cost-noncurrent	273,500	276,157	0.55	-	-	-
<b>Total funds and investments</b>	<b>472,497</b>	<b>503,851</b>	<b>1.02</b>	<b>661,599</b>	<b>15,279</b>	<b>0.03</b>
<b>Property, plant and equipment</b>						
Land	74,900	74,900	0.15	134,412	113,858	0.23
Buildings and improvements	6,256,835	5,852,720	11.80	25,227	34,045	0.05
Machinery and equipments	5,383,717	5,101,312	10.32	7,605	-	-
Transportation equipments	103,854	110,297	0.23	3,505	3,654	0.01
Office equipments	769,818	737,273	1.49	160,749	141,557	0.29
Leasehold assets	1,591	1,885	-	24,698,736	25,669,285	51.93
Leasehold improve assets	2,633,529	2,546,074	5.15	-	-	-
Other equipments	2,098,460	2,016,519	4.08	-	-	-
Subtotal	17,302,302	16,420,880	33.32	-	-	-
Less: Accumulated depreciation	(7,327,075)	(6,662,052)	(13.48)	-	-	-
Accumulated impairment	(14,728)	(687,553)	(1.39)	-	-	-
Construction in progress	14,983	454,103	0.92	-	-	-
Prepayments for purchases of machinery and equipment	94,772	163,821	0.33	-	-	-
<b>Property, plant and equipment, net</b>	<b>9,570,654</b>	<b>9,689,319</b>	<b>19.60</b>	<b>7,340,385</b>	<b>7,340,385</b>	<b>14.65</b>
<b>Intangible assets</b>						
Trademarks	476,542	476,640	0.96	4,477,847	4,477,847	8.98
Patents	13,145	14,251	0.03	114,569	104,980	0.21
Computer software cost	44,387	61,490	0.12	472,218	472,251	0.95
Goodwill	123,487	123,487	0.25	-	-	-
Deferred pension cost	30,015	22,032	0.05	2,443,498	3,15	2,292,170
Technological know-how	-	24,534	0.05	4,502,785	9,48	4,922,411
Rights in use land	87,067	92,830	0.19	737,686	1,595	1,290,820
Intangible assets-others	16,939	5,581	0.01	(2,854)	(1,339)	-
<b>Total intangible assets</b>	<b>791,580</b>	<b>820,825</b>	<b>1.67</b>	<b>(70,702)</b>	<b>(48,168)</b>	<b>(0.10)</b>
<b>Other assets</b>						
Leased assets	273,639	233,842	0.47	19,875,432	20,623,846	41.75
Refundable deposits	120,955	133,343	0.27	2,904,564	3,125,850	6.32
Deferred charges	20,135	28,107	0.06	22,719,996	47,98	23,759,696
Deferred income tax assets-noncurrent	-	36,480	0.07	-	-	-
Restricted assets-noncurrent	21,754	21,394	0.04	-	-	-
Other assets-others	67,562	71,605	0.15	-	-	-
<b>Total other assets</b>	<b>504,045</b>	<b>524,771</b>	<b>1.06</b>	<b>\$ 47,478,732</b>	<b>\$ 49,428,981</b>	<b>100.00</b>
<b>Total assets</b>	<b>\$ 47,478,732</b>	<b>\$ 49,428,981</b>	<b>100.00</b>	<b>\$ 47,478,732</b>	<b>\$ 49,428,981</b>	<b>100.00</b>
<b>Liabilities and Shareholders' Equity</b>						
<b>Current liabilities</b>						
Short-term debts	\$ 5,780,723	\$ 7,068,063	14.30	-	-	-
Financial liabilities at fair value through profit or loss-current	18,921	3,036	0.01	-	-	-
Hedging derivative financial liabilities-current	76,862	18,325	0.04	-	-	-
Notes payable	5,007	2,201	-	-	-	-
Accounts payable	12,373,323	12,138,450	24.56	-	-	-
Accounts payable-related parties	8,147	-	-	-	-	-
Income tax payable	577,816	671,489	1.36	-	-	-
Accrued expenses	3,103,194	3,569,925	7.22	-	-	-
Other payables-related parties	7,536	7,674	0.02	-	-	-
Other payables	522,667	680,122	1.38	-	-	-
Payable to equipment suppliers	59,692	119,993	0.24	-	-	-
Current portion of long-term loans	882	882	-	-	-	-
Other current liabilities	659,236	654,960	1.32	-	-	-
Product warranty liabilities	681,560	1,43	0.00	-	-	-
Leasehold payables-current	362	354	-	-	-	-
<b>Total current liabilities</b>	<b>23,676,428</b>	<b>25,512,449</b>	<b>51.61</b>	<b>660,831</b>	<b>14,142</b>	<b>0.03</b>
				728	1,137	-
				<b>661,599</b>	<b>15,279</b>	<b>0.03</b>
<b>Long-term debts - interest bearing</b>						
Long-term loans	-	-	-	-	-	-
Leasehold payables-noncurrent	-	-	-	-	-	-
<b>Total long-term debts - interest bearing</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other liabilities</b>						
Accrued pension liabilities	134,412	113,858	0.23	-	-	-
Deposits received	25,227	34,045	0.05	-	-	-
Deferred income tax liabilities-noncurrent	7,605	-	-	-	-	-
Other liabilities-others	3,505	3,654	0.01	-	-	-
<b>Total other liabilities</b>	<b>160,749</b>	<b>141,557</b>	<b>0.29</b>	<b>24,698,736</b>	<b>25,669,285</b>	<b>51.93</b>
<b>Total liabilities</b>	<b>24,698,736</b>	<b>25,669,285</b>	<b>51.93</b>	<b>7,340,385</b>	<b>7,340,385</b>	<b>14.65</b>
<b>Shareholders' equity</b>						
Stock	-	-	-	-	-	-
Common stock	-	-	-	-	-	-
Capital surplus	-	-	-	-	-	-
Common stock and bonds conversion premiums	-	-	-	-	-	-
Treasury stocks transactions	-	-	-	-	-	-
Change in equities of long-term investments	-	-	-	-	-	-
Retained earnings	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-
Unappropriated earnings	-	-	-	-	-	-
Other adjustment in shareholders equity	-	-	-	-	-	-
Cumulative translation adjustment	-	-	-	-	-	-
Net loss not recognized as pension cost	-	-	-	-	-	-
Unrealized gain or loss on financial instruments	-	-	-	-	-	-
Treasury stocks	-	-	-	-	-	-
<b>Total shareholders' equity of parent company</b>	<b>19,875,432</b>	<b>20,623,846</b>	<b>41.75</b>	<b>19,875,432</b>	<b>20,623,846</b>	<b>41.75</b>
Minority interests	2,904,564	3,125,850	6.32	2,904,564	3,125,850	6.32
<b>Total shareholders' equity</b>	<b>22,779,996</b>	<b>23,749,696</b>	<b>48.07</b>	<b>22,779,996</b>	<b>23,749,696</b>	<b>48.07</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 47,478,732</b>	<b>\$ 49,428,981</b>	<b>100.00</b>	<b>\$ 47,478,732</b>	<b>\$ 49,428,981</b>	<b>100.00</b>

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
**CORETRONIC CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
For the years ended December 31, 2012 and 2011  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per share.)

	For the years ended December 31,			
	2012		2011	
	Amount	%	Amount	%
<b>Operating revenues</b>				
Sales revenues	\$ 69,373,624	102.58	\$ 79,455,189	103.10
Less: sales returns	1,256,626	1.86	1,834,222	2.38
sales allowances	490,709	0.72	558,173	0.72
<b>Net operating revenues</b>	<b>67,626,289</b>	<b>100.00</b>	<b>77,062,794</b>	<b>100.00</b>
Cost of goods sold	58,556,444	86.59	66,719,068	86.58
<b>Gross profit</b>	<b>9,069,845</b>	<b>13.41</b>	<b>10,343,726</b>	<b>13.42</b>
<b>Operating expenses</b>				
Selling	2,617,638	3.87	2,890,083	3.75
Administrative	2,663,961	3.94	2,777,610	3.61
Research and development	2,785,986	4.12	2,653,830	3.44
<b>Subtotal</b>	<b>8,067,585</b>	<b>11.93</b>	<b>8,321,523</b>	<b>10.80</b>
<b>Operating income</b>	<b>1,002,260</b>	<b>1.48</b>	<b>2,022,203</b>	<b>2.62</b>
<b>Non-operating income</b>				
Interest revenues	191,728	0.28	208,417	0.27
Investment gain accounted for under the equity method, net	3,069	-	3,757	0.01
Dividend income	10,316	0.02	77,996	0.10
Gain on disposal of property, plant and equipment	18,812	0.03	-	-
Gain on disposal of investments	7,836	0.01	94,073	0.12
Exchange gain, net	-	-	10,792	0.01
Gain on valuation of financial assets and liabilities, net	174,445	0.26	487,154	0.63
Other income	338,379	0.50	243,850	0.32
<b>Subtotal</b>	<b>744,585</b>	<b>1.10</b>	<b>1,126,039</b>	<b>1.46</b>
<b>Non-operating expenses</b>				
Interest expense	131,465	0.20	191,855	0.25
Loss on disposal of property, plant and equipment	-	-	27,906	0.04
Exchange loss, net	1,722	-	-	-
Impairment loss	96,179	0.14	349,157	0.44
Other losses	49,379	0.07	58,138	0.08
<b>Subtotal</b>	<b>278,745</b>	<b>0.41</b>	<b>627,056</b>	<b>0.81</b>
Income before income tax	1,468,100	2.17	2,521,186	3.27
Income tax expense	(412,739)	(0.61)	(602,490)	(0.78)
<b>Consolidated net income</b>	<b>\$ 1,055,361</b>	<b>1.56</b>	<b>\$ 1,918,696</b>	<b>2.49</b>
<b>Income attributed to:</b>				
Shareholders of the parent company	\$ 890,164	1.32	\$ 1,513,278	1.96
Minority interests	165,197	0.24	405,418	0.53
<b>Consolidated net income</b>	<b>\$ 1,055,361</b>	<b>1.56</b>	<b>\$ 1,918,696</b>	<b>2.49</b>

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
CORPETRONIC CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
For the years ended December 31, 2012 and 2011  
(Expressed in Thousands of New Taiwan Dollars)

Description	Retained earnings							Treasury Stock	Equity attributable to shareholders of the parent	Minority interests	Total shareholders' equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Cumulative transition adjustment	Net loss not recognized as pension cost				
<b>Balance as of January 1, 2011</b>	\$ 7,240,385	\$ 5,005,063	\$ 1,938,635	\$ 23,363	\$ 4,273,440	\$ 17,5965	\$ (4,549)	\$ -	\$ 20,516,136	\$ 2,756,231	\$ 23,272,367
Appropriation and distribution of 2010 retained earnings(Notes1)	-	-	-	-	(353,535)	-	-	-	-	-	-
Legal reserve	-	-	353,535	-	-	-	-	-	-	-	-
Special reserve	-	-	-	(23,363)	23,363	-	-	-	-	-	-
Cash dividends	-	-	-	-	(2,534,135)	-	-	-	(2,534,135)	-	(2,534,135)
Adjustment of capital surplus accounted for under the equity method	-	-	-	-	-	-	-	-	-	-	-
Net income for the year ended December 31, 2011	-	10,015	-	-	-	-	-	-	10,015	-	10,015
Parent company's shareholders	-	-	-	-	1,513,278	-	-	-	1,513,278	-	1,513,278
Changes in cumulative transition adjustments	-	-	-	-	-	1,114,855	-	-	1,114,855	-	1,114,855
Net loss not recognized as pension cost	-	-	-	-	-	-	3,210	-	-	-	3,210
Changes in unrealized gain or loss of available-for-sale financial assets	-	-	-	-	-	-	-	(51,710)	(51,710)	-	(51,710)
Changes in unrealized gain or loss of cash flow hedge	-	-	-	-	-	-	-	138,708	138,708	-	138,708
Treasury stock repurchased	-	-	-	-	-	-	-	(76,511)	(76,511)	-	(76,511)
Changes in minority interests	-	-	-	-	-	-	-	-	-	360,619	360,619
<b>Balance as of December 31, 2011</b>	\$ 7,240,385	\$ 5,015,078	\$ 2,292,170	\$ -	\$ 4,922,411	\$ 1,290,820	\$ (1,339)	\$ (49,168)	\$ 20,633,846	\$ 3,125,850	\$ 23,759,696
<b>Balance as of January 1, 2012</b>	\$ 7,240,385	\$ 5,015,078	\$ 2,292,170	\$ -	\$ 4,922,411	\$ 1,290,820	\$ (1,339)	\$ (49,168)	\$ 20,633,846	\$ 3,125,850	\$ 23,759,696
Appropriation and distribution of 2011 retained earnings (Notes2)	-	-	151,328	-	(151,328)	-	-	-	-	-	-
Legal reserve	-	-	151,328	-	-	-	-	-	-	-	-
Cash dividends	-	(33)	-	-	(1,158,462)	-	-	-	(1,158,462)	-	(1,158,462)
Adjustment of capital surplus accounted for under the equity method	-	-	-	-	-	-	23	-	(10)	-	(10)
Net income for the year ended December 31, 2012	-	-	-	-	-	(553,134)	-	-	-	-	-
Parent company's shareholders	-	-	-	-	890,164	-	-	-	890,164	-	890,164
Changes in cumulative transition adjustments	-	-	-	-	-	(553,134)	-	-	(553,134)	-	(553,134)
Net loss not recognized as pension cost	-	-	-	-	-	-	(1,538)	-	(1,538)	-	(1,538)
Changes in unrealized gain or loss of available-for-sale financial assets	-	-	-	-	-	-	-	15,647	15,647	-	15,647
Changes in unrealized gain or loss of cash flow hedge	-	-	-	-	-	-	-	(37,181)	(37,181)	-	(37,181)
Treasury stock sold to employees	-	-	-	-	-	-	-	76,511	76,511	-	76,511
Changes in minority interests	-	9,589	-	-	-	-	-	-	86,100	-	86,100
<b>Balance as of December 31, 2012</b>	\$ 7,240,385	\$ 5,024,634	\$ 2,443,498	\$ -	\$ 4,502,785	\$ 737,686	\$ (2,854)	\$ (70,702)	\$ 19,875,432	\$ 2,904,564	\$ 22,779,996

Note1: Employees' bonuses of NT\$ 480,950 thousand were deducted from consolidated statements of income as expenses.

Note2: Employees' bonuses of NT\$ 191,373 thousand were deducted from consolidated statements of income as expenses.

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
 CONECTRONIC CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 For the years ended December 31, 2012 and 2011  
 (Expressed in Thousands of New Taiwan Dollars)

Description	For the years ended December 31,	
	2012	2011
<b>Cash flows from operating activities :</b>		
Consolidated net income	\$ 1,051,361	\$ 1,918,696
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation (including assets leased to others)	1,389,646	1,425,438
Amortization	99,494	141,927
Impairment loss	96,179	249,127
Bad debt (reversal) on payees	(56,822)	42,778
Inventory loss provision	213,270	262,528
Employee bonuses	213,734	332,246
Transfer of properties to operating expenses	271	334
Net (gain) loss on disposal of property, plant and equipment	(18,812)	27,906
Gain on disposal of investments	(7,836)	(94,073)
Transfer of financial assets measured at cost-returns of capital to other income	-	(14,477)
Unrealized gain on valuation of financial assets and liabilities	(19,042)	-
Loss on disposal of intangible assets (Under other losses)	4	-
Stock-based payment-treasury stock sold to employees	7,108	-
Net gain on equity investments	(3,699)	(3,737)
<b>Changes in operating assets and liabilities:</b>		
Financial assets at fair value through profit or loss-current	21,470	(9,502)
Notes receivable	(188,207)	(32,470)
Accounts receivable	(18,071)	(241,602)
Accounts receivable-related parties	30,862	(16,647)
Other receivables-related parties	20	1,062
Other receivables	(1,073)	(10,266)
Inventories	413,186	(1,160,148)
Prepayments	23,680	140,234
Other current assets	5,880	(44,280)
Deferred income tax assets	18,956	21,022
Financial liabilities at fair value through profit or loss-current	13,882	(189,146)
Notes payable	2,886	(16,501)
Accounts payable	233,873	(1,193,077)
Accounts payable-related parties	8,147	-
Income tax payable	(92,672)	(244,672)
Accrued expenses	(670,498)	(927,422)
Other payables-related parties	(138)	3,173
Other payables	(157,432)	(123,842)
Other current liabilities	4,776	141,109
Product warranty liabilities	107,582	(117,234)
Deferred income tax liabilities	7,629	(178,004)
Accrued pension liabilities	1,033	(15,669)
<b>Net cash provided by operating activities</b>	<b>2,733,992</b>	<b>154,822</b>
<b>Cash flows from investing activities :</b>		
Acquisition of financial assets at fair value through profit or loss	-	(112,100)
Proceeds from disposal of available-for-sale financial assets-measurement	11,438	-
Acquisition of available-for-sale financial assets-measurement	-	(114,186)
Financial assets measured at cost-returns of capital	-	38,506
Proceeds from disposal of subsidiaries	-	174,734
Decrease in long-term investments at equity	62,237	-
Purchase of property, plant and equipment	(1,074,134)	(2,162,338)
Proceeds from disposal of property, plant and equipment	188,102	101,282
Increase in intangible assets	(48,432)	(47,807)
Proceeds from disposal of intangible assets	-	217
Increase in assets leased to others	-	(220)
Decrease (increase) in refundable deposits	12,288	(29,688)
Increase in deferred expenses	-	(72,232)
Increase in restricted assets	(2,299)	(9,260)
Decrease (increase) in other assets-others	2,490	(5,274)
<b>Net cash used in investing activities</b>	<b>(1,621,223)</b>	<b>(2,222,264)</b>
<b>Cash flows from financing activities :</b>		
Decrease in short-term debts	(1,287,240)	(4,471,700)
Decrease in long-term bank loans	(902)	(202,204)
Increase in long-term bank loans	647,892	-
Increase in deposits received	1,182	14,901
Cash Dividends	(1,158,462)	(2,234,122)
(Decrease) increase in other liabilities-others	(149)	129
Decrease in lease payable	(401)	(262)
Repurchase of treasury stock	-	(76,511)
Proceed from disposal of treasury stock	74,892	-
Change in minority interests	(286,492)	(23,784)
<b>Net cash used in financing activities</b>	<b>(2,103,982)</b>	<b>(7,298,826)</b>
Effect of changes in consolidated entity	-	(244)
Effect of exchange rate	(268,190)	628,777
<b>Net decrease in cash and cash equivalents</b>	<b>(1,207,603)</b>	<b>(8,026,823)</b>
Cash and cash equivalents at beginning of the period	14,321,728	23,258,562
<b>Cash and cash equivalents at end of the period</b>	<b>\$ 12,938,125</b>	<b>\$ 14,921,728</b>
<b>Supplemental disclosures of cash flow information :</b>		
Interest paid during the periods	\$ 131,892	\$ 176,106
Income tax paid during the periods	\$ 348,461	\$ 489,207
<b>Non-cash activities:</b>		
Current portion of long-term loans	\$ 882	\$ 882
Current portion of leasehold payable	\$ 362	\$ 334
<b>Cash paid for acquisition of property, plant and equipment :</b>		
Purchase of property, plant and equipment	\$ 1,012,823	\$ 2,126,689
Change in payable to equipment suppliers	60,301	38,669
<b>Cash paid</b>	<b>\$ 1,074,134</b>	<b>\$ 2,165,358</b>

## Comparison Table of Amendments to the Procedures of Loaning of Funds and Making of Endorsements/Guarantees

Current Provisions	Proposed Amendments
1. Purpose: Procedure for Loaning, Endorsement and Guarantee Operational procedures are stipulated pursuant to Article 36-1 of the Securities and Exchange Act, regarding “Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies”.	1. Purpose: Procedure for Loaning, Endorsement and Guarantee Operational procedures are stipulated pursuant to Article 36-1 of the Securities and Exchange Act ( <u>The Act</u> ), regarding “Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies”.
2.2 Endorsement used in this regulation is defined as to the endorsement or guarantee held in the name of the company made to meet the financing needs of others.	2.2 Endorsement used in this <del>regulation</del> <u>procedure</u> is defined as to the endorsement or guarantee held in the name of the company made to meet the financing needs of others.
3.2 Financing amount means the cumulative balance of the company’s short-term financing.	<del>3.2 Financing amount means the cumulative balance of the company’s short term financing.</del>
3.3 Parent company and Subsidiaries : As defined in accordance with Statement of Financial Accounting Standards (SFAS) #5 and #7 promulgated by the Accounting Research and Development Foundation of the Republic of China.	3.23 Parent company <del>and</del> , Subsidiaries and <u>evaluated in equity method</u> : As defined in accordance with <del>Statement of Financial Accounting Standards- (SFAS) #5 and #7 promulgated by the Accounting Research and Development Foundation of the Republic of China</del> <u>Regulations Governing the Preparation of Financial Reports by Securities Issuers or International Financial Reporting Standards (“IFRSs”)</u> .
3.4 Related party: As defined in Company Act Article 369-1.	3.34 Related party: As defined in Company Act Article 369-1.
3.5 Subsidiary: As defined in Company Act Article 369-2.	3.45 Subsidiary: As defined in Company Act Article 369-2.
Newly added	<u>3.5 Net Worth : As defined in the event that the financial statements of a public company are prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, the equity attribute to owners of the Parent to be disclosed in the balance sheet.</u>
Newly added	<u>3.6 Date of Occurrence : As defined as the date of contract signing, date of payment, dates of boards of directors resolutions, or other date on which the counterparty and monetary amount of the transaction can be confirmed, whichever date is earlier.</u>

Current Provisions	Proposed Amendments
<p>4.2 Accounting Department:</p> <p>1)The company evaluate the loans extending to others and reserve sufficient allowance for bad debts in accordance with “General Accept Accounting Principle” .</p> <p>2)The company assess and recognize the probable loss in loan endorsements or guarantee in accordance with “General Accept Accounting Principle”.</p>	<p>4.2 Accounting Department:</p> <p>1)The company <u>shall</u> evaluate the loans extending to others and reserve sufficient allowance for bad debts <del>in accordance with “General Accept Accounting Principle”</del> (GAAP).</p> <p>2)The company <u>shall</u> assess and recognize the probable loss in loan endorsements or guarantee <del>in accordance with “General Accept Accounting Principle”</del> (GAAP).</p>
<p>6.1.1The company reveals the indispensability and the reasonableness of extending loans to others: Skip Short-term defined as a period of one year. Affiliated company and subsidiaries defined in accordance with the Company Law.</p>	<p>6.1.1The company reveals the indispensability and the reasonableness of extending loans to others: Skip <del>Short term defined as a period of one year. Affiliated company and subsidiaries defined in accordance with the Company Law.</del></p>
<p>6.1.2 The company may extend loans to others in case of the need for short-term financing or in business transactions. The limits of the aggregate amount of extending loans to others and its subsidiaries are set forth as following situations :</p> <p>(1)~(3) Skip</p> <p>(4) Among overseas companies holding directly or indirectly 100% voting shares that may extend loans to each other, in addition, total amount of the loans extending to others and to one individual borrower shall not exceed 50% of the company’s net worth.</p>	<p>6.1.2 The company may extend loans to others in case of the need for short-term financing or in business transactions. The limits of the aggregate amount of extending loans to others and its subsidiaries are set forth as following situations :</p> <p>(1)~(3) Skip</p> <p>(4) Among overseas companies holding directly or indirectly 100% voting shares that may extend <u>short-term</u> loans to each other, in addition, total amount of the loans extending to others and to one individual borrower shall not exceed 50% of the company’s net worth.</p>
<p>6.1.3 Skip</p> <p>The loans extending by the company to any subsidiaries or between the subsidiaries shall submit the prior regulation to Board of Directors for resolution, and Board of Directors authorize the Chairman to make the lending to the same party within the range resolved by the Board of Directors and in installments or on a revolving basis within one year. In addition meeting the limit as set forth in Article 6.1.2(4), the amount of loans extending to one enterprise by the company or to any of its subsidiaries shall not exceed 10% of the net worth shown on the most recent financial statements of such enterprise.</p>	<p>6.1.3 Skip</p> <p>The loans extending by the company to any subsidiaries or between the subsidiaries shall submit the <del>prior regulation</del> to Board of Directors of <u>the lending companies</u> for approval <u>whose</u> Board of Directors may authorize the Chairman to make the lending to the same party within the range resolved by the Board of Directors and in installments or on a revolving basis within one year. <del>In addition, meeting the limit as set forth in Article 6.1.2(4), the amount of loans extending to one enterprise by the company or to any of its subsidiaries</del> the agreed limited in installments or on a revolving basis shall not exceed 10% of the net worth shown on the most recent financial statements of such enterprise.</p>
<p>6.1.5 If the company has independent director(s), when submitting the procedures of loaning of Funds and making of endorsements /guarantees, the opinions of independent director(s) shall be taken into consideration, their opinions and</p>	<p>6.1.5 <del>If</del> The company <del>has independent director(s), when</del> submitting the procedures of loaning of Funds and making of endorsements /guarantees, the opinions of independent director(s) shall be taken into consideration, their opinions and</p>

Current Provisions	Proposed Amendments
<p>reasons of agreement and objection shall be recorded in the meeting minutes of Board of Directors.</p>	<p>reasons of agreement and objection shall be recorded in the meeting minutes of Board of Directors.</p>
<p>6.1.8 (1)~(3)、(6)及(8) Skip (4)The borrower shall discharge the debts when payment due or before expiry date. The finance department shall calculate the accrued interest payable, and write off the promissory note or cancel the mortgage when borrower repaid the principle. (5)The period of proceeding financing matters of the company, for each financing party and the limits shall be resolved by board meeting, and shall not exceed one year.  (7)Finance department shall submit the balance of the loan to board of directors; And reserve sufficient allowance for bad debts in accordance with (GAAP) published by R.O.C., meanwhile, provide the relevant information to the Certified Public Accountants so that the Certified Public Accountant may take audit procedures as necessary and to issue appropriate audit report.</p>	<p>6.1.8 (1)~(3)、(6)及(8) Skip (4)The <del>borrower</del> <u>financing party</u> shall discharge the debts when payment due or before expiry date. The finance department shall calculate the accrued interest payable, and <u>shall return the security</u> <del>write off the promissory note or cancel the mortgage</del> when borrower repaid the principle. (5)The period of proceeding <u>extending loads to others</u> <del>processing financing matters</del> of the company, for each financing party and the limits shall be resolved by board meeting, and shall not exceed one year. (7) Finance department shall submit the balance of the loan to board of directors; <u>And accounting department shall reserve</u> sufficient allowance for bad debts <del>in accordance with “General Accept Accounting Principle”</del> (GAAP) published by <del>R.O.C.</del>, meanwhile, provide the relevant information to the Certified Public Accountants so that the Certified Public Accountant may take audit procedures as necessary and to issue appropriate audit report.</p>
<p>6.1.9The loan interest rate of the company, shall not lower than the average short-term loan interest rate among banks. If the case against the Article 6.1.7, the company shall undertake to dispose the guarantees to recover the loss, and impose extra 10% penalty according to the agreed interest rate.</p>	<p>6.1.9The loan interest rate of the company, shall not lower than average short-term loan interest rate among banks. <u>If there is exception it shall be resolved by board meeting.</u> <del>If the case against the Article 6.1.7, the company shall undertake to dispose the guarantees to recover the loss, and impose extra 10% penalty according to the agreed interest rate.</del></p>
<p>6.1.10Information Disclosure: (2)、(4) Skip (1)When the company being public issued, the Company shall disclosure the report of the Company in compliance with the Regulations of the Financial Supervisory Committee of the Executive Yuan.  (3)When the Company reach one of the following criteria , the company shall announce and report when its occurrence within two days: (A)~(C) Skip</p>	<p>6.1.10Information Disclosure: (2)、(4) Skip (1)The procedure defined <del>When the company being public issued, the Company shall disclosure</del> the report of the Company in compliance with the <u>competent authority Regulations of the Financial Supervisory Committee of the Executive Yuan.</u> (3)When the Company reach one of the following criteria , the company shall announce and report the matters <del>when</del> <u>on the date of its</u> occurrence within two days: (A)~(C) Skip</p>
<p>6.2.1 To whom endorsements/guarantees is made Skip</p>	<p>6.2.1 To whom endorsements/guarantees is made Skip</p>

Current Provisions	Proposed Amendments
<p>Among the companies are applicable to make endorsements/grantees.</p> <p>Companies in which the company holds, directly or indirectly, not only the company but also the other company holding more than 50%. The term other company defined as previous calculation above 50% shares.</p> <p>Based mutual guarantee as required under the contract with a fellow company, or where, as one of the investing shareholders, the company may grant endorsements/ guarantees and may be free of the aforementioned restriction upon whom beneficiaries of endorsements/guarantees. The term "investment" refers to a capital injection directly by a public company or indirectly through a company which the public company holds 100% of voting shares.</p>	<p>Among the companies are applicable to make endorsements/grantees.</p> <p><del>Companies in which the company holds, directly or indirectly, not only the company but also the other company holding more than 50%. The term other company defined as previous calculation above 50% shares.</del></p> <p><del>Based mutual guarantee as required under the contract with a fellow company, or where, as one of the investing shareholders, the company may grant endorsements/ guarantees and may be free of the aforementioned restriction upon whom beneficiaries of endorsements/guarantees. The term "investment" refers to a capital injection directly by a public company or indirectly through a company which the public company holds 100% of voting shares.</del></p>
<p>6.2.2 The total amount of endorsements/ guarantees extending to the company or subsidiaries, the limits of endorsements/guarantees, the norms of authorization and the amounts are set forth as following:</p> <p>(1) The accumulated amount of endorsements/ guarantees extending to external enterprise shall not exceed of the Company's net worth as stated in its latest financial statement.</p> <p>(2) The amount of endorsements/guarantees extending to one enterprise shall not exceed 50% of the Company's net worth as stated in its latest financial statement.</p> <p>(3) The total amount of endorsements/guarantees by the company or its subsidiary shall not exceed of the Company's net worth as stated in its latest financial statement. The amount of endorsements/ guarantees provided to a single enterprise shall not exceed 50% of the said total amount.</p> <p>(4) Skip</p> <p>(5) Among the directly and indirectly holds extend 90% shares, there should be resolved by resolution of board meeting, and the amount shall not exceed by 10% , and which is subject to the Company's net worth as stated in its latest financial statement. However, the directly and indirectly hold voting right by 100% of the company extending to others is the exception.</p>	<p>6.2.2 The total amount of endorsements/ guarantees extending to the company or <u>the company and</u> subsidiaries, the limits of endorsements/ guarantees, <del>the norms of authorization and the amounts are set forth</del> as following:</p> <p>(1) The accumulated amount of <u>the company's</u> endorsements/ guarantees extending to external enterprise shall not exceed the Company's net worth as stated in its latest financial statement.</p> <p>(2) The amount of <u>the company's</u> endorsements/ guarantees extending to one enterprise shall not exceed 50% o of the Company's net worth as stated in its latest financial statement.</p> <p>(3) The total amount of endorsements/guarantees by the company or <u>the company and</u> its subsidiary shall not exceed of the Company's net worth as stated in its latest financial statement. The amount of endorsements/ guarantees provided to a single enterprise shall not exceed 50% of the said total amount.</p> <p>(4) Skip</p> <p>(5) Among the directly and indirectly holds extend 90% shares, <del>there should be resolved by resolution of board meeting</del>, and the amount shall not exceed by 10% , and which is subject to the Company's net worth as stated in its latest financial statement. <del>However, the directly and indirectly hold voting right by 100% of the company extending to others is the exception.</del></p>

Current Provisions	Proposed Amendments
(6) Newly added	(6) <u>Directly and indirectly hold voting right by 100% extending to each other of the company and the subsidiaries, the total amount of endorsements/guarantees shall not exceed of the Company's net worth as stated in its latest financial statement. Moreover, the limit to single enterprise is 50%.</u>
<p>6.2.3When the company implemented endorsements/guarantees to others shall be subject to the Article 6.2.2, there should report to Board of Directors to approve the granted limits beforehand, or when the Board of Directors is convened and to authorize the chairman for the preceding. Such endorsement/ guarantee should be recognized by the most recent meeting of the Board of Directors afterwards.</p> <p>Newly added</p> <p>Newly added</p> <p>If the company has independent director(s), when submitting these Regulations to the Board of Directors for discussion as set forth in the preceding paragraph, the opinions of independent director(s) shall be taken into consideration, and also record the reason of agreement or objection into the minutes.</p>	<p>6.2.3 When the company implemented endorsements/guarantees to others shall be subject to the Article 6.2.2, there should report to Board Directors to <del>approve</del> the granted limits beforehand, or when the Board of Directors is convened and to authorize the chairman for the preceding. Such endorsement/ guarantee should be recognized by the most recent meeting of the Board of Directors afterwards.</p> <p><u>Directly and indirectly hold voting right by 90% of the subsidiary extending to others subsidiaries of the company, the limit of endorsement/ guarantee should be subject to the Article 6.2.2 ,there should resolve by resolution of the Board of Directors.</u></p> <p><u>Directly and indirectly hold voting right by 100% of the subsidiary extending to others subsidiaries of the company, the limit of endorsement/ guarantee should be subject to the Article 6.2.2 ,there should resolve by resolution of the Directors.</u></p> <p>If<del>The company has independent director(s)</del>, when submitting these Regulations to the Board of Directors for discussion as set forth in the preceding paragraph, the opinions of independent director(s) shall be taken into consideration, and also record the reason of agreement or objection into the minutes.</p>
6.2.8 The company shall assess and recognize the contingent loss in endorsements/guarantees and shall have the endorsements/guarantees related information disclosed in the financial statements in accordance with Statement of Financial Accounting Standards (SFAS) #9 and shall, meanwhile, provide the relevant information to the Certified Public Accountants so that the Certified Public Accountant may take audit procedures as necessary and to issue appropriate audit report.	6.2.8 The company shall assess and recognize the contingent loss in endorsements/guarantees and shall have the endorsements/guarantees related information disclosed in the financial statements <del>in accordance with Statement of Financial Accounting Standards (SFAS) #9 and shall</del> , meanwhile, provide the relevant information to the Certified Public Accountants so that the Certified Public Accountant may take audit procedures as necessary and to issue appropriate audit report.

Current Provisions	Proposed Amendments
<p>6.2.9 Skip</p> <p>If the company has independent directors, when submitting these Regulations to the Board of Directors for discussion as set forth in the preceding paragraph, the opinions of independent directors shall be taken into consideration, and also record the reason of agreement or objection into the minutes.</p>	<p>6.2.9 Skip</p> <p><del>If</del>The company <del>has independent directors</del>, when submitting these Regulations to the Board of Directors for discussion as set forth in the preceding paragraph, the opinions of independent directors shall be taken into consideration, and also record the reason of agreement or objection into the minutes.</p>
<p>6.2.10 Where as a result of changes of condition, the entity for which an endorsement/guarantee is made no longer meets the requirements, or the amount of endorsement/ guarantee exceeds the limit, the Company shall adopt the rectification plans and submit the rectification plans to Audit Committee, and shall complete the rectification according to the timeframe set out in the plan.</p>	<p>6.2.10 Where as a result of changes of condition, the entity for which an endorsement/guarantee is made no longer meets the requirements <u>of the Procedures</u>, or the amount of endorsement/ guarantee exceeds the limit, the Company shall adopt the rectification plans and submit the rectification plans to Audit Committee, and shall complete the rectification according to the timeframe set out in the plan.</p>
<p>6.2.11 Information Disclosure</p> <p>(2) 、(4) Skip</p> <p>(1)When the company being public issued, the Company shall disclosure the report of the Company in compliance with the Regulations of the Financial Supervisory Committee of the Executive Yuan.</p> <p>(3) When the Company reach one of the following criteria , the company shall announce and report when its occurrence within two days:</p> <p>(A)The aggregate balance of endorsements/ guarantees by the Company and its Subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(B) The balance of endorsements / guarantees by the Company and its Subsidiaries for a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(C) The balance of endorsements / guarantees by the Company and its Subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/ guarantees for, investment a long-term, and balance of loans to, such enterprise reaches 30 percent or more of Company's net worth as stated in its latest financial statement.</p> <p>(D) The amount of new endorsements / guarantees made by the Company or its Subsidiaries</p>	<p>6.2.11 Information Disclosure</p> <p>(2) 、(4) Skip</p> <p>(1)The procedure defined <del>When the company being public issued, the Company shall</del> disclosure the report of the Company in compliance with the <u>competent authority Regulations of the Financial Supervisory Committee of the Executive Yuan</u>.</p> <p>(3)When the Company reach one of the following criteria , the company shall announce and report the matters <del>when</del> <u>on the date of its</u> occurrence within two days:</p> <p>(A)The aggregate balance of endorsements/ guarantees by the Company and its Subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(B) The balance of endorsements / guarantees by the Company and its Subsidiaries for a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(C) The balance of endorsements / guarantees by the Company and its Subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/ guarantees for, investment a long-term <u>nature in</u>, and balance of loans to, such enterprise reaches 30 percent or more of Company's net worth as stated in its latest financial statement.</p> <p>(D) The amount of new endorsements / guarantees made by the Company or its Subsidiaries</p>

Current Provisions	Proposed Amendments
reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.	reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.
6.2.12 When the subsidiary of the company extends loans to others for operating activities, the subsidiary shall be subject to the policies of “Procedures of Loaning of Funds and Making of Endorsements/Guarantees” and “Procedures for Supervision of Subsidiaries”. The overseas subsidiaries, the Article 6.2.6 the special registered specimen seal to be used for endorsements/guarantees which should be just the registered specimen seal that the company used to apply the competent authority for incorporation registration.	6.2.12 When the subsidiary of the company extends loans to others for operating activities, the subsidiary shall be subject to the policies of “Procedures of Loaning of Funds and Making of Endorsements/Guarantees” and “Procedures for Supervision of Subsidiaries”. The overseas subsidiaries, the Article 6.2.6 the special registered specimen seal to be used for endorsements/guarantees which should be just the registered specimen seal that the company used to apply the competent authority for incorporation registration. <u>However, in the case of the subsidiaries have no registered specimen seal, the chairman of Board of Directors is authorized to sign the letter of guarantee.</u>
6.3 In the case of when manager and the account in charge who against the procedure of endorsements/guarantees regulated by Financial Supervisory Commission of the R.O.C. and the procedures, should be disciplined or punished for each case according to Personnel Governing policy and Employee Handbook.	6.3 In the case of when manager and the account in charge who against the procedure of endorsements/guarantees regulated by <u>competent authority</u> <del>Financial Supervisory Commission of the R.O.C.</del> and the procedures, should be disciplined or punished for each case according to Personnel Governing policy and Employee Handbook.
6.4 The endorsement/guarantee provided by the company to a subsidiary whose net worth is lower than half of its paid-in capital where the company shall conduct the process of evaluation periodically. The indispensability, reasonableness and risk level should be audited. The evaluation outcome shall itemize on the statement of endorsements/guarantees, report to the authorities.  Newly added	6.4 The endorsement/guarantee provided by the company to a subsidiary whose net worth is lower than half of its paid-in capital where the company shall conduct the process of evaluation periodically. The indispensability, reasonableness and risk level should be audited. The evaluation outcome shall itemize on the statement of endorsements/guarantees, report to the authorities. <u>In the case of a subsidiary with shares having no par value or a par value other than NT\$10, its paid-in capital shall be the sum of the share capital plus capital reserve in excess of issuance premium.</u>
6.5 Any enactment or amendment to the procedure shall be approved by a majority of all incumbent members of the Audit Committee and submitted to the Board of Directors for approval. If the enactment or amendment in the preceding paragraph has not been approved by a majority of all incumbent members of the Audit Committee, such enactment or amendment may be approved by no less than two-thirds of all incumbent	6.5 <u>The company has established the Audit Committee in accordance with the Act,</u> any enactment or amendment to the procedure <u>, a material monetary loan, endorsement, or provision of guarantee</u> shall be approved by a majority of all incumbent members of the Audit Committee and submitted to the Board of Directors for approval. If the enactment or amendment in the preceding paragraph has not

Current Provisions	Proposed Amendments
<p>members of the Board of Directors and the resolution of the Audit Committee shall be recorded in the meeting minutes of the Board of Directors. Board of Directors reported to and approved by the shareholders' meeting. If there is any change to the applicable laws and regulations after the enactment of these Regulations, these Regulations shall be amended accordingly.</p> <p>The term entire members of Audit Committee and all directors as set forth herein shall be calculated based on those incumbent directors actually on duty.</p> <p>If the company has independent director(s), when submitting the procedure to the Board of Directors for discussion as set forth in the preceding paragraph, the opinions of independent director(s) shall be taken into If the company has independent director(s), when submitting the procedure to the Board of Directors for discussion as set forth in the preceding paragraph, the opinions of independent director(s) shall be taken into consideration, and their opinions and reasons of agreement and objection shall be recorded in the meeting minutes of Board of Directors.</p>	<p>been approved by a majority of all incumbent members of the Audit Committee, such enactment or amendment may be approved by no less than two-thirds of all incumbent members of the Board of Directors and the resolution of the Audit Committee shall be recorded in the meeting minutes of the Board of Directors. <del>Board of Directors reported to and approved by the shareholders' meeting. If there is any change to the applicable laws and regulations after the enactment of these Regulations, these Regulations shall be amended accordingly.</del></p> <p>The term entire members of Audit Committee and all directors as set forth herein shall be calculated based on those incumbent directors actually on duty.</p> <p><del>If the company has independent director(s), when submitting the procedure to the Board of Directors for discussion as set forth in the preceding paragraph, the opinions of independent director(s) shall be taken into</del> If the company has independent director(s), when submitting the procedure to the Board of Directors for discussion as set forth in the preceding paragraph, the opinions of independent director(s) shall be taken into consideration, and their opinions and reasons of agreement and objection shall be recorded in the meeting minutes of Board of Directors.</p>
<p>Newly added</p>	<p><u>6.6 The Procedure is approved by the Audit Committee and the Board of Directors, reported to and approved by the shareholders' meeting. If any director expresses the dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinions to the Audit Committee and the Shareholders' Meeting for discussion. The same process shall be followed for amendments to the Procedures.</u></p>

## Comparison Table of Amendments to the Procedures of Acquisition or Disposal of Assets

Current Provisions	Proposed Amendments
3.2 Related party: As defined in Statement of Financial Accounting Standards No. 6 published by the ROC Accounting Research and Development Foundation (ARDF).	3.2 Related party <u>and Subsidiaries</u> : As defined in <u>these Regulations shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers</u> <del>Statement of Financial Accounting Standards No. 6 published by the ROC Accounting Research and Development Foundation (ARDF).</del>
3.7 Subsidiary: As defined in Statements of Financial Accounting Standards Nos. 5 and 7 published by the ARDF.	3.7 Net Worth : As defined in the event that the <u>financial statements of a public company are prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, the equity attribute to owners of the Parent to be disclosed in the balance sheet.</u> <del>Subsidiary: As defined in Statements of Financial Accounting Standards Nos. 5 and 7 published by the ARDF.</del>
6.5.1 Transaction principle and strategies: : Derivative products that the Company can buy or sell defined into three types by goal, as accounting hedging, financial hedging and trading. Each of them adopted different position limit, mandatory stop-loss point and accounting principles. The first two defined as decrease the risk through derivatives transaction by existing asset or liability or can't be canceled undertake or predictable trading risk. The latter defined as increase profit by taking certain risk through derivatives transaction or issue.	6.5.1 Transaction principle and strategies: : Derivative products that the Company can buy or sell defined into two <del>three</del> types by goal, as <del>accounting hedging, financial</del> hedging and trading. Each of them adopted different position limit, Mandatory stop-loss point and Accounting principles. The first <del>two</del> defined as decrease the risk through derivatives transaction by existing asset or liability or can't be canceled undertake or predictable trading risk. The latter defined as increase profit by taking certain risk through derivatives transaction or issue.
6.5.3 Operating procedures :  2) Transaction Procedures  a~f及h Skip g.Accounting principles : Accounting Department make accounting entries, login accounting records by accountant subpoena and related certificate.	6.5.3 Operating procedures :  2) Transaction Procedures  a~f及h Skip g. Accounting principles : Accounting Department make accounting entries, login accounting records by <u>related regulations</u> , accountant subpoena and related certificate.

## Coretronic Corporation

### Articles of Incorporation

#### CHAPTER 1 : General Provisions

Article 1: The Company is incorporated under those provisions of the Company Law relating to companies limited by shares, and is named as "Coretronic Corporation".

Article 2: The business engaged in by the Company shall be as follows :

A. CC01050 Data Storage and Processing Equipment Manufacturing

B. CC01080 Electronic Parts and Components Manufacturing

C. CE01030 Photographic and Optical Equipment Manufacturing

Research, develop, produce, manufacture and sale the following optical 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)

F. 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)

Article 3: Upon consent of the board of directors, the Company may provide guarantees for third parties in accordance with its Operational Measures Governing Guarantees and Endorsements which shall be separately enacted.

Article 4: When the Company invests in another company due to the need of operation, the total investments could exceed a specified percentage of the total paid-in capital, and the Company authorizes the board of directors to execute.

Article 5: The Company's principal executive offices shall be located in the Science-Based Industrial Park in Hsinchu, Taiwan, R.O.C. The Company may, upon approval of the board of directors and competent authority, establish branch offices in Taiwan or abroad. After the public offerings, the Company shall not go private without the resolution of the shareholder meeting. The article shall not be changed in the period of the Company lists in OTC or Taiwan Stock Market.

Article 6: The Company's processing rules of announcement affairs shall fully comply with pertinent laws and regulations promulgated by the authorities concerned.

#### CHAPTER 2 : Shares

Article 7: The total authorized capital of the Company shall be NT\$10 billion, divided into 1

billion(includes 70 million shares for the use of stock option certificates, preferred stock with warrants or corporate bonds with warrants) shares with a par value of NT\$10 each. Subject to practical need, the board of the directors is authorized to issue such shares by installments.

Article 8: The share certificate of the Company may adopt the issuance of non-physical, while shall be issued in registered form, as well as with other securities of the Company.

Article 9: The Company shall handle share matters in accordance with the Guidelines Governing Stock Matters of Public Offering Companies.

Article 10: No transfer of shares shall be handled within sixty days prior to a shareholder regular meeting, or within thirty days prior to a shareholder extraordinary meeting, or within five days prior to allocation of dividend bonus or any other benefits.

The period mentioned in the previous clause is calculated from the meeting date of the base date.

### CHAPTER 3 : Shareholder Meeting

Article 11: Shareholder meetings shall be convened as follows:

- (1) General shareholder meetings shall be convened by the board of directors within six (6) months following the end of each fiscal year.
- (2) Special shareholder meetings may be convened according to the laws whenever it is necessary.

Directors may not convene the shareholders' meeting, the shareholders who own shares exceeds three percent (3%) of the total issued shares may convene the shareholder meeting by themselves with the permission of the authority.

Article 12: The chairman of the board shall preside at shareholder meetings if the shareholder meeting is convened by the board of directors. When the chairman of the board is unable to preside at a meeting, the directors present shall elect one from among themselves as proxy.

If the shareholder meeting is convened by others with legitimate right, the one who convenes it shall preside at the meeting. When more than one conveners are present, they shall elect one from among themselves to preside.

Article 13: Notice shall be provided to each shareholder at least thirty (30) days prior to a general shareholder meeting. Notice shall be provided to each shareholder at least ten (10) days prior to an extraordinary shareholder meeting. The notice shall state the date and venue of the meeting and the purpose or purposes for which the meeting is called.

Article 14: Unless the issuance terms of preferred stocks and specified in Article 179 of The Company Act whereas no voting right is entitled, a shareholder of the Company shall be entitled to one vote for each share held.

Article 15: Except as otherwise provided by the laws and regulations, a resolution may be adopted by the shareholders or proxy of a simple majority of the votes of the issued and outstanding capital stocks represented at a shareholder meeting at which the

shareholders of a majority of issued and outstanding capital are present or by proxy.

Article 16: When a shareholder of the Company is unable to attend a shareholder meeting for any reason, the shareholder may by way of power of attorney stamped with the seal registered with the Company appoint proxies to attend the shareholder meeting. Unless otherwise stipulated by the Company Act, attendance of shareholder's proxies shall be in accordance with the provisions of "Regulation Governing the Use of Proxies For Attendance of Shareholder Meeting of Public Companies".

Article 17: The resolution adopted at the shareholder meeting shall be recorded in the minutes of the meetings and be signed or sealed by the chairman. The minutes shall be issued to all shareholders within 20 days after the shareholder meeting.

The Company may provide the minutes via an announcement.

#### CHAPTER 4 : Directors, Supervisors and Managers

Article 18: The Company will have a board of directors consisting of seven to nine directors, who will be elected by the shareholder meeting from persons with disposing capacity. Each director will serve an office term of three years and may be re-elected. The board of directors is authorized to approve the number of directors. Compensation for the directors shall be determined by the board of directors in accordance with the domestic and international business standards. The Company shall establish at least three (3) independent directors to be included in the number of directors. Election of independent directors shall adopt the candidate nomination measure. Matters regarding professional qualification, restrictions on shareholdings, concurrent positions held, determination of independency, method of nomination and election and other matters for compliance with respect to independent directors shall be subject to the rules prescribed by the securities governing authorities.

Article 18-1: The Company's audit committee is formed by all independent directors and one of whom shall serve as the convener. Effective from the establish date of the audit committee, the Audit Committee or the members of Audit Committee shall be responsible for those responsibilities of Supervisors specified under the relevant regulations.

Article 19: The directors' meeting shall be convened by the chairman of the board. The initial directors' meeting of each term shall be convened by the director who receives the number of ballots representing the largest number of votes. If a director is unable to attend a directors' meeting, the director may appoint another director to attend the meeting as proxy; provided, however, that the proxy shall accept the appointment of one director only. A director who lives abroad may appoint in written form another shareholder domiciled within the territory of R.O.C. to attend regularly by proxy any directors' meeting. Such appointment of proxy shall be registered with the competent authority.

The reasons for calling a board of directors meeting and audit committee meeting shall be notified to each director at least seven days in advance. In emergency circumstances, however, a meeting may be called on shorter notice.

The aforesaid meeting notice may be prepared in either written, fax or electronic

format.

Article 20: The chairman of the board shall preside at directors' meeting. When the chairman is on leave or unable to exercise his/her official functions for whatever the reason, the acting chairman shall be designated in accordance with the relevant regulations.

Article 21: Except as otherwise provided in the relevant laws or this Articles of Incorporation, any resolution of a board of directors' meeting shall be adopted at a meeting which at least general majority of the directors attend and at which meeting more than 50% of the directors present vote in favor of such resolution.

Minutes of meetings shall be prepared for all resolutions adopted at a board of directors' meeting.

If the directors' meeting is conducted in a manner of digital videoconference, the Directors who participate in such conference via digital video shall be deemed be present in person.

Article 22: The Company may has general managers, all of whom shall be duly appointed, discharged and paid by the board of directors through a majority vote in the meeting which is attended by a majority of the total number of of directors.

Subject to the authority prescribed by the board of directors, the officers shall be empowered or not to manage the operation of the company and to sign relevant business documents for the company.

#### CHAPTER 5 : Accounting

Article 23: The fiscal year of this Company shall commence on the first day of January each year and shall end on the thirty-first day of December. A year-end accounting statement shall be prepared at the end of each fiscal year.

Article 24: Upon the close of each fiscal year, the board of directors shall work out the following documents to be audited by supervisors within thirty days prior to the regular meeting of shareholders before being acknowledged by the shareholder meeting:

- (1) Business report
- (2) Financial statements
- (3) Proposals of profit allocation or loss coverage

Article 25: In the case that the annual final audit results in surplus, funds shall be appropriated first for income tax payments and to compensate for losses from the previous year; 10% of the surplus shall then be appropriated for the legal reserve, except when the accumulated amount of such legal reserve equals to the Company's total authorized capital, and to reserve certain surplus in accordance with applicable laws. The Company may also set aside special reserve(s) according to the bussiness need, The balance, including the retained profits from the previous years, shall be distributed in accordance with the following:

- (1) Employee bonuses between fifteen percent (15%) to twenty percent (20%)
- (2) The remainder shall be shareholders' dividends after deducting partial of all of the remainder as general reserve.

The Company's dividends policy is ordered by the Company Law and the Articles of Incorporation and decided according to the Company's capital and financial structure, operation situation, profits and the characters of the industry and business cycle. Distributions shall be made in cash dividends or in stock dividends.

However, due to the Company is in expansion in its industry, the Company shall, in consideration of the financial, business and administrative needs, distribute more than ten percent (10%) of the total dividends if the Company decides to distribute cash dividends.

When the Company has no profits to distribute to the shareholders, the Company may, in consideration of the financial, business and administrative needs, to distribute all or partial reserve according to the relevant laws or regulations of authorities.

The board of directors of the Company may resolve to purchase liability insurance for the directors.

Article 26: The bonus mentioned in Article 25 may be distributed to the employees of the Company and the controlled companies according to the Rules of Employees Bonus Stocks.

Employees referred to the preceding paragraph are defined as the employment relationship in the Civic Law; the controlled companies are defined as companies in the Company Law.

If the Company issue employee stock option certificates or buy back shares to transfer to employees, and the subscription price or transferred price is lower than the limited price of the relevant laws, it shall be proposed to the shareholder meeting according to the relevant laws.

Article 27: Dividends and bonuses shall be distributed to those shareholders whose names are listed on the registrar of shareholders as of the record date set for purposes of the distribution.

#### CHAPTER 6 : Supplementary Provisions

Article 28: Any rules or measures related to the Articles of Incorporation shall be stipulated separately by the board of directors.

Article 29: Matters not prescribed under the Articles of Incorporation shall be in accordance with the Company Law.

Article 30: This Articles of Incorporation adopted on June 18, 1992; 1st amended on September 6, 1993; 2nd amended on April 7th , 1994; 3rd amended on September 25th, 1995; 4th amended on November 8, 1996; 5th amended on September 26, 1997; 6th amended on June 12, 1998; 7th amended on April 20, 1999; 8th amended on April 25, 2010; 9th amended on June 18 , 2001; 10th amended on May 29, 2002; 11th amended on May 29, 2002; 12th amended on May 25, 2004; 13th amended on May 26, 2005; 14th amended on June 2, 2006; 15th amended on June 16, 2007; 16th amended on June 13, 2008; 17th amended on June 15, 2010; ; 18th amended on June 12, 2012; There Articles of Incorporation shall be effective from the date they are approved by the shareholders meeting. The same applies in case of amendments.

Coretronic Corporation

Chairman : Wade Chang

**Coretronic Corporation**  
**Rules Governing the Conduct of Shareholders' Meetings**

1. Purpose: The Rules are for the procedures of the shareholders' meeting.
2. Scope: The shareholders' meeting of the Company shall be proceeded with in accordance with these Rules, unless Company Laws, Rules Governing the Conduct of Shareholders Meetings by Public Companies and the Articles of Incorporation of the Company provides otherwise.
3. Definition: None.
4. Authorities:
  - 4.1 Shareholders' meeting shall be called by the board of directors, the proceedings of the meeting shall be formulated by the board of directors, and the meeting shall be proceeded with in accordance with the said proceedings. The proceedings shall not be changed without a resolution made by the shareholders' meeting.
  - 4.2 If a shareholders' meeting shall be called by any other person than the board of directors, the preceding provisions shall apply mutatis mutandis to the said meeting.
  - 4.3 The chairman shall not adjourn a meeting without resolution adopted by shareholders if the motions (including extraordinary motions) covered in the proceedings so arranged in the above Rule 4.1 and Rule 4.2 shall not have been resolved.
  - 4.4 If the chairman has violated the rules of procedure to declare the meeting is ended, one person may be elected the chairman with the consent of one half of the votes represented by shareholders present to resume the Meeting.
  - 4.5 After the meeting is declared ended, shareholders may not elect a chairman to resume the meeting at the original location or other premises.
  - 4.6 Shareholders' meeting shall be convened by the board of directors and the chairman of the board of directors shall be the chairman presiding at the Meeting. If the Chairman of BOD cannot preside at the Meeting for any reason, the agent shall be preceded in accordance with Company Law.
  - 4.7 If a shareholders' meeting is called by someone other than the board of directors who has the right to call the meeting, the said person shall chair the meeting. If more than one person has the right to call the meeting, one shall be elected to chair the meeting.
5. Reference: Rules Governing the Conduct of Shareholders' Meetings by Public Companies
6. Procedures:
  - 6.1 Shareholders (or agent) attending the shareholders' meeting shall sign-in. The sign-in procedure is performed by submitting the attendance card. The attendance card shall be worn to attend the shareholders' meeting. The number of shares represented by attending shareholders shall be calculated in accordance with the attendance card submitted by shareholders.

- 6.2 When it is time to convene a shareholders' meeting, the chairman shall immediately convene the meeting, provided, however, that if the shareholders present do not represent a majority of the total amount of issued shares, the chairman may postpone the meeting, provided, however, that the postponement of the said meeting shall be limited to two times, and the total time postponed shall not exceed one hour. If the meeting has been postponed for two times, but the shareholders present still do not represent a majority of the total amount of issued shares, a tentative resolution may be adopted in accordance with the Company Law by shareholders representing one-third of the total amount of issued shares. Before the close of the said meeting if the shareholders present represent a majority of the total amount of issued shares, the chairman may present the tentative resolution so adopted to the meeting for resolution in accordance with the Company Law.
- 6.3 During the proceedings of a meeting, the chairman may consider the schedule and announce for a break. If the meeting is not ended, the shareholders may resolve to postpone or resume the meeting within five days without further notice or public announcement.
- 6.4 A shareholder wishing to speak in a shareholders' meeting shall first fill out a slip, specifying therein the number of attendance, his name and major points of his speech, and the chairman shall determine his order of giving a speech.
- 6.5 An attending shareholder or proxy may question about report items on the agenda only after the chairman or person designated by the chairman has read or reported all report items. The proposals shall be discussed in accordance with the scheduled procedures. In the event that a shareholder violates the procedures, the chairman may prevent him from doing so.
- 6.6 An attending shareholder's explanation of proposal shall be limited to 5 minutes. The statement of discussion, inquiry and reply shall be limited to 3 minutes per person. The time may be extended for 3 minutes with the chairman's permission. After a shareholder present at the meeting speaks, the chairman may reply in person or assign concerned personnel to reply.
- 6.7 When an institutional person attends the shareholders' meeting as a proxy, the institutional person may assign only one representative to attend the meeting. When an institutional shareholder assigns two or more representatives to attend the shareholders' meeting, only one of them may speak for any single proposal.
- 6.8 Each shareholder may make statement on the same issue not more than twice unless the chairman consents otherwise. The chairman may restrain stockholders from speaking if that stockholders speak overtime, speak beyond the allowed frequency or content of the speech is beyond the scope of the proposal.
- 6.9 Over the proposal discussion, the chairman may conclude the discussion in a timely manner and where necessary announce discussion is closed.
- 6.10 For proposal in which discussion has been concluded or closed, the chairman shall submit it for voting. In voting, a proposal is considered approved if the chairman receives no dissenting opinions after requesting, which has the same effect as does voting by ballot.
- 6.11 Unless otherwise provided by The Company Law, a proposal shall be approved by the consent of more than half of the votes of shares represented by shareholders present. Each shareholder is entitled to one vote for each share held. The above provision shall not apply to those persons whose voting rights are restricted by the terms of preferred

stocks.

- 6.12 The chairman shall appoint monitors and ballot counters for voting on proposals. For qualifications, monitors must be shareholders. The results of each vote shall be announced on the spot and made into the minutes.
- 6.13 If there shall be an amendment or alternative to one proposal, the chairman may combine the amendment or alternative into the original proposal, and determine their orders for resolution. If any one of the above shall be resolved, the others shall be considered as rejected, upon which no further resolution shall be required.
- 6.14 Shareholders attend shareholders' meeting by proxy and process the soliciting of proxy letters and agent not belonging to the soliciting shall be proceeded in accordance with the relevant regulations of the Company Law and Rules Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies.
- 6.15 In case of incident of force majeure, the chairman may decide to temporarily suspend the meeting and decide, depending on the situation, how the meeting will resume.
- 6.16 The chairman may instruct the inspectors (or security personnel) to assist in maintaining order in the meeting venue. While assisting in maintaining order at the venue, the inspectors (or security personnel) shall wear arm-bands reading "Inspector."
- 6.17 These Rules shall come into force given the approval of the shareholders' meeting, and so shall be the amendment.

## Coretronic Corporation

### The Procedures for the Election of Directors

1. Purpose : This Procedures is enacted for the purpose of election of directors.
2. Scope : The election procedure for the Company's directors shall be proceeded in accordance with the Company Act and relevant laws and regulations and the provisions under the Articles of Incorporation. The Procedures which are not provided herein shall be proceeded accordance with the procedures.
3. Definition : None.
4. Authority : NA.
5. Reference : "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" the Articles of Incorporation of the Company.
6. Procedures :
  - 6.1 The election of the directors shall be held in the shareholders' meeting.
  - 6.2 All persons with capacity may be elected as directors of the Company.
  - 6.3 The directors in such number as designated by the Articles of Incorporation.
  - 6.4 The election of the directors and supervisors adopts cumulative vote system, the number of votes exercisable in respect of one share shall be the same as the number of directors to be elected, and the total number of votes per share may be consolidated for election of one candidate or may be split for election of two or more candidates.
  - 6.5 The directors in such number as designated by the Articles of Incorporation, the election of independent directors and non-independent directors shall take place together, and the number of votes of each shall be calculated separately; persons obtaining the most number of votes shall be elected and served as independent directors and non-independent directors accordingly. In the event two or more persons obtain the same number of votes and the number of such persons together with all other persons ranking prior to them exceeds the number as designated by the Articles of Incorporation and the Board's resolution, lots shall be drawn to decide which of such persons obtaining the same number of votes shall be elected; if any of such persons is not present, the chairman shall draw the lots on half of him/her.
  - 6.6 At the beginning of the election, the Chairman shall appoint several persons each to check and record the ballots. The persons to check the ballots may be appointed from among the Shareholders' present.
  - 6.7 The ballot box used for voting shall be prepared by this Company and checked in public by the person to check the ballots before voting. The Board shall prepare for ballots, clearly

listing attendance card numbers and number of the weighted votes, and distribute to the shareholders who attend the shareholders' meeting. The registration of ballots may be replaced by the attendance card number printed on the ballots.

- 6.8 Name and shareholder's number of the candidate shall be written on the ballot by calligraphy, pen or ballpoint pen. If the candidate is the government or legal person, rules are the following:
- 6.8.1 Provided that, the government is the candidate, such names of the government shall be written.
  - 6.8.2 Provided that, the legal person is the candidate, such names of the legal person shall be written.
  - 6.8.3 In the event the representative of the legal person is the candidate, the name of legal person and its representatives shall be written.
  - 6.8.4 The government and legal person or their representatives shall be with capacity.
  - 6.8.5 In the event the representatives are two or more, , the names of the representatives shall be additionally written separately
- In addition, the votes of the candidates shall be written.
- 6.9 Ballots shall be deemed void under the following conditions:
- 6.9.1 Ballots not placed in the ballot box.
  - 6.9.2 Ballots not prepared by this Company, any of the voter's number and the voting shares.
  - 6.9.3 Blank ballots not completed by the voter.
  - 6.9.4 The name or shareholder's number of the candidate filled in the ballot inconsistent with the shareholders' register.
  - 6.9.5 Ballots with other written characters or symbols in addition to candidate's name, shareholder's number (ID number) and the number of votes cast for the candidate.
  - 6.9.6 Illegible writing.
  - 6.9.7 The name of the candidates filled in the ballots being the same as another candidate's name and the respective shareholder's numbers (ID numbers) not being indicated to distinguish them.
  - 6.9.8 If the candidate is a non-shareholder, the ballot is only filled in with the name and without the ID number or GPN.
  - 6.9.9 Where the name of the candidate entered is found the same as another shareholder's name and there is no shareholder number provided.
- 6.10 The ballots should be calculated during the meeting right after the vote casting supervised by the check person and the results of the election should be announced by the Chairman at the meeting.
- 6.11 This Company shall issue notifications to the directors elected.
- 6.12 The election procedure for the Company's independent directors shall be proceeded in accordance with "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies"
- 6.13 Any matters insufficiently provided herein shall be governed by the provisions concerned as set forth in the Company Law and other related regulations.
- 6.14 These Rules and any revision thereof shall become effective after approval at the shareholders' meeting.

### Information on Director Remuneration and Employee Bonus

The Board adopted a proposal for 2012 bonus to Directors and employees' cash profit sharing at its Meeting on April 25, 2013. It is proposed to distribute NT\$0 for directors' remunerations, NT\$0 for employee stock bonus shares, and NT\$127,771,504 for employee cash bonus. The original expense estimate is NT\$125,676,053, while the proposed amount effected upon the approval of shareholders, the difference NT\$ 2,095,451 will be expensed under the Company's 2013 income statements.

Appnedix 5

### Impact by Distributing Stock Dividends on Operation Results and Earnings Per Share

It is not applicable for the company will only distribute cash dividends to shareholders.

Appnedix 6

### Shareholding of All Directors

- Total shares issued as of April 20, 2013 are 724,038,518.
- As of April 20, 2013, the total shares of all directors as below :

Title	Name	Number of shares	Shareholding ratio
Director	Wade Chang	5,230,773	0.72%
Director	Frank Juang	4,476,212	0.62%
Director	Robert Hung	25,000	0.00%
Director	Hsun Chieh Investment Co.	25,104,252	3.47%
Independent Director	Ted Tu	0	0.00%
Independent Director	Chual-Hsin Teng	0	0.00%
Number of shares held by all directors		34,836,237	4.81%

- According to legal rules the minimum number of shares that may be held by all directors is 23,169,232 shares.