

Stock Code 5371

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Coretronic Corporation

**Handbook for the 2017
Annual General Shareholders' Meeting
(Translation)**

Meeting Time: June 14, 2017

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

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Coretronic Corporation
2017 Annual General Shareholders' Meeting Procedure

1. Call the Meeting to Order
2. Chairman's Address
3. Report Items
4. Ratification Items
5. Discussion Items
6. Extraordinary Motions
7. Meeting Adjournment

Coretronic Corporation
2017 Annual General Shareholders' Meeting Agenda

Time : 9:00 a.m., June 14 (Wednesday), 2017

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

I. Call the Meeting to Order

II. Chairman's Address

III. Report Items

1. 2016 Annual Business Report.
2. Audit Committee's Report.
3. The distribution of 2016 employees' compensation.

IV. Ratification Items

1. Ratification of 2016 Annual Business Report and Financial Statements.
2. Ratification of the Proposal for the Distribution of 2016 Earnings.

V. Discussion Items

1. Proposal for the cash distribution of additional paid-in capital.
2. Proposal of Cash Injection By Issuance of New Common Shares or Overseas Depositary Receipts.
3. Proposal of Amending the Company's Procedures of Acquisition or Disposal of Assets

VI. Extraordinary Motions

VII.Meeting Adjournment

Report Items

1. 2016 Annual Business Report

Description: 2016 Annual Business Report is attached as Attachment 1.

2. Audit Committee's Report

Description: The Audit Committee's Report on 2016 Financial Statements is attached as Attachment 2.

3. The distribution of 2016 employees' compensation.

Description: In accordance with Company Act and the Company Article of Incorporation , 10%~20% of profit of the current year shall be distributed as employees' compensation. The board of directors resolved to distribute NT \$ 305,945,392 as 2016's employee compensation in cash.

Ratification Items

1. Ratification of 2016 Business Report and Financial Statements. (Proposed by the Board of Directors)

Description:

- (1) The 2016 financial statements of the Company audited by Ernst & Young and had issued its review report accordingly.
- (2) Please refer to attachment 1 and 3 for 2016 Business Report and financial statements.
- (3) Please resolve.

Resolution:

2. Ratification of the Proposal for the Distribution of 2016 Earnings. (Proposed by the Board of Directors)

Description:

- (1) The proposed profits distribution is allocated from Earnings in 2016 Available for Distribution, The earnings distribution table please refer to attachment 4.
- (2) Record date for paying cash dividend: Upon the approval of the 2017 shareholders' meeting, it is proposed to authorize the Chairman to determine the ex-dividend date.
- (3) In the event that, before the distribution record date, the outstanding shares are affected, it is proposed that the Chairman shall be authorized to adjust the cash dividend based on the number of actual shares outstanding on the record date for distribution.
- (4) Please resolve.

Resolution:

Discussion Items

1. Proposal for the cash distribution of additional paid-in capital (Proposed by the Board of Directors)

- (1) The Company intends to pay back NT\$651,634,665 additional paid-in capital, the excess paid by investors over and above the par-value price of the previous stock issues, to the shareholders in accordance with Article 241 of the Company Act. It is proposed to pay NT\$1.5 per share based on the number of shares held by the record date. Cash distribution ratio is calculated on the basis of whole NT dollar, rounded down to whole NT dollar, for total fractional dollars less than whole NT dollar, arrogant by decimal digit to low and account number from the front to rear adjustment order to meet the total cash.
- (2) Record date for paying additional paid-in capital: Upon the approval of the 2017 shareholders' meeting, it is proposed to authorize the Chairman to determine the issue date.
- (3) In the event that, before the distribution record date, the outstanding shares are affected, it is proposed that the chairman be authorized to adjust the share cash based on the number of actual shares outstanding on the record date for distribution.
- (4) Please resolve.

Resolution:

2. Proposal of Cash Injection By Issuance of New Common Shares or Overseas Depository Receipts. (Proposed by the Board of Directors)

- (1) To support the Company's funding needs for future operation, it is proposed that the shareholders' meeting to authorize the Board of Directors to issue new common shares or overseas depository receipts in due course to the extent of NTD 3.0 billion or 60 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 to authorize the Chairman to allocate 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 be set 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 authorize the Chairman to negotiate with the underwriters and determine the price of the overseas depositary receipts taking into consideration of capital market conditions. The basis of the above price setting arrangement is reasonable.

③ The impact of the original shareholders' equity

The Company would issue overseas depositary receipts through cash capital increase to the extent of NTD 3.0 billion or 60 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 authorize the Board of Directors to determine the issuance details of new shares or overseas depositary receipts, included but not limited to the issuance amount, the number of shares, the offering plan, the underwriter approach, the projected items, the time line for the use of proceeds, the projected results and so on in due course. It is also proposed to authorize the Board of Directors with full rights to amend necessary adjustments required by the law or the authority.

(4) 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 Act amend and to accommodate the Company's actual business needs, it is 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:

Extraordinary Motions

Meeting Adjournment

Coretronic Corporation

2016 Business Report

For the fiscal year of 2016, Coretronic reported consolidated sales revenue of NT\$57,058 million and operating income of NT\$1,972 million with a net income of NT\$2,661 million. Net income attributable to equity holders of the parent company was NT\$1,965 million with the basic EPS of NT\$4.52 calculated on the basis of Dec. 31, 2016 outstanding shares.

Sales breakdowns by product lines in 2016 as below: (Consolidated)

Product	2016	2015	Diff.
Energy Saving Products (unit/pc)	57,351,751	71,097,696	(19%)
Visual Solutions Products (unit)	1,220,710	1,128,639	8%

In year 2016, the company invest significantly amount of R&D resources in cultivating core competences and to strive leading positions in super narrow bezel, ultra-slim, 4K resolution and energy saving advanced flat display. Further by applying those innovative designs to brand customers, which facilitates better differentiations and unique market propositions, such as IML-S LGP technology which can remove one film from conventional BLU structure for slimmer and reduce cost, 0.39mm thickness injection LGP for 14" Notebook applications, 3.7mm edge thickness 1D dimming 55" large TV display applications, and OD2.5mm 2D dimming direct type BLU technology in LCD display. We also developed switchable view angle display that is good for privacy application.

Semi-system integration is another new business to explore. To provide one stop solutions with better yield rate, product quality and niches designs, we have successfully developed LCM with touch module to 1st level brand company. With regarding to system product, we developed seamless-like video wall technology with smallest 0.5mm seam in the world via unique optical device. Besides, our novel 55" dual displays PID with only 2cm edge thickness which had received order for Installation Company in Japan. Our new multi-sources splits large surgical display can unify and integrate the surgical image, MRI and all kinds of vital sign monitor equipment into same display for physician to easy handle critical information at a glance.

Our vision is to devote best endeavor in innovative technologies and to provide a great diversity of leading edge displays to branding partners to jointly enhance utmost user experiences.

In visual solutions business, in continuation of the 2015 business initiatives, last year (2016) saw notable progress in upstream and downstream business development, where our optical engine module business for special applications and total solution system business gained market momentum. We acquired more than 60% market share in the focus market with our Laser ultra-short-throw projector system for education, with key maintenance-free appeal and advantage. In joint force with local education software integrators, we addressed market pain points and successfully integrated functions of interactivity, data sharing and device connecting. We've also obtained a technology leading position in the market for Laser cinema. Toward the end of 2016, we started shipping the optical engine modules to game machine providers. This was attributed to efforts made in pushing through the limits of optical engine technology as we overcame the high-precision requirement in adjusting two projection image planes. The shipping volume is expected to hit several hundred thousand in 2017. We also developed several single-panel high-brightness Laser projectors for ProAV application and have successfully penetrated the market previously dominated by 3-panel product manufacturers.

There has been progress in the development of several key components in the past year that has

strengthened our core competence. Phosphor wheel used in Laser projectors has gained 10% more light efficacy of light transformation. 4K UHD resolution projection lens and resolution-doubling electromagnetic driving components were finally available after we conquered some technological difficulties. As a result, 4K series of high-performance product lineup has since added to the overall portfolio and competitiveness starting 2016. The anti-ambient light screen suitable for ultra-short-throw projectors will also step into multi-layer micro structure roll-to-roll mass production in 2017, which is also as a result of unceasing efforts in development throughout 2016 and before. We also demonstrated our capability in manufacturing large-size ProCap touch surface and successfully produced a 7-meter long flexible ProCap touch screen. Combined with our own lineup of high-brightness solid-state-illumination projectors, the interactive touch solution will be perfect for large-venue exhibitions alike, giving us a nonpareil position in the market.

We set up a software service business unit in 2016. With self-owned large-scale display solutions as part of the elements, the team developed a digital signage management platform with camera image recognition technique combining big-data analysis in the Cloud. The valuable total solution advertising system was successfully promoted to many public sites, such as Taipei MRT stations and famous retail chained stores. We also established the image processing technology team in 2016; several key technologies such as facial recognition, image blending and projection mapping have been developed to enhance the functions associated with user scenarios for better user experience. The research and development on software is aimed at enhancing user convenience with respect to diversified user scenarios, through which comprehensive total solutions can be provided.

With experienced optical engine development capabilities, we not only successfully applied LED optical engines to the game machine, but also developed the high-resolution spectrometer utilizing the TI DLP MEMS spectrum scanning techniques, which has started selling since 2016. Several valuable measuring modules, such as Fiber scanning modules and transparent measuring modules have been developed to gain comprehensive flexibility. Based on the portable spectrometer platform, we are able to cooperate with diversified companies for on-the-go product integrity testing. A new Cloud business model therefore will be feasible and promising in the coming years

Furthermore, with the 20-year experience in high-power system development fitting into own projector requirements, we transfer this core capability into specific, high-growth industries which require the high-performance digital PSU, such as surveillance and Ethernet industries. With efforts, we have developed competitive PSU products and won several important projects with first-tier customers in the aforementioned fields

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 display and visual solutions 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 high-value added and energy saving advanced display system products.
- (3) Improving operation models provide optimal design, production and after-sales services, and foster closer relationships with brand name customers, system integrators and LCD panel manufacturers.
- (4) We will further extend our strength by including 4K and solid-state illumination products into the overall portfolio on mainstream projection product business in addition to developing mid- to high-rand products. As to LED products, our new engine module business has had preliminary achievements. We aim to extend such business model to different market segments, thereby transcending traditional boundaries of projection applications. For wearable display business, we have leveraged our competitive strengths in designing optical modules and systems, which will be conducive to business development in this industry.
- (5) With an aim to address market requirements and pain points and based on our core competence, we plan to build up a complete ecosystem grounded on Laser display platforms, which

will see enhanced integration of application software, smart connection and wireless connectivity. This will allow us to provide immersive display total solutions for various market segments (education, corporate, home, digital signage and gaming). (6) By delivering reliable, differentiated products and solutions, we aim to elevate the value created for end users and partners and to expand niche market opportunities in the commercial large venue segment. (7) By utilizing cutting-edge information technology, it is to make an overall plan for Group's resources allocation and the assurance of information security, hence, to promote the integral efficiency of the organization. It is also to define the information procedures and the resource of system application for business operation, as to rapidly provide synchronized management information platform. It is to plan cloud-infrastructure and mobility applications and IOT to expedite the expansion of Group's enterprise. (8) To meet corporate business needs, low-cost funding is arranged to sustain operation growth and long-term development strength. 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: 2016 General Annual Shareholders' Meeting of Coretronic Corporation

The Board of Directors of the Company has delivered the 2016 business report, the financial statements and the proposed 2016 earnings distribution. The aforesaid 2016 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 26, 2017

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

To Coretronic Corporation

Opinion

We have audited the accompanying parent company only balance sheets of Coretronic Corporation (“the Company”) as of December 31, 2016 and 2015, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015, and notes to the parent company only financial statements, including the summary of significant accounting policies (together “the parent company only financial statements”).

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and its financial performance and cash flows for the years ended December 31, 2016 and 2015, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2016 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation for inventories

The Company recognized the allowance write-down of inventories amount to NT\$15,575 thousand for the years ended December 31, 2016. Due to the rapid technological changes and innovation for projectors, backlight, and FPD-related products, management estimates the write-down of inventories. Considering the amount of inventories was significant and the assessment of the amount of inventory write-downs require significant management judgement, we determined this a key audit matter. Our audit procedures included, but not limited to, evaluating and testing the design and operating effectiveness of internal controls around inventories; evaluating the methodologies and assumptions used, including the reasonableness of the allowance write-down of inventories; testing the source of the basic data, including the aging and net realizable value of inventories, and recalculating its correctness; evaluating the overall adequacy of the allowance write-down of inventories through analytical review procedures. We also assessed the adequacy of disclosures of inventories. Please refer to Notes 5 and 6 to the parent company only financial statements.

Maintenance warranties for products

The Company recognized the provision of maintenance warranties for products amount to NT\$274,159 thousand for the years ended December 31, 2016. Based on the experience of maintenance warranties for products, management judges and estimates the provision of maintenance warranties. Considering the assessment of the amount of the provision of maintenance warranties require significant management judgement, we determined this a key audit matter. Our audit procedures included, but not limited to, evaluating and testing the design and operating effectiveness of internal controls around the provision ratio of maintenance warranties; evaluating the reasonableness of accounting policies on the provision of maintenance warranties; testing the selected samples for the provision of maintenance warranties and confirming that whether to comply with the accounting policies; testing the source of the basic data. We also assessed the adequacy of disclosures of the provision of maintenance warranties for products. Please refer to Notes 5 and 6 to the parent company only financial statements.

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions,

misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2016 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young, Taiwan

Taiwan
Republic of China

February 15, 2017

Notice to Readers

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

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

CORETRONIC CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2016 and 2015

(Amounts in thousands of New Taiwan Dollars)

ASSETS	December 31, 2016	%	December 31, 2015	%
Current assets				
Cash and cash equivalents	\$ 189,095	0.52	\$ 1,472,107	4.12
Financial assets at fair value through profit or loss-current	94,807	0.26	11,750	0.03
Hedging derivative financial assets-current	106,629	0.29	22,691	0.06
Accounts receivables, net	8,041,274	22.07	5,734,546	16.06
Accounts receivables-related parties, net	1,790,462	4.91	1,842,257	5.16
Other receivables	97,536	0.27	96,801	0.27
Other receivables-related parties	171,445	0.47	930,308	2.61
Inventories, net	1,728,896	4.75	1,458,259	4.08
Prepayments	86,655	0.24	142,368	0.40
Other current assets	52,872	0.15	33,543	0.09
Total current assets	<u>12,359,671</u>	<u>33.93</u>	<u>11,744,630</u>	<u>32.88</u>
Non-current assets				
Financial assets measured at cost-noncurrent	18,187	0.05	221	-
Investments accounted for using the equity method	22,605,056	62.04	22,509,230	63.01
Property, plant and equipment, net	1,285,461	3.53	1,308,578	3.66
Intangible assets	28,117	0.08	26,703	0.08
Deferred tax assets	111,968	0.31	107,464	0.30
Other assets-others	20,539	0.06	25,340	0.07
Total non-current assets	<u>24,069,328</u>	<u>66.07</u>	<u>23,977,536</u>	<u>67.12</u>
Total assets	<u>\$ 36,428,999</u>	<u>100.00</u>	<u>\$ 35,722,166</u>	<u>100.00</u>

(continued)

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

CORETRONIC CORPORATION

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2016 and 2015

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	December 31, 2016	%	December 31, 2015	%
Current liabilities				
Short-term debts	\$ 5,490,916	15.07	\$ 4,480,765	12.54
Financial liabilities at fair value through profit or loss-current	64,515	0.18	9,706	0.03
Hedging derivative financial liabilities-current	104,746	0.29	13,489	0.04
Notes payable	-	-	38	-
Accounts payables	4,020,097	11.04	2,614,650	7.32
Accounts payables-related parties	1,931,392	5.29	2,029,453	5.68
Other payables	1,809,622	4.97	1,663,470	4.66
Other payables-related parties	39,234	0.11	38,354	0.11
Current tax liabilities	302,059	0.83	355,612	1.00
Provision-current	370,934	1.02	436,572	1.22
Other current liabilities	408,895	1.12	326,050	0.91
Total current liabilities	<u>14,542,410</u>	<u>39.92</u>	<u>11,968,159</u>	<u>33.51</u>
Non-current liabilities				
Long-term loans	-	-	328,250	0.92
Deferred tax liabilities	6,358	0.02	7,909	0.02
Net defined benefit liabilities-noncurrent	245,714	0.67	139,199	0.39
Other liabilities-others	1,422	-	8,122	0.02
Total non-current liabilities	<u>253,494</u>	<u>0.69</u>	<u>483,480</u>	<u>1.35</u>
Total liabilities	<u>14,795,904</u>	<u>40.61</u>	<u>12,451,639</u>	<u>34.86</u>
Equity				
Share capital				
Common stock	4,344,231	11.93	5,430,289	15.20
Capital surplus	4,627,479	12.70	4,624,208	12.95
Retained earnings				
Legal reserve	3,201,027	8.79	3,010,522	8.43
Special reserve	1,290,820	3.54	1,290,820	3.61
Undistributed earnings	8,841,168	24.27	8,038,464	22.50
Total retained earnings	<u>13,333,015</u>	<u>36.60</u>	<u>12,339,806</u>	<u>34.54</u>
Other equity	(671,630)	(1.84)	876,224	2.45
Total equity	<u>21,633,095</u>	<u>59.39</u>	<u>23,270,527</u>	<u>65.14</u>
Total liabilities and equity	<u>\$ 36,428,999</u>	<u>100.00</u>	<u>\$ 35,722,166</u>	<u>100.00</u>

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

CORETRONIC CORPORATION

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2016 and 2015

(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	For the years ended December 31,		For the years ended December 31,	
	2016	%	2015	%
Net sales	\$ 21,276,306	100.00	\$ 20,901,196	100.00
Operating costs	18,473,713	86.83	18,474,089	88.39
Gross profit	2,802,593	13.17	2,427,107	11.61
Unrealized intercompany profit	164,382	0.77	163,290	0.78
Realized intercompany profit	163,290	0.77	117,891	0.56
Gross profit, net	2,801,501	13.17	2,381,708	11.39
Operating expenses				
Selling expenses	276,632	1.30	238,104	1.14
Administrative expenses	1,067,847	5.02	1,004,982	4.81
Research and development expenses	1,360,168	6.39	1,187,510	5.68
Total operating expenses	2,704,647	12.71	2,430,596	11.63
Operating income (loss)	96,854	0.46	(48,888)	(0.24)
Non-operating income and expenses				
Other income	233,784	1.10	304,843	1.46
Other gains and losses	118,626	0.56	50,754	0.24
Firm	(38,914)	(0.18)	(57,237)	(0.27)
Share of profit or loss of subsidiaries, associates and joint ventures	1,731,268	8.13	1,798,480	8.60
Total non-operating income and expenses	2,044,764	9.61	2,096,840	10.03
Income before income tax	2,141,618	10.07	2,047,952	9.79
Income tax expense	(177,084)	(0.83)	(142,905)	(0.68)
Net income	1,964,534	9.24	1,905,047	9.11
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit pension plans	(114,553)	(0.54)	70,399	0.34
Share of remeasurements of defined benefit plans of subsidiaries, associates and joint ventures	(1,643)	(0.01)	8,775	0.04
Income tax related to items that will not be reclassified	19,474	0.09	(11,968)	(0.06)
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	(1,542,792)	(7.25)	(303,187)	(1.45)
(Loss) gain on effective portion of cash flow hedges	(7,319)	(0.03)	8,493	0.04
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures	1,013	-	(17,624)	(0.08)
Income tax related to items that may be reclassified subsequently to profit or loss	1,244	0.01	(1,444)	(0.01)
Other comprehensive income, net of tax	(1,644,576)	(7.73)	(246,556)	(1.18)
Total comprehensive income	\$ 319,958	1.51	\$ 1,658,491	7.93
Basic Earnings Per Share (in New Taiwan Dollars)	\$ 4.01		\$ 3.51	
Diluted Earnings Per Share (in New Taiwan Dollars)	\$ 3.92		\$ 3.42	

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

CORETRONIC CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2016 and 2015

(Amounts in thousands of New Taiwan Dollars)

Description	Common stock	Capital surplus	Retained earnings			Other equity			Total equity
			Legal reserve	Special reserve	Undistributed earnings	Exchange differences on translation of foreign operations	Unrealized losses from available-for-sale financial assets	Effective hedging instrument from cash flow hedge	
Balance as of January 1, 2015	\$ 5,430,289	\$ 4,624,156	\$ 2,726,410	\$ 1,290,820	\$ 8,319,669	\$ 1,206,092	\$ (16,869)	\$ 763	\$ 23,581,330
Acquiring or disposing the shares of subsidiaries	-	52	-	-	(68,745)	-	-	-	(68,693)
Appropriation and distribution of 2014 earnings:									
Legal reserve	-	-	284,112	-	(284,112)	-	-	-	-
Cash dividends	-	-	-	-	(1,900,601)	-	-	-	(1,900,601)
Net income for the year ended Dceember 31, 2015	-	-	-	-	1,905,047	-	-	-	1,905,047
Other comprehensive income for the year ended Dceember 31, 2015	-	-	-	-	67,206	(303,187)	(17,777)	7,202	(246,556)
Total comprehensive income	-	-	-	-	1,972,253	(303,187)	(17,777)	7,202	1,658,491
Balance as of Dceember 31, 2015	5,430,289	4,624,208	3,010,522	1,290,820	8,038,464	902,905	(34,646)	7,965	23,270,527
Reduction of capital	(1,086,058)	-	-	-	-	-	-	-	(1,086,058)
Acquiring or disposing the shares of subsidiaries	-	-	-	-	(60,060)	-	-	-	(60,060)
Changes in subsidiaries' ownership	-	3,271	-	-	-	-	-	-	3,271
Appropriation and distribution of 2015 earnings:									
Legal reserve	-	-	190,505	-	(190,505)	-	-	-	-
Cash dividends	-	-	-	-	(814,543)	-	-	-	(814,543)
Net income for the year ended Dceember 31, 2016	-	-	-	-	1,964,534	-	-	-	1,964,534
Other comprehensive income for the year ended Dceember 31, 2016	-	-	-	-	(96,722)	(1,542,792)	(467)	(4,595)	(1,644,576)
Total comprehensive income	-	-	-	-	1,867,812	(1,542,792)	(467)	(4,595)	319,958
Balance as of Dceember 31, 2016	\$ 4,344,231	\$ 4,627,479	\$ 3,201,027	\$ 1,290,820	\$ 8,841,168	\$ (639,887)	\$ (35,113)	\$ 3,370	\$ 21,633,095

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
CORETRONIC CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the years ended December 31, 2016 and 2015
(Amounts in thousands of New Taiwan Dollars)

Description	For the years ended December 31,		Description	For the years ended December 31,	
	2016	2015		2016	2015
Cash flows from operating activities :			Cash flows from investing activities :		
Net income before tax	\$ 2,141,618	\$ 2,047,952	Acquisition of financial assets measured at cost	(16,192)	-
Adjustments for:			Acquisition of investments accounted for using the equity method	-	(67)
The profit or loss items which did not affect cash flows:			Acquisition of property, plant and equipment	(71,117)	(80,062)
Bad debt expenses (reversal)	2,995	(4,165)	Proceeds from disposal of property, plant and equipment	2,522	1,552
Depreciation	102,978	121,564	Acquisition of intangible assets	(12,345)	(14,096)
Amortization (including other assets-other)	10,931	11,521	Decrease in other assets-others	4,801	569
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	(28,248)	84,747	Net cash used in investing activities	(92,331)	(92,104)
Interest expenses	38,914	57,237			
Interest income	(2,565)	(13,371)			
Share of profit of subsidiaries, associates and joint ventures	(1,731,268)	(1,798,480)			
Gain on disposal of property, plant and equipment	(598)	(1,519)			
Impairment loss on non-financial assets	704	8,275			
Unrealized gross profit	164,382	163,290			
Realized gross profit	(163,290)	(117,891)			
Changes in operating assets and liabilities:			Cash flows from financing activities :		
Notes receivables	-	30	Increase in short-term debts	1,010,151	1,013,824
Accounts receivables	(2,309,723)	(524,857)	(Decrease) increase in long-term bank loans	(328,250)	328,250
Accounts receivables-related parties	51,795	(631,666)	Decrease in other liabilities-others	(80)	(9)
Other receivables	(836)	(17,107)	Reduction of capital	(1,086,058)	-
Other receivables-related parties	758,863	64,897	Cash dividends	(814,543)	(1,900,601)
Inventories	(270,637)	(8,439)	Net cash used in financing activities	(1,218,780)	(558,536)
Prepayments	55,713	(38,041)	Net decrease in cash and cash equivalents	(1,283,012)	(360,941)
Other current assets	(19,329)	18,230	Cash and cash equivalents at the beginning of the period	1,472,107	1,833,048
Notes payable	(38)	(26)	Cash and cash equivalents at the end of the period	\$ 189,095	\$ 1,472,107
Accounts payables	1,405,447	(143,382)			
Accounts payables-related parties	(98,061)	1,016,669			
Other payables	134,900	(113,422)			
Other payables-related parties	880	(21,644)			
Provision-current	(65,638)	59,726			
Other current liabilities	81,071	(41,132)			
Net defined benefit liabilities	(8,038)	(2,859)			
Cash generated from operating activities	252,922	176,137			
Interest received	2,666	13,503			
Dividend received	27,519	414,068			
Interest paid	(39,034)	(56,206)			
Income tax paid	(215,974)	(257,803)			
Net cash provided by operating activities	28,099	289,699			

Independent Auditors' Report

To Coretronic Corporation

Opinion

We have audited the accompanying consolidated balance sheets of Coretronic Corporation and its subsidiaries (“the Group”) as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”).

In our opinion, based on our audits and the reports of other auditors (please refer to the Other Matter – Making Reference to the Audits of Component Auditors section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and cash flows for the years ended December 31, 2016 and 2015, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2016 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation for inventories

The Group recognized the allowance write-down of inventories amounted to NT\$486,063 thousand for the year ended December 31, 2016. Due to the rapid technological changes and innovation for projectors, backlight, and FPD-related products, management makes estimates of the inventory write-down. Considering the significant amount of inventories and that the amount assessment of inventory write-down required significant management judgement, we determined this a key audit matter. Our audit procedures included, but not limited to, evaluating and testing the design and operating effectiveness of internal controls around inventories; evaluating the methodologies and assumptions used, including the reasonableness of the allowance write-down of inventories; testing the source of the basic data, including the aging and net realizable value of inventories, and recalculating its correctness; evaluating the overall adequacy of the allowance write-down of inventories through analytical review procedures. We also assessed the adequacy of disclosures of inventories. Please refer to Notes 5 and 6 to the Group's consolidated financial statements.

Maintenance warranties for products

The Group recognized the provision of maintenance warranties for products amounted to NT\$655,919 thousand for the year ended December 31, 2016. Based on the experience of maintenance warranties for products, management judges and estimates the provision of maintenance warranties. Considering that the amount assessment of the maintenance warranties provision required significant management judgement, we determined this a key audit matter. Our audit procedures included, but not limited to, evaluating and testing the design and operating effectiveness of internal controls around the provision ratio of maintenance warranties; evaluating the reasonableness of accounting policies on the provision of maintenance warranties; testing the selected samples for the provision of maintenance warranties and confirming whether they complied with the accounting policies; testing the source of the basic data. We also assessed the adequacy of disclosures of the provision of maintenance warranties for products. Please refer to Notes 5 and 6 to the Group's consolidated financial statements.

Other Matter – Making Reference to the Audits of Component Auditors

We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method whose statements are based solely on the reports of other auditors. These associates and joint ventures under equity method amounted to NT\$30,646 thousand and NT\$0 thousand, representing 0.06% and 0% of consolidated total assets as of December 31, 2016 and 2015, respectively. The related shares of loss from the associates and joint ventures under the equity method amounted to NT\$2,046 thousand and NT\$0 thousand, representing (0.08)% and 0% of the consolidated net income before tax for the years ended December 31, 2016 and 2015, respectively.

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

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

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

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

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

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in

internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2016 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Others

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended December 31, 2016 and 2015.

Ernst & Young, Taiwan

Taiwan

Republic of China

February 15, 2017

Notice to Readers

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

CORETRONIC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 2016 and 2015

(Amounts in thousands of New Taiwan Dollars)

ASSETS	December 31, 2016	%	December 31, 2015	%
Current assets				
Cash and cash equivalents	\$ 15,302,189	30.39	\$ 15,444,750	28.68
Financial assets at fair value through profit or loss-current	171,055	0.34	36,165	0.07
Hedging derivative financial assets-current	146,604	0.29	29,374	0.05
Note receivables, net	54,056	0.11	114,638	0.21
Accounts receivables, net	17,534,750	34.82	19,746,222	36.67
Accounts receivables-related parties, net	229	-	6,201	0.01
Other receivables	390,446	0.78	274,126	0.51
Current tax assets	12,985	0.02	3,596	0.01
Inventories, net	7,175,756	14.25	7,078,454	13.15
Prepayments	467,257	0.93	649,233	1.21
Other current assets	184,701	0.37	168,865	0.31
Total current assets	<u>41,440,028</u>	<u>82.30</u>	<u>43,551,624</u>	<u>80.88</u>
Non-current assets				
Available-for-sale financial assets-noncurrent	54,962	0.11	55,429	0.10
Financial assets measured at cost-noncurrent	327,480	0.65	329,361	0.61
Investments accounted for using the equity method	30,646	0.06	-	-
Property, plant and equipment, net	7,543,772	14.98	8,888,079	16.51
Investment property, net	192,564	0.38	200,616	0.37
Intangible assets	120,774	0.24	131,426	0.24
Deferred tax assets	241,359	0.48	239,440	0.45
Other assets-others	401,844	0.80	452,442	0.84
Total non-current assets	<u>8,913,401</u>	<u>17.70</u>	<u>10,296,793</u>	<u>19.12</u>
Total assets	<u>\$ 50,353,429</u>	<u>100.00</u>	<u>\$ 53,848,417</u>	<u>100.00</u>

(continued)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

CORETRONIC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 2016 and 2015

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	December 31, 2016	%	December 31, 2015	%
Current liabilities				
Short-term debts	\$ 6,622,586	13.15	\$ 5,307,590	9.86
Financial liabilities at fair value through profit or loss-current	79,603	0.16	33,898	0.06
Hedging derivative financial liabilities-current	143,274	0.28	19,061	0.04
Notes payable	2,777	0.01	4,901	0.01
Accounts payables	12,467,378	24.76	14,896,627	27.66
Accounts payables-related parties	40,850	0.08	25,524	0.05
Other payables	4,153,319	8.25	4,602,955	8.55
Current tax liabilities	970,288	1.93	1,089,663	2.02
Provision-current	849,456	1.69	867,632	1.61
Other current liabilities	856,424	1.69	735,266	1.36
Current portion of long-term liabilities	1,875	-	-	-
Total current liabilities	<u>26,187,830</u>	<u>52.00</u>	<u>27,583,117</u>	<u>51.22</u>
Non-current liabilities				
Long-term loans	28,125	0.06	328,250	0.61
Deferred tax liabilities	62,048	0.12	52,580	0.10
Net defined benefit liabilities-noncurrent	297,754	0.59	195,269	0.36
Other liabilities-others	22,997	0.05	27,189	0.05
Total non-current liabilities	<u>410,924</u>	<u>0.82</u>	<u>603,288</u>	<u>1.12</u>
Total liabilities	<u>26,598,754</u>	<u>52.82</u>	<u>28,186,405</u>	<u>52.34</u>
Equity attributable to owners of the parent				
Share capital				
Common stock	4,344,231	8.63	5,430,289	10.08
Capital surplus	4,627,479	9.19	4,624,208	8.59
Retained earnings				
Legal reserve	3,201,027	6.36	3,010,522	5.59
Special reserve	1,290,820	2.56	1,290,820	2.40
Undistributed earnings	8,841,168	17.56	8,038,464	14.93
Total retained earnings	<u>13,333,015</u>	<u>26.48</u>	<u>12,339,806</u>	<u>22.92</u>
Other equity	(671,630)	(1.33)	876,224	1.63
Non-controlling interests	<u>2,121,580</u>	<u>4.21</u>	<u>2,391,485</u>	<u>4.44</u>
Total equity	<u>23,754,675</u>	<u>47.18</u>	<u>25,662,012</u>	<u>47.66</u>
Total liabilities and equity	<u>\$ 50,353,429</u>	<u>100.00</u>	<u>\$ 53,848,417</u>	<u>100.00</u>

English Translation of Consolidated Financial Statements Originally Issued in Chinese
CORETRONIC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2016 and 2015
(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	For the years ended December 31,		For the years ended December 31,	
	2016	%	2015	%
Net sales	\$ 57,057,665	100.00	\$ 68,160,042	100.00
Operating costs	47,523,347	83.29	58,776,487	86.23
Gross profit	9,534,318	16.71	9,383,555	13.77
Operating expenses				
Selling expenses	1,816,785	3.18	1,742,984	2.56
Administrative expenses	2,690,266	4.72	2,627,827	3.85
Research and development expenses	3,055,137	5.35	2,997,092	4.40
Total operating expenses	7,562,188	13.25	7,367,903	10.81
Operating income	1,972,130	3.46	2,015,652	2.96
Non-operating income and expenses				
Other income	625,175	1.09	729,451	1.07
Other gains and losses	167,914	0.29	103,069	0.15
Finance costs	(102,292)	(0.18)	(150,711)	(0.22)
Share of profit or loss of associates and joint ventures	(2,046)	-	-	-
Total non-operating income and expenses	688,751	1.20	681,809	1.00
Income before income tax	2,660,881	4.66	2,697,461	3.96
Income tax expense	(834,788)	(1.46)	(742,252)	(1.09)
Net income	1,826,093	3.20	1,955,209	2.87
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit pension plans	(115,948)	(0.20)	87,264	0.13
Income tax related to items that will not be reclassified	19,711	0.03	(14,835)	(0.02)
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	(1,650,870)	(2.89)	(318,467)	(0.47)
Unrealized loss on available-for-sale financial assets	(467)	-	(17,777)	(0.03)
(Loss) gain on effective portion of cash flow hedges	(5,839)	(0.01)	8,646	0.01
Income tax related to items that may be reclassified subsequently to profit or loss	1,244	-	(1,444)	-
Other comprehensive income, net of tax	(1,752,169)	(3.07)	(256,613)	(0.38)
Total comprehensive income	\$ 73,924	0.13	\$ 1,698,596	2.49
Net income for the periods attributable to :				
Owners of the parent	\$ 1,964,534		\$ 1,905,047	
Non-controlling interests	\$ (138,441)		\$ 50,162	
Total comprehensive income for the periods attributable to :				
Owners of the parent	\$ 319,958		\$ 1,658,491	
Non-controlling interests	\$ (246,034)		\$ 40,105	
Basic Earnings Per Share (in New Taiwan Dollars)	\$ 4.01		\$ 3.51	
Diluted Earnings Per Share (in New Taiwan Dollars)	\$ 3.92		\$ 3.42	

English Translation of Consolidated Financial Statements Originally Issued in Chinese

CORETRONIC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2016 and 2015

(Amounts in thousands of New Taiwan Dollars)

Description	Equity attributable to owners of the parent									Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings			Other equity			Total		
			Legal reserve	Special reserve	Undistributed earnings	Exchange differences on translation of foreign operations	Unrealized losses from available-for-sale financial assets	Effective hedging instrument from cash flow hedge			
Balance as of January 1, 2015	\$ 5,430,289	\$ 4,624,156	\$ 2,726,410	\$ 1,290,820	\$ 8,319,669	\$ 1,206,092	\$ (16,869)	\$ 763	\$ 23,581,330	\$ 2,442,023	\$ 26,023,353
Acquiring or disposing the shares of subsidiaries	-	52	-	-	(68,745)	-	-	-	(68,693)	(359)	(69,052)
Appropriation and distribution of 2014 earnings:											
Legal reserve	-	-	284,112	-	(284,112)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,900,601)	-	-	-	(1,900,601)	-	(1,900,601)
Net income for the year ended December 31, 2015	-	-	-	-	1,905,047	-	-	-	1,905,047	50,162	1,955,209
Other comprehensive income for the year ended December 31, 2015	-	-	-	-	67,206	(303,187)	(17,777)	7,202	(246,556)	(10,057)	(256,613)
Total comprehensive income	-	-	-	-	1,972,253	(303,187)	(17,777)	7,202	1,658,491	40,105	1,698,596
Decrease of non-controlling interests	-	-	-	-	-	-	-	-	-	(90,284)	(90,284)
Balance as of December 31, 2015	5,430,289	4,624,208	3,010,522	1,290,820	8,038,464	902,905	(34,646)	7,965	23,270,527	2,391,485	25,662,012
Reduction of capital	(1,086,058)	-	-	-	-	-	-	-	(1,086,058)	-	(1,086,058)
Acquiring or disposing the shares of subsidiaries	-	-	-	-	(60,060)	-	-	-	(60,060)	(752)	(60,812)
Changes in subsidiaries' ownership	-	3,271	-	-	-	-	-	-	3,271	11,041	14,312
Appropriation and distribution of 2015 earnings:											
Legal reserve	-	-	190,505	-	(190,505)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(814,543)	-	-	-	(814,543)	-	(814,543)
Net income for the year ended December 31, 2016	-	-	-	-	1,964,534	-	-	-	1,964,534	(138,441)	1,826,093
Other comprehensive income for the year ended December 31, 2016	-	-	-	-	(96,722)	(1,542,792)	(467)	(4,595)	(1,644,576)	(107,593)	(1,752,169)
Total comprehensive income	-	-	-	-	1,867,812	(1,542,792)	(467)	(4,595)	319,958	(246,034)	73,924
Decrease of non-controlling interests	-	-	-	-	-	-	-	-	-	(34,160)	(34,160)
Balance as of December 31, 2016	\$ 4,344,231	\$ 4,627,479	\$ 3,201,027	\$ 1,290,820	\$ 8,841,168	\$ (639,887)	\$ (35,113)	\$ 3,370	\$ 21,633,095	\$ 2,121,580	\$ 23,754,675

English Translation of Consolidated Financial Statements Originally Issued in Chinese

CORETRONIC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2016 and 2015

(Amounts in thousands of New Taiwan Dollars)

Description	For the years ended December 31,		Description	For the years ended December 31,	
	2016	2015		2016	2015
Cash flows from operating activities :			Cash flows from investing activities :		
Net income before tax	\$ 2,660,881	\$ 2,697,461	Acquisition of financial assets at cost	(16,192)	(2,720)
Adjustments for:			Acquisition of investments accounted for using the equity method	(29,925)	-
The profit or loss items which did not affect cash flows:			Acquisition of subsidiaries (net of cash acquires)	(20,531)	(69,052)
Bad debt expense	24,413	8,874	Proceeds from disposal of available-for-sale financial assets	-	10,048
Depreciation (including investment property)	1,241,248	1,489,870	Acquisition of property, plant and equipment	(647,885)	(1,082,345)
Amortization (including other assets-others)	56,540	51,404	Proceeds from disposal of property, plant and equipment	177,632	86,911
Interest expenses	102,292	150,711	Acquisition of intangible assets	(31,773)	(81,212)
Interest income	(255,704)	(345,263)	Decrease (increase) in other assets-others	25,883	(106,768)
Dividend income	(7,335)	(24,637)	Net cash used in investing activities	(542,791)	(1,245,138)
Transfer of property, plant and equipment to expense	2,470	723			
Loss (gain) on disposal of property, plant and equipment	7,392	(811)			
Proceeds from disposal of intangible assets	183	33			
Intangible assets transferred to expense	797	2,792			
Loss on disposal of investments	-	1,011			
Share of loss of associates and joint ventures	2,046	-			
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	(89,185)	141,990			
Impairment of non-financial assets	103,074	116,204	Cash flows from financing activities :		
Changes in operating assets and liabilities:			Increase in short-term debts	1,316,871	242,981
Notes receivables	60,582	145,606	(Decrease) increase in long-term bank loans	(300,125)	328,250
Accounts receivables	2,188,968	(341,125)	Reduction of capital	(1,086,058)	-
Accounts receivables-related parties	5,972	28,466	Decrease in other liabilities-others	(4,192)	(3,851)
Other receivables	(103,358)	(36,814)	Cash dividends	(814,543)	(1,900,601)
Inventories	(52,225)	(447,159)	Acquisition of subsidiaries' ownership	(61,110)	-
Prepayments	264,582	(71,002)	Decrease in non-controlling interests	(22,614)	(90,284)
Other current assets	(15,836)	4,617	Net cash used in financing activities	(971,771)	(1,423,505)
Notes payables	(2,124)	381	Effect of exchange rate changes on cash and cash equivalents	(1,260,795)	(193,281)
Accounts payables	(2,429,249)	(1,144,265)	Net decrease in cash and cash equivalents	(142,561)	(1,621,866)
Accounts payables-related parties	15,326	(73,779)	Cash and cash equivalents at the beginning of the period	15,444,750	17,066,616
Other payables	(422,728)	(458,244)	Cash and cash equivalents at the end of the period	\$ 15,302,189	\$ 15,444,750
Provision-current	(18,176)	73,582			
Other current liabilities	119,384	(149,395)			
Net defined benefit liabilities	(13,463)	(28,595)			
Cash generated from operating activities	3,446,767	1,792,636			
Dividend received	7,335	24,637			
Interest received	242,942	357,530			
Interest paid	(129,200)	(135,974)			
Income tax paid	(935,048)	(798,771)			
Net cash provided by operating activities	2,632,796	1,240,058			

Coretronic Corporation
2016's Earnings Distribution Table

Unit : NTD

Item	Amount	
	Subtotal	Total
Beginning of Unappropriated Earnings		7,033,416,208
Minus: Acquiring or disposing the shares of subsidiaries from changes in percentage of Undistributed earnings	60,060,133	
Minus: Defined benefit plans measure number	96,721,884	
Cumulative of Unappropriated Earnings		6,876,634,191
2016's Unappropriated Earnings	1,964,534,197	
Minus: Appropriated For Legal Reserve	196,453,420	
Minus: Appropriated For Special Reserve	671,630,017	
2016's Earnings Available For Distribution		1,096,450,760
Earnings Available For Distribution (Cumulative)		7,973,084,951
Cash Dividends To Shareholders (NTD2 /per share)		868,846,220
End of Unappropriated Earnings		7,104,238,731
<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 : Cash dividend distribution ratio is calculated on the basis of whole NT dollar, rounded down to whole NT dollar, for total fractional dollars less than whole NT dollar, arrogant by decimal digit to low and account number from the front to rear adjustment order to meet the total cash dividend.</p>		

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

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

Current Provisions	Proposed Amendments
<p>6.1.3 The procedures :</p> <p>1)Authorized amount and level: The acquisition or disposition of the securities of the Company shall be commensurate with the approval of the Chairman and shall be reported to the Board of Directors after the end of each quarter. (Skip)</p>	<p>6.1.3 The procedures :</p> <p>1)Authorized amount and level: The acquisition or disposition of the securities of the Company shall be <u>subject to the relevant provisions of the internal authority, but equity of securities and the transaction amount more than NT \$ 300 million, should be approved by the Board of Directors.</u>The acquisition or disposition of the securities of the Company shall be reported to the Board of Directors after the end of each quarter. (Skip)</p>
<p>6.2.3In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions: (Skip)</p>	<p>6.2.3In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a government <u>agencies</u>, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions: (Skip)</p>
<p>6.2.4 The procedures :</p> <p>1)Authorized amount and level: to achieved or disposal the real property or equipment of the Company shall not only be subject to the approval of the internal regulations competent, but also afterwards mention the most recent report to the Board of Directors. (Skip)</p>	<p>6.2.4 The procedures :</p> <p>1)Authorized amount and level: to achieved or disposal the real property or equipment of the Company shall not only be subject to the approval of the internal regulations competent, but also report to the Board of Directors <u>after the end of each quarter</u>. (Skip)</p>
<p>6.3.2 When the company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, the company may not</p>	<p>6.3.2 When the company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or <u>buys back</u> of the domestic money market fund <u>issued by securities</u></p>

Current Provisions	Proposed Amendments
<p>proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors: (Skip)</p>	<p><u>investment trust enterprises</u>, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors: (Skip)</p>
<p>6.4.3 Expert Opinion : Where a public company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	<p>6.4.3 Expert Opinion : Where a public company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government <u>agencies</u>, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>
<p>6.4.4 The procedures : 1)Authorized amount and level: to achieved or disposal the membership card and intangible assets of the Company shall not only be subject to the approval of the internal regulations competent, but also afterwards mention the most recent report to the Board of Directors. (Skip)</p>	<p>6.4.4 The procedures : 1)Authorized amount and level: to achieved or disposal the membership card and intangible assets of the Company shall not only be subject to the approval of the internal regulations competent, but also report to the Board of Directors <u>after the end of each quarter</u>. (Skip)</p>
<p>6.6.1The company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage.</p>	<p>6.6.1The company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage. <u>But the merger of the company directly or indirectly by 100% of the issued shares or the total capital of the subsidiary, or the company directly and indirectly holds 100% of the issued shares or the total amount of capital between the subsidiaries of the merger, in order to obtain the former experts issued a reasonable opinion.</u></p>

Current Provisions	Proposed Amendments
<p>6.7.1 Under any of the following circumstances, The company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</p> <ol style="list-style-type: none"> 1) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements and purchase or redemption of the domestic money market fund. 2) Merger, demerger, acquisition, or transfer of shares. 3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company. 4) Where an asset transaction other than any of those referred to in the preceding three subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances: <ol style="list-style-type: none"> a.Trading of government bonds. ° b.Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets. c.Trading of bonds under repurchase/resale agreements and purchase or redemption of the domestic money market fund. d.Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million. e.Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, 	<p>6.7.1 Under any of the following circumstances, The company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</p> <ol style="list-style-type: none"> 1) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements and purchase or <u>buy back</u> of the domestic money market fund <u>issued by securities investment trust enterprises.</u> 2) Merger, demerger, acquisition, or transfer of shares. 3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company. 4) <u>Where the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party, and the transaction amount is more than NT\$500 million.</u> 5) <u>Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is mre than NT\$500 million.</u> 6) Where an asset transaction other than any of those referred to in the preceding <u>five</u> subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances: <ol style="list-style-type: none"> a.Trading of government bonds. b.Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets <u>, or in the domestic primary market to subscribe for the issuance of</u>

Current Provisions	Proposed Amendments
<p>and the amount the company expects to invest in the transaction is less than NT\$500 million.</p> <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> 1.The amount of any individual transaction. 2.The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year. 3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year. 4. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year. <p>"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p>	<p><u>ordinary corporate bonds and equity bonds are not involved in the general financial bonds.</u></p> <p>c.Trading of bonds under repurchase/resale agreements and purchase or <u>buy back</u> of the domestic money market fund <u>issued by securities investment trust enterprises.</u></p> <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> 1.The amount of any individual transaction. 2.The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year. 3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year. 4. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year. <p>"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p>
<p>6.7.3When the company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.</p>	<p>6.7.3When the company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety <u>within two days.</u></p>

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 :

- 1.CC01110 Computers and Computing Peripheral Equipments Manufacturing
- 2.CC01080 Electronic Parts and Components Manufacturing
- 3.CE01030 Photographic and Optical Equipment Manufacturing
- 4.CC01101 Restrained Telecom Radio Frequency Equipments and Materials Manufacture
- 5.F401021Restrained Telecom Radio Frequency Equipments and Materials Import
- 6.CC01990 Electrical Machinery, Supplies Manufacturing (can only be manufactured outside Hsinchu Science Park)
- 7.CC01990 Batteries Manufacturing (can only be manufactured outside Hsinchu Science Park)
- 8.Research, develop, produce, manufacture and sale the following optical products :
 - (1)Various LCDs, projections and the backlight modules
 - (2)Multimedia presentation system equipments and software
 - (3)Plasma display monitors/TVs, LCD internet personal computer, LCD Windows base terminal, digital transmission, LCD monitors
 - (4)All kinds of consigned design and develop and consulting services regarding above products
 - (5)Import and export trading business related to the above businesses (except the businesses requiring permit)
- 9.Design, manufacturing and sales of Acrylics and relating consigned design, develop, consulting and import and export trading business of the products (can only be conducted outside Hsinchu Science Park)
10. Design, manufacturing and sales of the power supply, electronic car and fuel cell related products and its Components

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: A shareholder of the Company shall be entitled to one vote for each share held except the shares provided by laws.

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. Shareholders' meeting will adopt electronic voting as one of the method to exercise the right to vote, and its related operation rules shall follow the competent authority regulations..

Article 16: When a shareholder of the Company is unable to attend a shareholder meeting for any reason, the shareholder may appoint proxies to attend the shareholder meeting published by the Company. 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, Audit Committee 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 directors shall adopt the candidate nomination measure and elected by shareholders' meeting from previous candidates. 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 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: 10%~20% of profit of the current year shall be distributed as employees' compensation. If the Company have losses from previous year, the losses shall be compensated in advance. Employee compensation distributed shall be made in stocks or cash including employees of the Company and may include employees of the controlled companies.

In the case that the annual final accounts audit results in surplus, funds shall be appropriated first for income tax payments and to compensate for losses from 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 contribute or reserve certain surplus in accordance with applicable laws. The retained profits from previous years, and the BOD should propose the dividends distribution and determined by shareholders' meeting.

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: 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; 19th amended on June 17, 2014; 20th amended on June 15, 2016; The 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 and those submitted by e-voting shares.

- 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 except the shares provided by

laws.

- 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.

Status of all Directors' Shareholding

1. Total shares issued as of April 16, 2017 are 434,423,110.
2. As of April 16, 2017, the total shares of all directors as below :

Title	Name	Number of shares	Shareholding ratio
Director	Mr. Wade Chang	8,171,463	1.88%
Director	Hsun Chieh Investment Ltd.	15,062,551	3.47%
Director	Ms. Sarah Lin	810,000	0.19%
Director	Mr. S. Y. Chen	803,452	0.18%
Independent Director	Mr. Ted Tu	0	0.00%
Independent Director	Mr. Chual-Hsin Teng	0	0.00%
Independent Director	Mr. Houn-Gee Chen	0	0.00%
Number of shares held by all directors		24,847,466	5.72%

3. According to legal rules the minimum number of shares that may be held by all directors is 16,000,000 shares.