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Coretronic Corporation

2020 Annual Shareholders' Meeting

Meeting Agenda

(Translation)

June 12, 2020

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Coretronic Corporation
2020 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
2020 Annual General Shareholders' Meeting Agenda

Time : 9:00 a.m., June 12 (Friday), 2020

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

I. Chairman's Address

II. Report Items

1. 2019 Annual Business Report.
2. Audit Committee's Review Report.
3. The distribution of 2019 employees' compensation.
4. The distribution of 2019 Earnings in cash.
5. The distribution of additional paid-in capital in cash.

III. Ratification Items

1. Ratification of 2019 Annual Business Report and Financial Statements.
2. Ratification of the Proposal for the Distribution of 2019 Earnings.

IV. Discussion Items

1. Proposal of Amending the Company's Articles of Incorporation.
2. Proposal to release the Directors from non-competition restrictions.

V. Extraordinary Motions

VI. Meeting Adjournment

Report Items

1. 2019 Annual Business Report

Description: 2019 Annual Business Report is attached as Attachment 1.

2. Audit Committee's Review Report

Description: 2019 Audit Committee's Report is attached as Attachment 2.

3. The distribution of 2019 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\$175,699,888 as 2019's employee compensation in cash.

4. The distribution of 2019 Earnings in cash.

Description:

- (1) The Board of Directors had resolved the earning available for distribution in 2019 will be pay in cash, and report to the shareholders meeting in accordance with Company Act and the Company Article of Incorporation. Cash dividends amounting to NT\$651,634,665 were distributed at NT\$1.5 per share.
- (2) Record date for paying cash dividend: Upon the approval of the Board of Directors, it is proposed to authorize the Chairman to determine the ex-dividend date.
- (3) In the event that, before the distribution record date, any change in the number of outstanding common shares, it is proposed the Chairman be authorized by the Board of Directors to adjust the cash dividend per share based on the number of actual shares outstanding on the record date.

5. The distribution of additional paid-in capital in cash.

Description:

- (1) The Board of Directors resolved to pay back NT\$271,211,555 additional paid-in capital, the excess paid by investors over and above the par-value price of the previous stock issued, to the shareholders in accordance with Article 241 of the Company Act and the Company Article of Incorporation, it is proposed to pay NT\$0.5 per share based on the number of shares issued 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 Board of Directors, it is proposed to authorize the Chairman to determine the distribution date.
- (3) In the event that, before the distribution record date, any change in the number of outstanding common shares, it is proposed the Chairman be authorized by the Board of Directors to adjust the cash dividend per share based on the number of actual shares outstanding on the record date.

Ratification Items

1. Ratification of 2019 Business Report and Financial Statements. (Proposed by the Board of Directors)

Description:

- (1)The 2019 financial statements of the Company had been audited by Ernst & Young.
- (2)Please refer to attachment 1 and 3 for 2019 Business Report and financial statements.
- (3)Please resolve.

Resolution:

2. Ratification of the Proposal for the Distribution of 2019 Earnings. (Proposed by the Board of Directors)

Description:

- (1)Please refer to attachment 4 for the Distribution of 2019 Earnings Table which was approved by the Board of Directors and reviewed by the Audit Committee.
- (2)Please resolve.

Resolution:

Discussion Items

1. Proposal of Amending the Company's Articles of Incorporation. (Proposed by the Board of Directors)

- (1)To accommodate the Company's business plan, it is proposed to make certain provision to the Articles of Incorporation of the Company.
- (2)The comparison table of amendments to the Company's Articles of Incorporation is attached as Attachment 5.
- (3)Please resolve.

Resolution:

2. Proposal to release the Directors from non-competition restrictions. (Proposed by the Board of Directors)

- (1)According to Article 209 of the Company Act, a director who conducts business within the business scope of the Company for himself or others shall explain at the shareholders' meeting the essential contents of such conduct and obtain the shareholders' approval.
- (2)As certain Directors elected at the shareholders' meeting concurrently work for other companies, which may constitute the act restricted under Article 209 of the Company Act, it is proposed to release the non-competition restrictions on the directors without prejudice to the interests of the Company. The list of competition restrictions on Directors proposed to be released is as follows:

Position	Name	Released restriction
Director	Hsun Chieh Investment Ltd.	Director of Silicon Integrated Systems Corporation.
	Mr. Ted Tu	Director of So-Cayenne Mobile Entertainment Co.,Ltd.

(3) Please resolve.

Resolution:

Extraordinary Motions

Meeting Adjournment

Coretronic Corporation

2019 Business Report

For the fiscal year of 2019, Coretronic reported a consolidated sales revenue of NT\$48,711 million, drop 12.5% YoY. Consolidated operating income totaled NT\$1,201 million with a pre-tax income of NT\$1,702 million. Net income was reported at NT\$1,158 million. Net income attributable to equity holders of the parent Company was NT\$1,153 million, drop 43% YoY, and the EPS in 2019 was NT\$2.65.

Sales breakdowns by product lines in 2019 as below: (Consolidated)

Product	2019	2018	Diff.
Energy Saving Products (unit/pc)	41,753,561	47,620,992	(12.32%)
Visual Solutions Products (unit)	954,532	1,309,517	(27.11%)

Reflecting to 2019, in response to the ultra-thin, narrow bezel, high-resolution, and energy-saving displays on the market, we continued to develop its core technology of light guide plates, display technology, and system integration technology to enhance product competency. In injection-molded light guide plates, Coretronic introduced the new IML & MML light guide plates combined with special optical components to further enhance efficiency at least 30% higher than traditional Laser pattern optimize LGP. With a special mechanism design, this LGP can be used in high dynamic range (HDR) imaging module of 1D & 1.5D Local Dimming of 17.3" or below displays. In hot embossing LGP, after overcoming process difficulties through constant technological advancement, Coretronic successfully developed the PC RS-IML & CML in a composite microstructure with the same efficiency as the PMMA IML LGPs. This technology features low internal stress, no need for mold, and high capacity, while the thickness reduced to below 0.3T, suitable for ultra-narrow bezel slim display. Looking forward to the energy-saving requirements of Energy star 8.0 in monitor displays, it has made active deployment in high energy-efficient LGPs of 27 " or below, which are 10-15% more efficient than existing products.

In the development of HDR, we started the mass production of backlight modules with 1D Local Dimming and scanning functions for use on narrow-bezel gaming laptops and FPDs. In response to the demand for 2D local dimming, Coretronic introduced the local dimming technology for 512-1152 zones with optical density (OD) of 3-7mm through constant development with optical knowhow. Alongside with the special diffuser printing technology, it launched monitors that are slim and cost-effective. In mini-LED backlight modules (BLM), it engaged in collaborative development with many customers, as well as integrate with the specially developed optical alignment light panel splicing and diffuser printing technologies so as to improve optical quality, picture quality, and production stability.

In addition, we developed the fifth-generation switchable e-privacy display technology that supports lower power consumption and better privacy performance with core LGP, BLM, and special film technologies. It allows users to dynamically switch to the appropriate viewing angle in different scenarios to overcome the contrast reduction and inconveniences caused by using add-on privacy filters on traditional displays. Currently, the mass production of a few customer models has begun and the technology even won the Outstanding Product Award (materials and components category) at Gold Panel Awards 2019. In response to the sixth generation's demand for lighter and slimmer modules with better privacy protection, we have proactively engaged in development and deployment and won credits from many customers for our proof of concept (PoC) by extending related concepts to automotive and industrial applications, such as the development of one-way and two-way privacy protection technology for automotive center information displays (CID) and passenger displays for drivers to dynamically switch the viewing angle in different scenarios to

prevent driving safety caused by light interference. Currently, we have discussed collaborative development with potential customers. To cope with the trend towards large-size, high-brightness, and high-contrast automotive display, we have successfully developed a 2D LCD display featuring one-piece optical lens equipped with small package LEDs, a 3mm OD, and dynamic dimming function. Collaborative development with customers has also begun. In semi-system integration, it smoothly won orders from global customers with the integrated technology covering open cell, LGP, touch module, and assembly and production integration business model. Based on these advantages, the Company also integrated the open cell in privacy display technology to in-house splitting and polarizer to form an integrated process from front-end to LCM assembly.

In the industrial display sector, we have developed the outdoor Kiosk touch display system with ultra-high brightness, IP65 water and dust proof rating, and sensors to achieve instant operation surveillance and archive data in the cloud. The shelf display with build-in AI recognition assist retailers to accomplish precise push marketing. We also developed software “RISE.cm” for the broadcast, editing, plug-and-play, and cloud management of contents for advertising companies. The interchangeable LCD all-in-one (AIO) point-of-sales (POS) products with extraordinary achievements were designed for POS application. In medical display, we have developed large-size surgical displays that support multi-signal source inputs. The unification of the image information on the screen provides the patient’s physiological and medical information for surgeons to get a comprehensive, quick review on monitors. We also mass-produced the AIO display for medical equipment by integrating PC and software to the display.

In the eSports sector, we achieved seamless tiled display using 2-3 monitors with special optical components to deliver the surround effect for gamers. We have also collaborated mass production with world-leading brands. In smart home application, we also developed the interactive voice Smart Mirror Clock, a multi-function smart home product with the mirror, voice information streaming, and clock to extend the application of our core technologies to different fields. We will continue to deepen our core technical competencies in display to provide customers with fast, low-cost, high-quality, and comprehensive semi-system and system products to create higher value for Coretronic.

For Visual Solution Products, we are not only continually pursue technological advancements and breakthroughs, but spare no effort to catch up with the technology of key components, and explored diversified applications to provide smart solutions through technology innovation. The high-brightness ultra-short-throw 4K laser projector solution (laser TV) for home uses the novel laser light source to enhance efficiency and meet the user’s needs by the built-in smart voice recognition function. In addition, smart solutions can continually expand new business to enhance momentum for future growth. In mainstream laser projector solution, apart from increasing brightness with the laser light source, we enhanced product efficiency while reducing size at the same time. Currently, shipping of the entire range has begun and the market is growing rapidly. The new mainstream 4K projector is equipped with a super high-resolution projection lens that displays pictures in detail. Mass production already began in the end of 2019.

In the education market, new-generation ultra-short-throw laser products equipped with high cost-performance ratio DLP from Texas Instruments have higher resolution and broader gamut coverage, which bring sharper images in detail. In addition, with core technologies, smart and interactive touch system, we are able to differentiate products to meet the demand of interactive learning and smart situations, especially in the advanced education and training application. What’s more, with the entry-level models for compulsory education, we have built up a complete product line to meet different needs from various applications. In 2019, besides constantly enhancing the reliability of products to upgrade existing models, we introduced value-added display solutions to create unique user experience. To provide Pro-AV system integrators with friendly installation and adjustment experience, we completed dome calibration and automatic blending/warping based on automatic algorithm and the engineering projector with embedded or standalone camera modules on.

In consideration of the demand for 3D display in the public, we developed a high-efficiency passive 3D solution to expand the scope of application of Pro-AV products. This unique 3D solution has won customer recognition, and commodification will begin in the second half of 2020.

A big step forward was made in 2019 for the core competitiveness deployment of key components and modules to bring strong momentum for future growth. In the development of the key component, phosphor wheels, we focused on enhancing the thermal conductivity, heat resistance, and efficiency of phosphor wheels in laser projectors. In the innovation of 4K actuators, we developed actuators for miniaturized DMDs and continued to develop high-performance DMD actuators to enhance overall competitiveness.

To continually pursue much smaller and more noiseless projectors, apart from enhancing the overall heat dissipation efficiency of thermal modules, water cooling systems, and cooling fans, we engaged in the R&D of vibration and noise reduction to reduce overall projector noise. Moreover, we developed the capacity in heat flow simulation for components and systems to enhance efficiency and reduce costs. We investigated the driving technology of solid-state light sources to enhance the performance of steady state laser-current conversion, reduce waste heat from constant current control, and enhance energy efficiency.

Thanks to the constant development and optimization of the core technologies of key components and modules, and the efficient use of such technologies in high-brightness laser projectors with high-power density laser, apart from enhancing the efficiency of laser projectors, they have maintained Coretronic's leadership in 1-DLP technology. In the future, we will focus on the development of miniaturization of laser light source, pure RGB three-channel laser light source projector, speckle reduction, wider color gamut, color saturation, etc. Based on these technological achievements, we will expand the range of our laser projectors to demonstrate new-generation energy-efficient and eco-friendly projectors.

In response to the growth trend of fine pixel pitch LED products, we completed the development of the AIO LED display product range in 2019 and launched three product platforms (130", 163" and 120"). Noted for high reliability, fast installation, and the exclusive Calibre image processing engine, the 130-inch model which mass production started in Q1, 2019 has won five international awards and expert recognition so far.

In view of the advantages including high cost-performance ratio, compact size, and portability of NIR fast-screening solutions, we continued to cultivate the NIR market with positive progress in 2019. Apart from introducing various NIR rapid screening solutions with worldwide partners, including the WHO-approved rapid test solutions for drugs with African partners and NIR rapid nitrogen test for precision agriculture with Australian partners, we signed collaboration agreements with Chinese customers to implement rapid quality test solutions to oil refinery, and launched the extended-band spectrometer to provide better hardware solutions for milk, soil, and other detection applications. We also assisted customers in the feasibility survey of NIR applications to accelerate secondary development, in order to facilitate NIR commodification and promote the platform business model.

In drone solutions, we successfully developed the intelligent security drone solution by integrating core technologies including fleet management, the robotic operating system (ROS), autonomous closed source flight control, and artificial intelligence (AI). We also expanded the business model from ODM to solution integration and service application to develop innovative technologies including AI detection, identification, dynamic obstacle avoidance, and VIO 3D SLAM with autonomous drone (+AI). In addition, mass production and shipping of the security drone hardware platform developed in collaboration with strategic partners in Silicon Valley have begun, with the top 500 US enterprises as target customers. Shipping for contracts from Japan and Malaysia has also begun. Domestically, with the subsidization from the "Smart City Taiwan" of the Ministry of Economic Affairs, we initiated the POC and investigated the business model of the smart security

drone. The smart security drone solution also won the "2019 Smart City Innovation Application Award" from the Taipei Computer Association.

In addition, we successfully entered the smart retail and smart healthcare industries by integrating our innovative visual solutions and products with core technologies including AI, deep learning, computer vision, data science, IoT, and cloud computing. In smart retail, we have developed exclusively solutions including the recommendation system, virtual shelf, repeat customer system, skin analysis, and e-label. Apart from earning the favor of leading retailers in Taiwan, these solutions have been implemented in their channels. In smart healthcare, we have successfully introduced the technology and solutions of the immersive motion platform to fitness center chains in Asia Pacific. Through collaboration with fitness centers, we have increased the adoption of the immersive motion solution. In addition, we will collect, analyze, use and add value to the offline data and maintain close cooperation with customers, industries, and the academia to develop exclusive field-specific data analysis technology to realize the data-based service platform and further the business model.

Moving forward, we will adhere to the mission to be the leader of the digital display system technology, continue to develop innovative display solutions, and aim at image recognition, AI, and value-added cloud services. The specific development strategies are as follows:

- (1) Intensely develop optical core technology to extend the cross-sector application of optical components, system products and semi-system products to increase product added value and price competitiveness and secure global competitiveness in the display and visual technology fields.
- (2) In BLM technology, apart from constantly developing various new type LGPs, direct type LGLs, special optical control films, and mini-LED BLMs; we will continue to reduce the thickness, bezel width, optical films and LEDs and enhance the optical efficiency of BLMs to develop slim, small, lightweight, energy-efficient, HDR, and high-value added displays with privacy protection, for game consoles, tablets, notebooks, industrial monitors, automotive HUDs and touch screens, advanced monitors for medical and gaming, AIO monitors, slim and smart high-end TVs and smart home display modules.
- (3) In response to the changes in market business models and customer demands, product development has turned from BLMs to semi-system and integrated system products designed and manufactured in combination with tablets/notebooks/ automotive HUDs and displays, and TV outer parts. This move aims to provide the best possible design, production, and global after-sales services for Brand Name/SI, and panel customers through a highly flexible business model.
- (4) Following the trend of 4K resolution, we will release more 4K products with smart functions and SSI light sources to provide customers with more and better choices. Meanwhile, mainstream models will also take SSI as the light source, which will bring more growth momentum to Coretronic. We earned positive market feedbacks for the 4K model of the laser TVs launched last year, and will continue to improve laser TV products to expand market share. In 2020, new branded customers are expected to join our laser TV sales.
- (5) With ultra-short-throw technology as the core, we will provide professional hardware display solutions for education and commercial business by combining our advantages in laser and 4K UHD technologies and independent development of peripheral interactive, high-strength algorithm and intelligent connection. In addition, we will expand the advantages of platform effectiveness to provide collaborative embedded design or module to the leading potential customer in different channels, and expanding the scale of application penetration.
- (6) Provide application-oriented total display solutions and enter new markets to fulfill the multiple display demands in different scenarios and trades for high-end markets including large venue and immersive creation and special application customers through continual pursuit of higher brightness and better resolution; optimization of existing high-end products for engineering use; progressively development of distance, autonomous, smart, and cloud computing functions; and the clever use of various business models: ODM, flexible

- manufacturing, embedded design, and cooperative development.
- (7) Enter the smart retail and smart health markets with the service-based business model by integrating AI, deep learning, computer vision, IoT and cloud computing. Focus on the development of core technologies relating to motion-sensing control, AI, and robotics. Engage in the R&D and design of drone hardware and software for security, mapping, and modeling; develop smart drone solutions and cultivate opportunities for cooperation with security control and mapping service providers and brands.
 - (8) Plan and implement group resources allocation and ensure the information security with new information technologies to enhance overall organizational performance; define information processes and system resource utilization required for business operations and quickly provide integrated information management platforms; design, plan, and implement cloud computing architecture, digital platforms and IoT environments and applications to promote the new business development within the group.
 - (9) In response to the group's operations and growth, raise low-cost capital to support organizational development and develop strength for long-term development. Goals include building consensus through engagement to enable teamwork, innovation and execution, materializing the vision to build a technologies foundation for sustainable business and pursuing the ultimate interest of shareholders and employees.

Sincerely,

Chairman: Wade Chang

President: Sarah Lin, SY Chen

Accounting Officer: Franck Ho

Audit Committee's Review Report

To: 2020 General Annual Shareholders' Meeting of Coretronic Corporation

The Board of Directors of the Company has delivered the 2019 business report, the financial statements and the proposed 2019 earnings distribution. The aforesaid 2019 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 : Houn-Gee Chen

April 27, 2020



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Independent Auditors' Report

To Coretronic Corporation

Opinion

We have audited the accompanying parent company only balance sheets of Coretronic Corporation (“the Company”) as of December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the parent company only financial statements, including the summary of significant accounting policies (together “the parent company only financial statements”).

In our opinion, based on our audits and the reports of other auditors (please refer to the Other Matter – Making Reference to the Audits of Component Auditors section of our report), the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and cash flows for the years ended December 31, 2019 and 2018, 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 2019 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation for inventories

The Company recognized the allowance write-down of inventories amounted to NT\$44,393 thousand for the year ended December 31, 2019. Due to the rapid technological changes and innovation for projectors, backlight, and FPD-related products, management estimates the write-down of inventories. Considering the amount of inventories was significant and the assessment of the amount of inventories write-downs requires the management's important judgement, we determined this is a key audit matter. Our audit procedures included, but not limited to, evaluating and testing the design and operating effectiveness of internal controls around inventories; evaluating the methodologies and assumptions used, including the reasonableness of the allowance write-down of inventories; testing the source of the basic data, including the aging and net realizable value of inventories, and recalculating its correctness; evaluating the overall adequacy of the allowance write-down of inventories through analytical review procedures. We also assessed the adequacy of disclosures of inventories. Please refer to Notes 5 and 6 to the parent company only financial statements.

Revenue recognition

The Company recognized the revenue amounted to NT\$17,837,272 thousand for the year ended December 31, 2019. Main source of revenue comes from projectors, backlight, and FPD-related sales of products and related services. As revenue is the main operating activity of the company, the company recognized revenue when transferring a promised product or service to a customer. The terms of trade in the products agreed in their contracts are different when the performance obligations were satisfied. As a result of the higher complexity of revenue recognition, we determined the matter to be a key audit matter. Our audit procedures include, but not limited to, assessing the appropriateness of the accounting policy for revenue recognition; evaluating and testing the effectiveness of internal controls within the revenue recognition; performing product-specific analytical procedures; viewing their transactions certificate and performing cut-off procedures on selected samples for a period before and after the reporting date; tracing to relevant documentation, and testing details of transaction, including sales contracts, terms of trade and other contents, and verifying the appropriateness of the timing of revenue recognition. Please refer to Notes 4 and 6 to the parent company only financial statements.



Other Matter – Making Reference to the Audits of Component Auditors

We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method whose statements are based solely on the reports of other auditors. These associates and joint ventures under equity method amounted to NT\$(16,074) thousand and NT\$(11,398) thousand, representing (0.05)% and (0.03)% of total assets as of December 31, 2019 and 2018, respectively. The related shares of loss from the associates and joint ventures under the equity method amounted to NT\$26,894 thousand and NT\$34,611 thousand, representing (2.19)% and (1.7)% of the net income before tax for the years ended December 31, 2019 and 2018, respectively.

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

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

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

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

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

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

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

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



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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hsu, Hsin-Min

Chen, Chih-Chung

Ernst & Young, Taiwan

February 17, 2020

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, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2019	%	December 31, 2018	%
Current assets					
Cash and cash equivalents	4, 6(1)	\$ 1,511,802	4.32	\$ 2,955,473	7.76
Financial assets at fair value through profit or loss-current	4, 6(2)	71,081	0.20	49,189	0.13
Hedging financial assets-current	4, 6(3)	-	-	1,487	-
Trade receivables, net	4, 6(5), 6(16)	2,975,981	8.50	5,091,575	13.36
Trade receivables-related parties, net	4, 6(5), 7	2,326,416	6.64	2,338,175	6.14
Other receivables	4, 8	79,499	0.23	138,773	0.36
Other receivables-related parties	4, 7	148,035	0.42	110,072	0.29
Inventories, net	4, 5, 6(6)	741,367	2.12	1,260,141	3.31
Prepayments		123,935	0.35	124,795	0.33
Other current assets		33,653	0.10	39,479	0.11
Total current assets		8,011,769	22.88	12,109,159	31.79
Non-current assets					
Financial assets at fair value through profit or loss-noncurrent	4, 6(2)	35,412	0.10	20,065	0.05
Financial assets at fair value through other comprehensive income-noncurrent	4, 6(4)	628	-	760	-
Investments accounted for using equity method	4, 6(7), 6(20)	24,349,455	69.53	24,420,833	64.10
Property, plant and equipment, net	4, 6(8)	1,692,769	4.83	1,338,638	3.51
Right-of-use assets	4, 6(17)	737,434	2.11	-	-
Intangible assets	4, 6(9)	27,041	0.08	33,653	0.09
Deferred tax assets	4, 5, 6(21)	147,742	0.42	153,348	0.40
Other noncurrent assets		17,613	0.05	20,618	0.06
Total non-current assets		27,008,094	77.12	25,987,915	68.21
Total assets		\$ 35,019,863	100.00	\$ 38,097,074	100.00

(continued)

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

CORETRONIC CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
As of December 31, 2019 and 2018
(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2019	%	December 31, 2018	%
Current liabilities					
Short-term borrowings	6(10)	\$ 6,903,495	19.71	\$ 5,473,413	14.37
Financial liabilities at fair value through profit or loss-current	4, 6(11)	139,609	0.40	12,658	0.03
Hedging financial liabilities-current	4, 6(11)	-	-	2,402	0.01
Contract liabilities-current	6(15)	91,716	0.26	171,472	0.45
Accounts payables		1,331,957	3.80	2,404,065	6.31
Accounts payables-related parties	7	811,049	2.32	3,307,902	8.68
Other payables		1,581,784	4.52	1,922,405	5.04
Other payables-related parties	7	935,213	2.67	1,066,038	2.80
Current tax liabilities	4, 5, 6(21)	458,483	1.31	475,235	1.25
Provisions-current	4, 5, 6(13)	259,970	0.74	288,198	0.75
Lease liabilities-current	4, 6(17)	44,051	0.13	-	-
Other current liabilities		227,865	0.65	304,409	0.80
Total current liabilities		12,785,192	36.51	15,428,197	40.49
Non-current liabilities					
Deferred tax liabilities	4, 5, 6(21)	8,646	0.02	8,142	0.02
Lease liabilities-noncurrent	4, 6(17)	698,815	2.00	-	-
Net defined benefit liabilities-noncurrent	5, 6(12)	91,378	0.26	129,632	0.34
Other noncurrent liabilities	6(7)	52,637	0.15	325,890	0.86
Total non-current liabilities		851,476	2.43	463,664	1.22
Total liabilities		13,636,668	38.94	15,891,861	41.71
Equity					
Share capital					
Common stock	6(14)	4,344,231	12.41	4,344,231	11.40
Capital surplus	6(14)	3,727,475	10.64	4,072,808	10.69
Retained earnings	6(14), 6(21)				
Legal reserve		3,774,564	10.78	3,572,543	9.38
Special reserve		2,469,437	7.05	2,483,647	6.52
Unappropriated retained earning		9,429,258	26.92	9,345,802	24.53
Total retained earnings		15,673,259	44.75	15,401,992	40.43
Other equity		(2,361,770)	(6.74)	(1,613,818)	(4.23)
Total equity		21,383,195	61.06	22,205,213	58.29
Total liabilities and equity		\$ 35,019,863	100.00	\$ 38,097,074	100.00

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

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
CORETRONIC CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2019 and 2018
(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	For the year ended December 31		For the year ended December 31	
		2019	%	2018	%
Net sales	4, 5, 6(15), 7	\$ 17,837,272	100.00	\$ 19,698,298	100.00
Operating costs	4, 5, 6(6), 6(9), 6(12), 6(17), 6(18), 7	15,109,537	84.71	16,702,647	84.79
Gross profit		2,727,735	15.29	2,995,651	15.21
Unrealized gross profit on sales	6(7)	231,000	1.30	280,243	1.42
Realized gross profit on sales		280,243	1.57	222,648	1.13
Gross profit, net		2,776,978	15.56	2,938,056	14.92
Operating expenses	6(9), 6(12), 6(17), 6(18)				
Selling expenses		350,165	1.96	303,083	1.54
General and administrative expenses		1,083,209	6.07	1,133,392	5.86
Research and development expenses		1,791,304	10.04	1,740,982	8.84
Total operating expenses		3,224,678	18.07	3,197,457	16.24
Operating loss		(447,700)	(2.51)	(259,401)	(1.32)
Non-operating income and expenses					
Other income	6(19)	177,825	1.00	134,081	0.68
Other gains and losses	6(19)	185,055	1.04	169,749	0.86
Finance costs	6(19)	(265,154)	(1.48)	(184,635)	(0.93)
Share of gain of subsidiaries, associates and joint ventures for using equity method	4, 6(7)	1,579,873	8.86	2,172,989	11.03
Total non-operating income and expenses		1,677,599	9.42	2,292,184	11.64
Income before income tax		1,229,899	6.91	2,032,783	10.32
Income tax expense	4, 5, 6(21)	(76,829)	(0.43)	(12,564)	(0.06)
Net income		1,153,070	6.48	2,020,219	10.26
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Remeasurements of defined benefit pension plans	6(20)	3,367	0.02	(16,517)	(0.08)
Remeasurements of defined benefit pension plans of subsidiaries, associates and joint ventures accounted for using equity method	6(20)	(15,650)	(0.09)	679	-
Unrealized loss from equity instrument investments measured at fair value through other comprehensive income	6(20)	(132)	-	(2,237)	(0.01)
Unrealized gain (loss) from equity instrument investments measured at fair value through other comprehensive income from share of subsidiaries, associates and joint ventures accounted for using equity method	6(20)	88,650	0.50	(63,098)	(0.32)
Income tax related to items that will not be reclassified	6(20), 6(21)	(674)	(0.01)	5,740	0.02
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	6(20)	(837,201)	(4.69)	(299,534)	(1.52)
Gain on hedging instruments	6(20)	913	0.01	7,823	0.04
Income tax related to items that may be reclassified subsequently to profit or loss	6(20), 6(21)	(182)	-	(3,939)	(0.02)
Other comprehensive income (loss), net of tax		(760,909)	(4.26)	(371,083)	(1.89)
Total comprehensive income		\$ 392,161	2.22	\$ 1,649,136	8.37
Basic Earnings Per Share (in New Taiwan Dollars)	6(22)	\$ 2.65		\$ 4.65	
Diluted Earnings Per Share (in New Taiwan Dollars)	6(22)	\$ 2.62		\$ 4.56	

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

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

CORETRONIC CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

Description	Common stock	Capital surplus	Retained earnings			Other equity				Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign operations	Unrealized gains or losses on financial assets at fair value through other comprehensive income(loss)	Effective hedging instrument from cash flow hedge	Gains or losses on hedging instruments	
Balance as of January 1, 2018	\$ 4,344,231	\$ 4,092,423	\$ 3,397,480	\$ 1,962,450	\$ 8,928,344	\$ (1,188,212)	\$ -	\$ (4,615)	\$ -	\$ 21,532,101
Effects of retroactive application and restatement	-	-	-	-	189,639	-	(59,990)	4,615	(4,615)	129,649
Restated balance as of January 1, 2018	4,344,231	4,092,423	3,397,480	1,962,450	9,117,983	(1,188,212)	(59,990)	-	(4,615)	21,661,750
Acquisition or disposal of the interest of subsidiaries	-	197,582	-	-	-	-	-	-	-	197,582
Changes in subsidiaries' ownership	-	14	-	-	-	-	-	-	-	14
Appropriation and distribution of 2017 earnings (Note)	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	175,063	-	(175,063)	-	-	-	-	-
Special reserve	-	-	-	521,197	(521,197)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,086,058)	-	-	-	-	(1,086,058)
Cash dividends distributed from capital surplus	-	(217,211)	-	-	-	-	-	-	-	(217,211)
Net income for the year ended December 31, 2018	-	-	-	-	2,020,219	-	-	-	-	2,020,219
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	(10,082)	(299,534)	(65,351)	-	3,884	(371,083)
Total comprehensive income (loss)	-	-	-	-	2,010,137	(299,534)	(65,351)	-	3,884	1,649,136
Balance as of December 31, 2018	4,344,231	4,072,808	3,572,543	2,483,647	9,345,802	(1,487,746)	(125,341)	-	(731)	22,205,213
Share of changes in net of associates and joint ventures accounted for using equity method	-	150	-	-	-	-	-	-	-	150
Acquisition or disposal of the interest of subsidiaries	-	296,606	-	-	-	-	-	-	-	296,606
Changes in subsidiaries' ownership	-	9,546	-	-	-	-	-	-	-	9,546
The subsequent reversal of special reserve	-	-	-	(14,210)	14,210	-	-	-	-	-
Appropriation and distribution of 2018 earnings (Note)	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	202,021	-	(202,021)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(868,846)	-	-	-	-	(868,846)
Cash dividends distributed from capital surplus	-	(651,635)	-	-	-	-	-	-	-	(651,635)
Net income for the year ended December 31, 2019	-	-	-	-	1,153,070	-	-	-	-	1,153,070
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	(12,957)	(837,201)	88,518	-	731	(760,909)
Total comprehensive income (loss)	-	-	-	-	1,140,113	(837,201)	88,518	-	731	392,161
Balance as of December 31, 2019	\$ 4,344,231	\$ 3,721,475	\$ 3,774,564	\$ 2,469,437	\$ 9,429,258	\$ (2,324,947)	\$ (36,823)	\$ -	\$ -	\$ 21,383,195

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

Note : The amounts of employees' compensation was NT\$175,700 thousand and NT\$290,398 thousand for the years ended December 31, 2019 and 2018, respectively.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
CORETRONIC CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the years ended December 31, 2019 and 2018
(Amounts in thousands of New Taiwan Dollars)

Description	For the years ended December 31		Description	For the years ended December 31	
	2019	2018		2019	2018
Cash flows from operating activities :			Cash flows from investing activities :		
Net income before tax	\$ 1,229,899	\$ 2,032,783	Acquisition of investments accounted for using the equity method	\$ (392,000)	\$ (69,917)
Adjustments for:			Disposal of investments accounted for using the equity method	181,387	81,589
The profit or loss items which did not affect cash flows:			Proceeds from capital reduction of investments accounted for using equity method	196,993	-
Expected credit (gain) losses	(1,294)	1,048	Acquisition of financial assets at fair value through profit or loss	(15,415)	-
Depreciation (including right-of-use-assets)	173,936	114,184	Acquisition of property, plant and equipment	(554,877)	(129,358)
Amortization (including other noncurrent assets)	19,852	14,632	Proceeds from disposal of property, plant and equipment	60,029	453
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	106,546	(44,197)	Acquisition of intangible assets	(17,992)	(14,562)
Interest expenses	265,154	184,635	Proceeds from disposal of intangible assets	4,769	4,259
Interest income	(23,853)	(13,083)	Proceeds from disposal of other assets	39,126	-
Share of gain of subsidiaries, associates and joint ventures for using equity method	(1,579,873)	(2,172,989)	Acquisitions through business combinations	-	1,191,135
(Gain) loss on disposal of property, plant and equipment	(409)	1,197	Decrease (increase) in other noncurrent assets	2,988	(1,830)
Gain on disposal of intangible assets	-	(2,106)	Net cash (used in) provided by investing activities	(494,992)	1,061,769
Gain on disposal of other assets (recognized in other income)	(17,004)	-			
Unrealized gross profit on sales	231,000	280,243			
Realized gross profit on sales	(280,243)	(222,648)			
Changes in operating assets and liabilities:			Cash flows from financing activities :		
Note receivables	-	1,324	Increase (decrease) in short-term borrowings	1,430,082	(420,667)
Accounts receivables	2,116,888	848,973	(Decrease) increase in other payables-related parties	(232,635)	989,330
Accounts receivables-related parties	11,759	(113,999)	Repayment of the principle portion of lease liabilities	(27,854)	-
Other receivables	58,995	(52,168)	Decrease in other noncurrent liabilities	(8,163)	(555)
Other receivables-related parties	(37,963)	(7,587)	Cash dividends	(1,520,481)	(1,303,269)
Inventories	518,774	48,002	Net cash used in financing activities	(359,051)	(735,161)
Prepayments	1,336	7,949			
Other current assets	5,826	1,998	Net (decrease) increase in cash and cash equivalents	(1,443,671)	2,882,846
Contract liabilities-current	(79,756)	-	Cash and cash equivalents at the beginning of the period	2,955,473	72,627
Note payable	-	171,472	Cash and cash equivalents at the end of the period	\$ 1,511,802	\$ 2,955,473
Accounts payable	(1,072,108)	(658,735)			
Accounts payable-related parties	(2,496,853)	1,394,500			
Other payables	(342,408)	308,629			
Other payables-related parties	101,810	7,146			
Provisions-current	(28,228)	(134,218)			
Other current liabilities	(76,544)	59,776			
Net defined benefit liabilities	(34,887)	(23,061)			
Cash generated from operating activities	(1,229,648)	2,033,700			
Interest received	22,713	12,370			
Dividend received	969,002	766,557			
Interest paid	(263,367)	(182,708)			
Income tax paid	(88,328)	(73,681)			
Net cash (used in) provided by operating activities	(589,628)	2,556,238			

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

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, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, and its consolidated financial performance and cash flows for the years ended December 31, 2019 and 2018, 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 2019 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\$670,061 thousand for the year ended December 31, 2019. Due to the rapid technological changes and innovation for projectors, backlight, and FPD-related products, management estimates the write-down of inventories. Considering the amount of inventories was significant and the assessment of the amount of inventories write-downs requires the management's important judgement, we determined this is a key audit matter. Our audit procedures included, but not limited to, evaluating and testing the design and operating effectiveness of internal controls around inventories; evaluating the methodologies and assumptions used, including the reasonableness of the allowance write-down of inventories; testing the source of the basic data, including the aging and net realizable value of inventories, and recalculating its correctness; evaluating the overall adequacy of the allowance write-down of inventories through analytical review procedures. We also assessed the adequacy of disclosures of inventories. Please refer to Notes 5 and 6 to the Group's consolidated financial statements.

Revenue recognition

The Group recognized the revenue amounted to NT\$48,711,259 thousand for the year ended December 31, 2019. Main source of revenue comes from projectors, backlight, and FPD-related sales of products and related services. As revenue is the main operating activity of the group, the Group recognized revenue when transferring a promised product or service to a customer. The terms of trade in the products agreed in their contracts are different when the performance obligations were satisfied. As a result of the higher complexity of revenue recognition, we determined the matter to be a key audit matter. Our audit procedures include, but not limited to, assessing the appropriateness of the accounting policy for revenue recognition; evaluating and testing the effectiveness of internal controls within the revenue recognition; performing product-specific analytical procedures; viewing their transactions certificate and performing cut-off procedures on selected samples for a period before and after the reporting date; tracing to relevant documentation, and testing details of transaction, including sales contracts, terms of trade and other contents, and verifying the appropriateness of the timing of revenue recognition. Please refer to Notes 4 and 6 to the Group's consolidated financial statements.

Other Matter – Making Reference to the Audits of Component Auditors

We did not audit the financial statements of certain consolidated subsidiary whose statements are based solely on the reports of other auditors. Total assets of the consolidated subsidiary amounted to NT\$125,772 thousand and NT\$99,624 thousand, representing 0.25% and 0.21% of consolidated total assets as of December 31, 2019 and 2018, respectively; and total operating revenues amounted to NT\$51,677 thousand and NT\$33,596 thousand, representing 0.11% and 0.06% of the consolidated total operating revenues for the years ended December 31, 2019 and 2018, respectively. We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method whose statements are based solely on the reports of other auditors. These associates and joint ventures under equity method amounted to NT\$ 22,934 thousand, representing 0.05% of consolidated total assets as of December 31, 2019. The related shares of gain from the associates and joint ventures under the equity method amounted to NT\$783 thousand, representing 0.05% of the consolidated net income before tax for the year ended December 31, 2019.

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

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

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

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

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

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



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

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

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

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



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 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, 2019 and 2018.

Hsu, Hsin-Min

Chen, Chih-Chung

Ernst & Young, Taiwan

February 17, 2020

Notice to Readers

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

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

CORETRONIC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Note	December 31, 2019	%	December 31, 2018	%
Current assets					
Cash and cash equivalents	6(1)	\$ 20,161,863	40.88	\$ 17,226,050	35.86
Financial assets at fair value through profit or loss-current	6(2)	84,321	0.17	63,250	0.13
Hedging financial assets-current	6(3), 12	4,207	0.01	11,613	0.03
Notes receivables, net	6(5), 6(19)	41,467	0.08	256,793	0.53
Trade receivables, net	6(6), 6(19)	11,687,611	23.70	13,358,726	27.81
Trade receivables-related parties, net	6(6), 6(19), 7	201	-	1,912	-
Other receivables	8	252,722	0.51	510,870	1.06
Current tax assets	4, 6(24)	12,527	0.03	19,146	0.04
Inventories, net	6(7)	6,062,756	12.29	7,882,359	16.41
Prepayments		532,824	1.08	483,352	1.01
Other current assets		139,196	0.28	169,225	0.35
Total current assets		38,979,695	79.03	39,983,296	83.23
Non-current assets					
Financial assets at fair value through profit or loss-noncurrent	6(2)	35,412	0.07	20,065	0.04
Financial assets at fair value through other comprehensive income-noncurrent	6(4)	447,469	0.91	359,859	0.75
Investments accounted for using equity method	6(8)	22,934	0.05	-	-
Property, plant and equipment, net	6(9), 8	6,930,269	14.05	6,551,312	13.64
Right-of-use assets	4, 6(20)	1,977,056	4.01	-	-
Investment property, net	6(10), 8	168,406	0.34	176,459	0.37
Intangible assets	6(11)	281,674	0.57	156,402	0.33
Deferred tax assets	4, 6(24)	303,144	0.61	302,673	0.63
Net defined benefit assets-noncurrent	6(15)	12,603	0.03	10,676	0.02
Other noncurrent assets	8	164,458	0.33	476,463	0.99
Total non-current assets		10,343,425	20.97	8,053,909	16.77
Total assets		\$ 49,323,120	100.00	\$ 48,037,205	100.00

(continued)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

CORETRONIC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Note	December 31, 2019	%	December 31, 2018	%
Current liabilities					
Short-term borrowings	6(12)	\$ 8,521,341	17.28	\$ 6,414,641	13.35
Financial liabilities at fair value through profit or loss-current	6(13)	153,107	0.31	23,475	0.05
Hedging financial liabilities-current	6(13), 12	-	-	2,402	0.01
Contract liabilities-current	6(18)	294,152	0.60	353,528	0.74
Notes payable		507	-	-	-
Accounts payable		8,441,190	17.11	9,272,126	19.30
Accounts payable-related parties	7	23,445	0.05	40,422	0.08
Other payables	7	4,092,358	8.30	4,627,935	9.63
Current tax liabilities	4, 6(24)	789,088	1.60	925,636	1.93
Provisions-current	6(16)	767,350	1.55	826,791	1.72
Lease liabilities-current	4, 6(20)	335,921	0.68	-	-
Other current liabilities		453,986	0.92	543,884	1.13
Current portion of long-term borrowings	6(14)	6	-	165,004	0.34
Total current liabilities		23,872,451	48.40	23,195,844	48.28
Non-current liabilities					
Long-term borrowings	6(14)	183,427	0.37	287,295	0.60
Deferred tax liabilities	4, 6(24)	24,637	0.05	32,746	0.07
Lease liabilities-noncurrent	4, 6(20)	1,439,424	2.92	-	-
Net defined benefit liabilities-noncurrent	6(15)	196,891	0.40	192,723	0.40
Other noncurrent liabilities		53,730	0.11	62,944	0.13
Total non-current liabilities		1,898,109	3.85	575,708	1.20
Total liabilities		25,770,560	52.25	23,771,552	49.48
Equity attributable to owners of the parent					
Share capital					
Common stock	6(17)	4,344,231	8.81	4,344,231	9.04
Capital surplus	6(17)	3,727,475	7.55	4,072,808	8.48
Retained earnings	6(17), 6(25)				
Legal reserve		3,774,564	7.65	3,572,543	7.44
Special reserve		2,469,437	5.01	2,483,647	5.17
Unappropriated retained earnings		9,429,258	19.12	9,345,802	19.46
Total retained earnings		15,673,259	31.78	15,401,992	32.07
Other equity		(2,361,770)	(4.79)	(1,613,818)	(3.36)
Total equity attributable to owners of the parent		21,383,195	43.35	22,205,213	46.23
Non-controlling interests	6(17)	2,169,365	4.40	2,060,440	4.29
Total equity		23,552,560	47.75	24,265,653	50.52
Total liabilities and equity		\$ 49,323,120	100.00	\$ 48,037,205	100.00

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
CORETRONIC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2019 and 2018
(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Note	For the year ended December 31		For the year ended December 31	
		2019	%	2018	%
Net sales	4, 6(18), 7	\$ 48,711,259	100.00	\$ 55,672,933	100.00
Operating costs	4, 6(7), 6(11), 6(20), 6(21), 7	39,904,813	81.92	45,303,063	81.37
Gross profit		8,806,446	18.08	10,369,870	18.63
Operating expenses	6(11), 6(15), 6(19), 6(20), 6(21)				
Selling expenses		1,969,687	4.04	2,112,270	3.80
General and administrative expenses		2,183,108	4.48	2,484,040	4.46
Research and development expenses		3,452,548	7.09	3,471,941	6.24
Total operating expenses		7,605,343	15.61	8,068,251	14.50
Operating income		1,201,103	2.47	2,301,619	4.13
Non-operating income and expenses					
Other income	6(22)	698,587	1.43	598,873	1.08
Other gains and losses	6(22)	149,075	0.31	211,829	0.38
Finance costs	6(22)	(347,636)	(0.71)	(245,000)	(0.44)
Share of gain of associates and joint ventures accounted for using equity method	6(8)	783	-	-	-
Total non-operating income and expenses		500,809	1.03	565,702	1.02
Income before income tax		1,701,912	3.50	2,867,321	5.15
Income tax expense	4, 6(24)	(543,605)	(1.12)	(739,137)	(1.33)
Net income		1,158,307	2.38	2,128,184	3.82
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Remeasurements of defined benefit pension plans	6(21)	(16,864)	(0.03)	(15,326)	(0.03)
Unrealized gain (loss) from equity instrument investments measured at fair value through other comprehensive income	6(23)	89,230	0.18	(65,698)	(0.12)
Income tax related to items that will not be reclassified subsequently to profit or loss	6(23), 6(24)	2,661	0.01	4,805	0.01
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	6(23)	(876,580)	(1.80)	(287,075)	(0.51)
Gain on hedging instruments	6(25)	913	-	7,823	0.01
Income tax related to items that may be reclassified subsequently to profit or loss	6(23), 6(24)	(182)	-	(3,939)	(0.01)
Other comprehensive income (loss), net of tax		(800,822)	(1.64)	(359,410)	(0.65)
Total comprehensive income (loss)		\$ 357,485	0.74	\$ 1,768,774	3.17
Net income for the periods attributable to :					
Shareholders of the parent	6(25)	\$ 1,153,070		\$ 2,020,219	
Non-controlling interests	6(17), 6(26)	\$ 5,237		\$ 107,965	
Total comprehensive income (loss) for the periods attributable to :					
Shareholders of the parent		\$ 392,161		\$ 1,649,136	
Non-controlling interests		\$ (34,676)		\$ 119,638	
Basic Earnings Per Share (in New Taiwan Dollars)	6(25)	\$ 2.65		\$ 4.65	
Diluted Earnings Per Share (in New Taiwan Dollars)	6(25)	\$ 2.62		\$ 4.56	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

CORETRONIC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2019 and 2018
(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						
			Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign operations	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income (loss)	Effective hedging instrument from cash flow hedge	Gains or losses on hedging instruments			Total
Balance as of January 1, 2018	\$ 4,344,231	\$ 4,092,423	\$ 3,397,480	\$ 1,962,450	\$ 8,928,344	\$ (1,188,212)	\$ -	\$ (4,615)	\$ -	\$ 21,532,101	\$ 2,014,560	\$ 23,546,661
Effects of retrospective application and restatement	-	-	-	-	189,639	-	(59,990)	4,615	(4,615)	129,649	342	129,991
Restated balance as of January 1, 2018	4,344,231	4,092,423	3,397,480	1,962,450	9,117,983	(1,188,212)	(59,990)	-	(4,615)	21,661,750	2,014,902	23,676,652
Acquisition or disposal of the interest of subsidiaries	-	197,582	-	-	-	-	-	-	-	197,582	(23,652)	173,930
Changes in subsidiaries' ownership	-	14	-	-	-	-	-	-	-	14	-	14
Appropriation and distribution of 2017 earnings:												
Legal reserve	-	-	175,063	-	(175,063)	-	-	-	-	-	-	-
Special reserve	-	-	-	521,197	(521,197)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,086,038)	-	-	-	-	(1,086,038)	-	(1,086,038)
Cash dividends distributed from capital surplus	-	(217,211)	-	-	-	-	-	-	-	(217,211)	-	(217,211)
Net income for the year ended December 31, 2018	-	-	-	-	2,020,219	-	-	-	-	2,020,219	107,965	2,128,184
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	(10,082)	(299,534)	(65,351)	-	3,884	(371,083)	11,673	(359,410)
Total comprehensive income (loss)	-	-	-	-	2,010,137	(299,534)	(65,351)	-	3,884	1,649,136	119,638	1,768,774
Decrease of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(50,438)	(50,438)
Balance as of December 31, 2018	4,344,231	4,072,808	3,572,543	2,483,647	9,345,802	(1,487,746)	(125,341)	-	(731)	22,205,213	2,060,440	24,265,653
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	150	-	-	-	-	-	-	-	150	-	150
Acquisition or disposal of the interest of subsidiaries	-	296,606	-	-	-	-	-	-	-	296,606	154,208	450,814
Changes in subsidiaries' ownership	-	9,546	-	-	-	-	-	-	-	9,546	(9,546)	-
The subsequent reversal of special reserve	-	-	-	(14,210)	14,210	-	-	-	-	-	-	-
Appropriation and distribution of 2018 earnings:												
Legal reserve	-	-	202,021	-	(202,021)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(868,846)	-	-	-	-	(868,846)	-	(868,846)
Cash dividends distributed from capital surplus	-	(651,635)	-	-	-	-	-	-	-	(651,635)	-	(651,635)
Net income for the year ended December 31, 2019	-	-	-	-	1,153,070	-	-	-	-	1,153,070	5,237	1,158,307
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	(12,957)	(837,201)	88,518	-	731	(760,909)	(39,913)	(800,822)
Total comprehensive income (loss)	-	-	-	-	1,140,113	(837,201)	88,518	-	731	392,161	(34,676)	357,485
Decrease of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,061)	(1,061)
Balance as of December 31, 2019	\$ 4,344,231	\$ 3,727,475	\$ 3,774,564	\$ 2,469,437	\$ 9,429,258	\$ (2,324,947)	\$ (36,823)	\$ -	\$ -	\$ 21,383,195	\$ 2,169,365	\$ 23,552,560

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

CORETRONIC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

Description	For the years ended December 31		Description	For the years ended December 31	
	2019	2018		2019	2018
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax	\$ 1,701,912	\$ 2,867,321	Acquisition of investments accounted for using equity method	\$ (22,000)	\$ -
Adjustments for:			Acquisition of financial assets at fair value through profit or loss	(15,415)	-
The profit or loss items which did not affect cash flows:			Acquisition of property, plant and equipment	(1,574,149)	(939,848)
Expected credit (gain) loss	(80,347)	60,772	Proceeds from disposal of property, plant and equipment	35,137	44,971
Depreciation (including investment property and right-of-use assets)	1,338,965	1,020,667	Acquisition of intangible assets	(237,432)	(102,769)
Amortization (including other noncurrent assets)	108,654	112,726	Proceeds from disposal of intangible assets	4,770	303
Interest expenses	347,636	245,000	Increase in long-term prepaid rents	-	(75,863)
Interest income	(466,602)	(404,389)	Decrease (increase) in other noncurrent assets	35,180	(41,418)
Dividend income	-	(7,712)	Net cash used in investing activities	(1,773,909)	(1,114,624)
Transfer of property, plant and equipment to expense	1,542	610			
(Gain) loss on disposal of property, plant and equipment	(7,971)	7,695	Cash flows from financing activities:		
(Gain) loss on disposal of intangible assets	(2)	4	Increase (decrease) in short-term borrowings	2,106,700	(1,762,018)
Loss on disposal of investments	24,564	-	Decrease in long-term borrowings (including current portion of long-term borrowings)	(268,866)	(55,976)
Transfer of intangible assets to expense	896	228	(Decrease) increase in guarantee deposits	(1,611)	17,540
Share of gain of associates and joint ventures accounted for using equity method	(783)	-	Decrease in other noncurrent liabilities	(7,430)	(620)
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	110,048	(38,314)	Cash dividends	(1,520,481)	(1,303,269)
Impairment of non-financial assets	-	40,104	Repayment of the principle portion of lease liabilities	(299,301)	-
Changes in operating assets and liabilities:			Cash payment for disposal of subsidiaries' ownership	452,231	242,115
Note receivables	215,326	(125,561)	Change in non-controlling interests	(1,061)	(112,662)
Accounts receivables	1,754,330	2,949,559	Net cash provided by (used in) financing activities	460,181	(2,975,890)
Accounts receivables-related parties	1,711	(538)			
Other receivables	287,694	139,578	Effect of exchange rate changes on cash and cash equivalents	(781,913)	(253,954)
Inventories	1,835,140	26,689			
Prepayments	(48,996)	98,104	Net increase (decrease) in cash and cash equivalents	2,935,813	(740,067)
Other current assets	30,959	(22,414)	Cash and cash equivalents at the beginning of the period	17,226,050	17,966,117
Contract liabilities	(59,376)	(34,894)	Cash and cash equivalents at the end of the period	\$ 20,161,863	\$ 17,226,050
Notes payable	507	(581)			
Accounts payable	(830,936)	(3,578,676)			
Accounts payable-related parties	(16,977)	511			
Other payables	(461,759)	709,320			
Provisions-current	(59,441)	84,162			
Other current liabilities	(89,898)	81,421			
Net defined benefit assets/liabilities	(14,623)	(8,764)			
Cash generated from operating activities	5,622,173	4,222,628			
Dividend received	-	7,712			
Interest received	435,637	394,410			
Interest paid	(346,721)	(245,661)			
Income tax paid	(679,635)	(774,688)			
Net cash provided by operating activities	5,031,454	3,604,401			

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

Coretronic Corporation
2019's Earnings Distribution Table

Unit : NTD

Item	Amount	
	Subtotal	Total
Beginning of Unappropriated Retained Earnings		8,274,934,352
Minus: Remeasurement of Defined Benefit Obligation	12,957,038	
Plus: Reversal of Special Reserve	14,210,364	
Cumulative of Unappropriated Earnings		8,276,187,678
Net income of 2019	1,153,070,353	
Minus: Appropriated For Legal Reserve	115,307,035	
2019's Earnings Available For Distribution		1,037,763,318
Earnings Available For Distribution (Cumulative)		9,313,950,996
Cash Dividends To Shareholders (NTD1.5per share)		651,634,665
End of Unappropriated Retained Earnings		8,662,316,331
<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 Company's Articles of Incorporation

Current Provisions	Proposed Amendments	Note
<p>Article 2</p> <p>The business engaged in by the Company shall be as follows :</p> <p>1.CC01110 Computers and Computing Peripheral Equipments Manufacturing</p> <p>2.CC01080 Electronic Parts and Components Manufacturing</p> <p>3.CD01060 Aircraft and Parts Manufacturing</p> <p>4.CE01030 Photographic and Optical Equipment Manufacturing</p> <p>5.CC01101 Restrained Telecom Radio Frequency Equipments and Materials Manufacture</p> <p>6.F401021Restrained Telecom Radio Frequency Equipments and Materials Import</p> <p>7.CC01990 Electrical Machinery, Supplies Manufacturing (can only be manufactured outside Hsinchu Science Park)</p> <p>8.CC01090 Batteries Manufacturing (can only be manufactured outside Hsinchu Science Park)</p> <p>9.Research, develop, produce, manufacture and sale the following products :</p> <p>(1)Various LCDs, projections and the backlight modules</p> <p>(2)Multimedia presentation system equipments and software</p> <p>(3)Plasma display monitors/TVs, LCD internet personal computer, LCD Windows base terminal, digital transmission, LCD monitors</p> <p>(4)LED displays and modules</p> <p>(5)Wearable device projection system</p> <p>(6)Commercial unmanned aerial vehicle system</p> <p>(7)All kinds of consigned design and develop and consulting services regarding above products</p> <p>(8)Import and export trading business related to the above businesses (except the businesses requiring permit)</p> <p>10.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)</p>	<p>Article 2</p> <p>The business engaged in by the Company shall be as follows :</p> <p>1.CC01110 Computers and Computing Peripheral Equipments Manufacturing</p> <p>2.CC01080 Electronic Parts and Components Manufacturing</p> <p>3.CD01060 Aircraft and Parts Manufacturing</p> <p>4.CE01030 Photographic and Optical Equipment Manufacturing</p> <p>5.CC01101 Restrained Telecom Radio Frequency Equipments and Materials Manufacture</p> <p>6.F401021Restrained Telecom Radio Frequency Equipments and Materials Import</p> <p>7.CC01990 Electrical Machinery, Supplies Manufacturing (can only be manufactured outside Hsinchu Science Park)</p> <p><u>8.</u>Research, develop, produce, manufacture and sale the following products :</p> <p>(1)Various LCDs/<u>TVs</u>, projections and the backlight modules</p> <p>(2)Multimedia presentation system equipments and software</p> <p>(3)LCD internet personal computer, LCD Windows base terminal, digital transmission, LCD monitors</p> <p>(4)LED displays and modules</p> <p>(5)Wearable device projection system</p> <p>(6)Commercial unmanned aerial vehicle system</p> <p>(7)All kinds of consigned design and develop <u>and examination</u> and consulting services regarding above products</p> <p>(8)Import and export trading business related to the above businesses (except the businesses requiring permit)</p> <p><u>9.</u> 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)</p>	<p>To accommodate the Company's business needs.</p>

Current Provisions	Proposed Amendments	Note
44. Design, manufacturing and sales of the power supply, electronic car and fuel cell related products and its Components (can only be manufactured outside Hsinchu Science Park)	10. Design, manufacturing and sales of the power supply, and its Components (can only be manufactured outside Hsinchu Science Park)	
Article 30 This Articles of Incorporation adopted on June 18, 1992;.....(Skip) ; 19th amended on June 17, 2014; 20th amended on June 15, 2016; 21st amended on June 13, 2019; The Articles of Incorporation shall be effective from the date they are approved by the shareholders meeting. The same applies in case of amendments.	Article 30 This Articles of Incorporation adopted on June 18, 1992;.....(Skip) ; 19th amended on June 17, 2014; 20th amended on June 15, 2016; 21st amended on June 13, 2019; <u>22nd amended on June 12, 2020</u> ;The Articles of Incorporation shall be effective from the date they are approved by the shareholders meeting. The same applies in case of amendments.	Updating of the date of amendme nt.

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". The Company's English name 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. CD01060 Aircraft and Parts Manufacturing
4. CE01030 Photographic and Optical Equipment Manufacturing
5. CC01101 Restrained Telecom Radio Frequency Equipments and Materials Manufacture
6. F401021 Restrained Telecom Radio Frequency Equipments and Materials Import
7. CC01990 Electrical Machinery, Supplies Manufacturing (can only be manufactured outside Hsinchu Science Park)
8. CC01090 Batteries Manufacturing (can only be manufactured outside Hsinchu Science Park)
9. Research, develop, produce, manufacture and sale the following 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) LED displays and modules
 - (5) Wearable device projection system
 - (6) Commercial unmanned aerial vehicle system
 - (7) All kinds of consigned design and develop and consulting services regarding above products
 - (8) Import and export trading business related to the above businesses (except the businesses requiring permit)
10. 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)
11. Design, manufacturing and sales of the power supply, electronic car and fuel cell related products and its Components (can only be manufactured outside Hsinchu Science Park)

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.

The Company buy back its shares according to Company Act. Qualification requirements of entitled employees, including the employees of the controlled companies meeting certain specific requirements.

The company's employee stock option certificate is issued to including the employees of the controlled companies meeting certain specific requirements.

When the company issues new shares, new shares reserved for employees of the controlled companies meeting certain specific requirements.

The company issuing restricted stock for employees including the employees of the controlled companies meeting certain specific requirements.

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.

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 paid-in 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 authorizes the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

The company authorizes the distributable legal reserve and capital reserve in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the 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; 21st amended on June 13, 2019; 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 preceeded 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 14, 2020 are 434,423,110.
2. As of April 14, 2020, the total shares of all directors as below :

Title	Name	Number of shares	Shareholding ratio
Director	Mr. Wade Chang	7,921,463	1.82%
Director	Hsun Chieh Investment Ltd.	15,062,551	3.47%
Director	Mr. Ted Tu	0	0.00%
Director	Mr. Chual-Hsin Teng	0	0.00%
Independent Director	Mr. Houn-Gee Chen	0	0.00%
Independent Director	Mr. Edward H. Chow	0	0.00%
Independent Director	Mr. Yao Chien	0	0.00%
Number of shares held by all directors		22,984,014	5.29%

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