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2019

Annual Report

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One. Letter to the Shareholders

Dear Shareholders,

I. Introduction

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.

II. Business Report for 2019

(I) The sales volume of each major product of the Company in FY2019 is as follows:

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

(II) 2.2 Budget Execution: The Company was not required to publish financial forecasts for FY2019.

(III) The results of financial income and expenditure and profitability analysis are tabulated below:

Item		Fiscal Year	
		2018	2019
Financial structure	Liabilities to assets ratio (%)	49.49	52.25
	Long-term capital to property, plant and equipment ratio (%)	347.73	335.94
Solvency	Liquidity ratio (%)	172.37	163.28
	Current ratio (%)	136.31	135.66
	Interest coverage ratio	12.70	5.90
Profitability	Return on assets (%)	4.43	2.94
	Return on equity (%)	9.24	5.29
	Net income before tax to paid-up capital ratio (%)	66.00	39.18
	Net margin (%)	3.82	2.38
	Earnings per share (dollar) / average weighted number of outstanding shares	4.65	2.65

(IV) Research and Development Status

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.

III. Summary of Business Plan in 2020

(I) Looking forward to 2020, the company's operations will be directed towards the following management principles and policy.

- 1 Continue with the transformation of business profit model and product competitiveness, and promote lean and smart manufacturing to enhance efficiency, improve product quality, and create profit.
- 2 Strengthen partnership with strategic suppliers and quality customers to enhance competitiveness and secure global market share.
- 3 Mastering core technologies and key components to provide innovative display systems and total solutions through integration and application of optical/mechanical/electrical/ thermal/software solutions and system design.
- 4 Focus on high value-added products and multiple visual image solutions, cultivate and develop intelligent service platforms for public information display, cloud big data analysis, and intelligent interaction to expand growth momentum as well as lead future growth trends.

According to the supply and demand situation, business strategy, and the company's production capacity, market share, etc., it is expected that the sales volume of the two major product lines of the company's Energy Saving products and Visual Solutions products in 2020 will be reduced by about 10% compared with the previous year.

IV. Future Development Strategies

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:

- (I) 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.
- (II) 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.
- (III) 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.
- (IV) 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.
- (V) 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.
- (VI) 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.

- (VII) 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.
- (VIII) 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.
- (IX) In response to the group's operations and growth, raise low-cost capital to support organizational development and develop strength for long-term development.

V. Influences of External Competitions, Regulatory Environment and Macro Environment

In external competitions, according to market surveys and statistics, the 2019 global shipping volume of large-size LCD panels was estimated at 749 million pieces. The weak overall market investments and end-user consumption have both affected the supply-demand status of the FPD market. LCD TV panel manufacturers have established more conservative shipping plan for 2020, estimating that the overall shipping volume will reduce 8% to 265 million pieces, despite the continual growth in the shipping volume of larger-size LCD TV panels. According to IHS Markit estimates, the 2020 shipping volume of 65 inches and above LCD TV panels will increase from 29.4 million pieces to 37 million pieces in 2020. According to the Digitimes Research outlook on the 2020-2024 demand for large-size LCDs, a slight recession is estimated in the following four applications: TV, monitor and AIO PC display, notebook display, and large-size tablet PC. In the TV application, the CAGR of TV application will be lower than the others while South Korean suppliers are speeding up OLED capacity expansion in South Korea and Mainland China. "Others" applications include growing products, such as automotive displays and digital signage, with an estimated CAGR of 10%. In response to market competitions and the increasing demand of various application products, the Energy

Saving Business Group will continue to optimize various LGPs, LGLs, and special optical control films to develop slim, compact, light, energy-efficient, HDR, and high-value added displays with privacy protection, such as 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 in order to pursue higher profit, greater value and steady growth.

According to market surveys, the 2019 shipping volume of projectors was about 7.31 million units. Looking forward to 2020, although entering the 5G era, due to the impact of the COVID-19, the overall market will decline sharply. The estimated shipping volume of projectors and laser TVs is about 6.35 million units, where the growth of the 4K/UHD, application markets will continue. We will continue to enhance our overall competitiveness in the Visual Solutions products with our core technologies. For mainstream products, we will constantly launch smart and SSL products in response to market demands. We will also ceaselessly optimize laser TV products and expand market share with the participation of important branded customers. In education and business applications, apart from providing professional hardware Visual Solutions, we will expand the advantageous platform effectiveness to provide embedded products to expand the scale of applications. In the high-end engineering application products, we will progressively develop distance, autonomous, smart, and cloud computing functions to provide high-end total Visual Solutions for high-end markets including large venue and immersive situation construction. We will also engage in establishing an industry value chain platform and an intelligent business system for Visual Solutions and products.

In the regulatory environment, we will integrate and implement related measures based on IFRSs, Securities and Exchange Act, and other relevant corporate governance regulations to achieve the ultimate goal of compliance.

In terms of the macro environment, impacted by Covid-19, IMF expect the global economy with a sharp 3% contraction this year, and the situation will seriously exceed the financial tsunami of 2008~2009. The IIF also lowered its global economic growth forecast to minus 1.5%. Moreover, the trade disputes, geopolitics, debits and other risks may drag down global economic growth as well.

With “Brighten the Future” as the CSR goal, we spare no efforts realizing “Developing Technology-oriented and Sustainable Business Operations” to give everyone a prospective and sustainable future. In 2019, we won fruitful CSR awards because of our excellent implementation and performance in corporate governance, environmental protection, friendly workplace, and community involvement. Apart from being rated as one of the top 5% TPEX-listed companies in TWSE’s Corporate Governance Evaluation for five consecutive years, and one of the top 10% TWSE- and TPEX-listed electronics industry with a market value of NT\$10 billion or more in TWSE’s Corporate Governance Evaluation, we also received the Excellence in Corporate Social Responsibility Award by Commonwealth Magazine for eight consecutive years, Taiwan Corporate Sustainability

Awards for three consecutive years, and National Enterprise Environmental Protection Award for three consecutive years. In the future, we will achieve the UN Sustainable Development Goals to create a sustainable world with all stakeholders.

In view of the continuous global political and economic instability of the macro environment in 2020, the management team will build a stronger consensus among employees and implement medium- and long-term strategies to accomplish the mission of “Developing Technology-oriented and Sustainable Business Operations ” and pursue the best interests for shareholders and employees through teamwork, proactive innovation and professional management. We will also continue to implement CSR to expand social influence for the common good of society. Thank you for your trust over the years, and we are looking forward to your continual support and kind feedbacks.

I wish you all the best.

Sincerely yours,

Chairman: Wade Chang

Two. Company overview

I. Date of establishment: June 30, 1992

II. History

- 06.1992 Established in Hsinchu Science Park with capital of NT\$ 100 million.
- 10.1992 Completed the development of the LCD backlight module technology and started its production.
- 04.1993 Completed the development of the LCD display technology and started its production.
- 03.1995 Established Nano Precision Corporation in Hukou Industrial Park, which produces the light guide plates for LCD backlight modules.
- 10.1995 Our single-panel LCD projector was launched in the market.
- 04.1996 Our LCD projector EzPro500 was awarded the Taiwan Excellence logo by Bureau of Foreign Trade, Ministry of Economic Affairs.
- 04.1997 Securities and Futures Bureau, FSC approved IPO.
- 09.1997 Obtained the ISO9002 quality certificate.
- 12.1998 Our self-built factories were completed at Lixing Rd. in Hsinchu Science Park.
- 01.1999 We are listed in Taipei Exchange (TPEX).
- 06.1999 Started mass production of the first DLP projector in the world.
- 07.2000 Established Optoma Display(Kunshan)Co., Ltd., in Kunshan, which is engaged in the manufacturing and production of products related to flat-panel displays.
- 02.2001 Issued offshore unsecured convertible corporate bond in US\$ 23 million.
- 12.2001 Issued domestic unsecured convertible corporate bond in NT\$ 1.4 billion.
- 01.2002 Established Optoma Corporation, which is in charge of our own brand marketing, and integrates our marketing subsidiaries in the U.S., Japan, Europe, Hong Kong, etc.
- 02.2002 Established Young Optics Inc in Hsinchu Science Park, which is in charge of the manufacturing of optical components and parts.
- 09.2002 Established Coretronic(Suzhou) in Suzhou, which is engaged in the manufacturing and production of LCD backlight modules.
- 05.2003 Issued domestic secured corporate bond in NT\$ 500 million.
- 07.2003 Our self-built factories were completed in Zhunan branch of Hsinchu Science Park.
- 03.2004 Established Nano Precision (Suzhou) Co., Ltd in Suzhou, which produces the light guide plates for LCD backlight modules.
- 06.2004 Established Young Lighting Technology Inc., in Hukou Industrial Park, which is in charge of the manufacturing of optical components and parts.
- 07.2004 Our self-built factories were completed in Southern Taiwan Science Park.
- 05.2005 Established Suzhou Young Ray Optical Company, Limited, Coretronic (Shanghai) Co., Ltd, Coretronic (Nanjing) Co., Ltd., and Coretronic (Ningbo) Co., Ltd in Mainland Chain, which are in charge of the manufacturing and production of LCD backlight modules, and related optical components and parts.
- 05.2005 Issued offshore unsecured convertible corporate bond in US\$ 80 million.
- 06.2005 Established Coretronic Projection (Kunshan) Co., Ltd., in Kunshan, which is engaged in charge of the manufacturing and production of projectors and related optical components and parts.
- 10.2005 Reinvested in MatriTek, Inc., which is engaged in the manufacturing and production of electronic components and parts, and was renamed Young Green

- Energy Co., Ltd in May 2009.
- 05.2006 Established Core-Flex Optical (Suzhou) Co., Ltd in Suzhou which is engaged in the R&D, processing, and manufacturing of LCD backlight modules and optical components and parts, and was renamed Young Bright (Suzhou) Co., Ltd in November 2011.
 - 01.2007 Reinvested in Young Optics Inc, which is listed in the Taiwan Stock Exchange.
 - 07.2007 Established Suzhou Nano Display Co., Ltd., in Suzhou, which is engaged in the R&D, manufacturing, and sales of LCD backlight modules.
 - 11.2007 Established Coretronic (Guangzhou) Co., LTD., in Guangzhou, which is engaged in the R&D, manufacturing, and sales of LCD backlight modules.
 - 06.2008 Established Guangzhou Nano Display Co., Ltd., and Nano Precision (Nanjing) Co., Ltd., in Mainland China, which are engaged in the R&D, manufacturing, and sales of LCD backlight modules.
 - 06.2008 Due to Group strategies, invested in Coretronic Display Solution Corporation, which is engaged in the R&D, manufacturing, and marketing of various displays, monitors, and TV products.
 - 01.2009 Optoma Corporation, our subsidiary, was awarded “Taiwan Good Design Award” by Ministry of Economical Affairs.
 - 03.2010 Implemented and enhanced corporate social responsibilities, which is recognized by the 6th “Excellence in Corporate Social Responsibility Award” of Global Views Monthly.
 - 04.2010 Established Coretronic System Engineering Corporation, which is engaged in multimedia integration services.
 - 06.2010 Followed the government’s Employment Promotion Program and being recognized by “Job Creation Contribution Award” of Executive Yuan.
 - 12.2010 Established Coretronic Culture and Arts Foundation, which promotes research on lights and shades as well as artistic creations.
 - 12.2010 Reinvested in Young Lighting Technology Inc. and YLG Optotech (Guangzhou) Limited, a joint venture invested by Gunze Limited, which is engaged in capacitive touch panel products.
 - 03.2001 Established Coretronic Venture Capital Corp., which is engaged in the investment business of the Group.
 - 11.2001 Awarded the 1st Golden Cassia Award “Excellence in Market Capitalization & Revenue” and “Excellence in Sustainable Business” by Taipei Exchange.
 - 01.2012 To integrate resources of the Group, and improve the operational efficiency, Nano Precision Corporation and Coretronic Display Solution Corporation were merged into Young Lighting Technology, Inc.
 - 06.2012 Obtained Rank A+ in the 9th Information Disclosure and Transparency Ranking Evaluation among listed and OTC companies.
 - 08.2012 Awarded Excellence in Corporate Social Responsibility Award among large businesses by CommonWealth Magazine.
 - 09.2012 Awarded Silver Medal of Taiwan Training Quality System (TTQS) by Workforce Development Agency, Executive Yuan.
 - 12.2012 Passed the Healthy Workplace Self-accreditation by Health Promotion Administration, MOHW.
 - 06.2013 Obtained Rank A++ in the 10th Information Disclosure and Transparency Ranking Evaluation among listed and OTC companies.

- 08.2013 Awarded Excellence in Corporate Social Responsibility Award among large businesses by Commonwealth Magazine.
- 09.2013 Awarded by “Best Companies to Work For in Taipei Award” by Department of Labor, Taipei City Government.
- 09.2013 Obtained the Demo Workplace Certification Mark of “Cherish Lives and Work Happily in Workplaces” by Tainan City Government.
- 07.2014 Obtained Rank A++ in the 11th Information Disclosure and Transparency Ranking Evaluation among listed and OTC companies.
- 08.2014 Obtained the Excellence in Corporate Social Responsibility Award for consecutive three times.
- 11.2014 Awarded the 2nd Golden Cassia Award “Employment Promotion” and “Market Capitalization Contribution” by Taipei Exchange.
- 04.2015 Obtained Rank A++ in the 12th Information Disclosure and Transparency Ranking Evaluation among listed and OTC companies.
- 04.2015 Ranked the top 5% of listed and OTC companies in the 1st Corporate Governance Evaluation.
- 06.2015 Established Coretronic Optotech (Suzhou) Co. Ltd., which is engaged in the R&D, manufacturing, and sales of LCD backlight modules.
- 08.2015 Obtained the Excellence in Corporate Social Responsibility Award for consecutive four times.
- 09.2015 Awarded the 12th Arts & Business Award “Most Creative” by Ministry of Culture.
- 12.2015 Awarded the “Innovative Product Award” of good tenants in Hsinchu Science Park.
- 04.2016 Ranked the top 5% of listed and OTC companies in the 2nd Corporate Governance Evaluation.
- 08.2016 Obtained the Excellence in Corporate Social Responsibility Award for consecutive five times.
- 11.2016 Awarded TCSA’s Corporate Sustainability Report Awards-Gold Award.
- 12.2016 Awarded the “Innovative Product Award” of good tenants in Hsinchu Science Park.
- 04.2017 Ranked the top 5% of listed and OTC companies in the 3rd Corporate Governance Evaluation.
- 06.2017 Established Coretronic Optics (Kunshan) Corporation, which is engaged in the manufacturing and sales of projector module products.
- 06.2017 Established uCare Medical Electronics Co., Ltd., which is committed to development of motion monitoring, physical fitness, and smart sports technologies, and provision of the system integration for hardware and software.
- 07.2017 Established Champ Vision Display Inc., which is committed to the development of innovative smart display solutions.
- 07.2017 Acquire the leading high-end image processing company - Calibre UK Limited.
- 08.2017 Obtained the Excellence in Corporate Social Responsibility Award for consecutive six times.
- 10.2017 Ranked No.1 of the “Outstanding Business Unit” in the Group B in the Southern Taiwan Science Park, MOST.
- 10.2017 Coretronic System Engineering Corporation was renamed Coretronic Intelligent Cloud Service Corporation, which is committed to the development of smart cloud services.
- 10.2017 Awarded “2017 Sports Corporate Certification” by Sports Administration, MOE.
- 10.2017 Awarded the Bronze Medal of “26th ROC Enterprise Environmental Protection

- Award” by Environmental Protection Administration, Executive Yuan.
- 11.2017 Awarded TCSA’s Corporate Sustainability Report Awards-Gold Award.
- 11.2017 Established Coretronic Intelligent Robotics Corporation, which focuses on the R&D, manufacturing, and sales of the commercial Unmanned Aircraft Systems and smart robots.
- 11.2017 Established Coretronic Optics(Suzhou) Co., Ltd, which is engaged in the R&D, manufacturing, and sales of LCD backlight modules and related components as well as parts.
- 12.2017 Awarded first prize of “Buying Power-The New Product and Service of Social Innovation Purchase Reward Program” by Small and Medium Enterprise Administration, Ministry of Economic Affairs.
- 12.2017 Established InnoSpectra Corporation, which is engaged in the development, design, and sales of spectrometers and related solutions.
- 12.2017 Awarded the “Innovative Product Award” of good tenants in Hsinchu Science Park.
- 04.2018 Ranked the top 5% of listed and OTC companies in the 4th Corporate Governance Evaluation.
- 08.2018 Obtained the Excellence in Corporate Social Responsibility Award for consecutive seven times.
- 10.2018 Merged Young Lighting Technology Inc., a subsidiary.
Awarded “2018 Sports Corporate Certification - Field Visit” by Sports Administration, MOE.
Established Nano Precision Taiwan Limited, which is committed to the R&D and manufacturing of precision optical components and optical films.
- 11.2018 Awarded No. 1 of TCSA’s Corporate Sustainability Report Awards-“Transparency and Integrity Award” in 2018.
Awarded TCSA’s Corporate Sustainability Award-Corporate Sustainability Report Awards (Gold Award) for consecutive two years.
- 12.2018 Awarded first prize of “Buying Power-The New Product and Service of Social Innovation Purchase Reward Program” by Small and Medium Enterprise Administration, Ministry of Economic Affairs.
- 12.2018 Awarded the Silver Medal and Bronze Medal of “27th ROC Enterprise Environmental Protection Award” by Environmental Protection Administration, Executive Yuan.
- 04.2019 Ranked the top 5% of listed and OTC companies in the 5th Corporate Governance Evaluation, and ranked the top 10% of listed and OTC companies with market capitalization of NT\$ 10 billion.
- 07.2019 Established Coretronic MEMS Corporation, which focuses on the R&D, manufacturing, and sales of the MEMS technology, components, modules, and solutions.
- 08.2019 Obtained the Excellence in Corporate Social Responsibility Award for consecutive eight times.
Awarded “1st Corporate Health Responsibility Award” of Healthy Food Category-Excellence Award
- 11.2019 Awarded the Silver Medal and Bronze Medal of “1st National Enterprise Environmental Protection Award” by Environmental Protection Administration, Executive Yuan.

Awarded the Silver Medal of “TTQS (Talent Quality-management System).”

Awarded SGS’s “CSR 2019 Sustainability Elite Award.”

Awarded “Golden Prize” of the 14th Arts & Business Awards by Ministry of Culture.

Awarded TCSA’s Corporate Sustainability Award-Corporate Sustainability Report Awards (Gold Award) for consecutive three years.

Awarded No. 1 of TCSA’s Corporate Sustainability Report Awards-“Transparency and Integrity Award” for consecutive two years.

Awarded TCSA’s Corporate Sustainability Award-“Social Inclusion Award.”

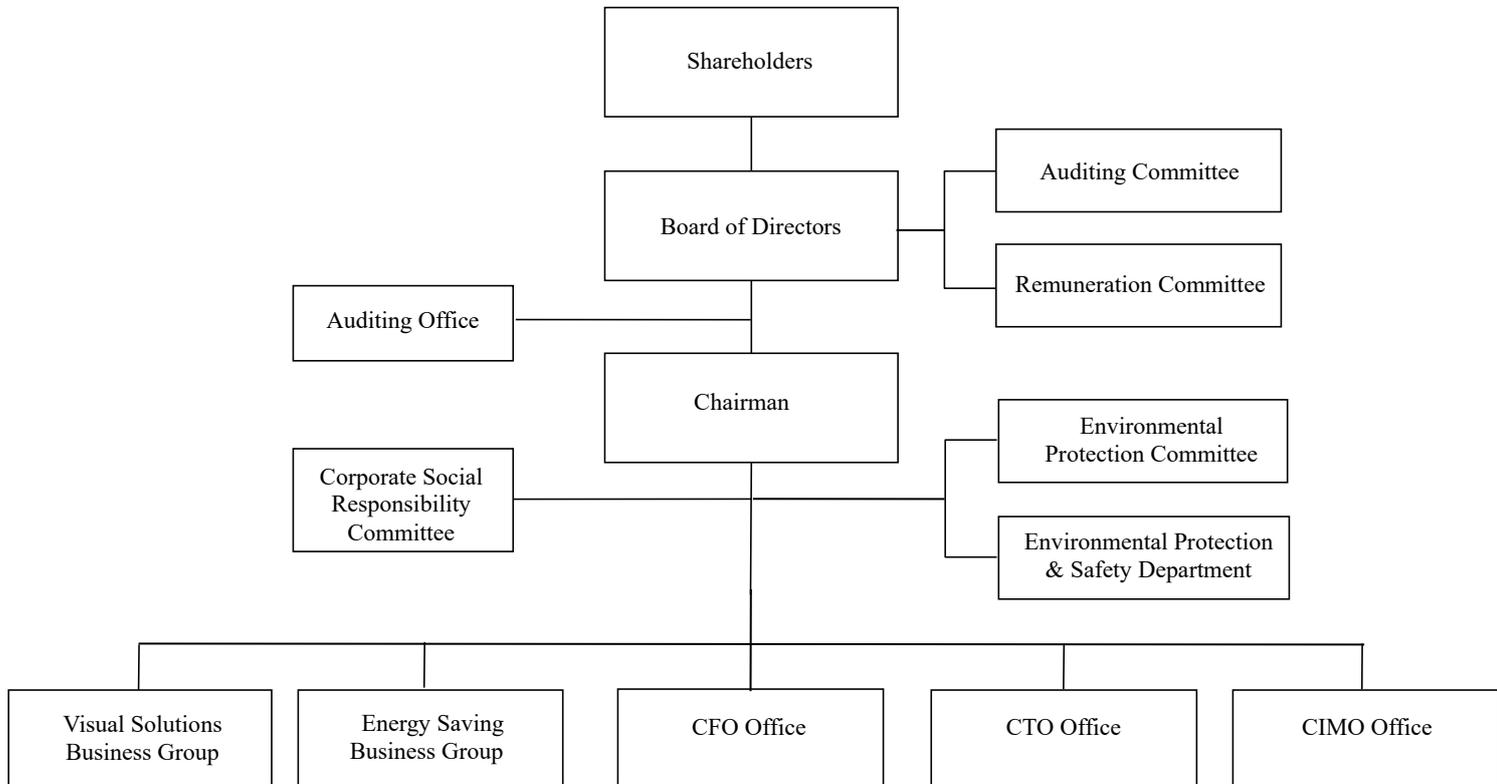
Awarded TCSA’s Corporate Sustainability Awards-“Corporate Sustainability Awards.”

12.2019 Awarded second prize of “Buying Power-The New Product and Service of Social Innovation Purchase Reward Program” by Small and Medium Enterprise Administration, Ministry of Economic Affairs.

Three. Corporate Governance Report

I. Organization

(I) Organizational structure (as of December 31, 2019)



(II) Responsibilities of main departments

Department	Responsibilities
Chairman's Office	Sets the Company's operating strategies and goals
Auditing Office	Assessment and auditing of the Company's internal control system
Environmental Protection & Safety Department	Public safety and environment management
Visual Solutions Business Group	Research, development, production and sale of projection system, optical modules and related products
Energy Saving Business Group	Research, development, production and sale of Backlight and panel modules
CFO Office	Responsible for finance and accounting /investor relations/talent development/legal affairs and intellectual property rights of the Company
CTO Office	Planning, development and investment of critical/new technologies
CIMO Office	Planning of intelligent manufacturing and intelligent factory; co-ordination of hardware automation, electromechanical system integration and advanced manufacturing projects

II. Background information of directors, the President, vice presidents, assistant vice presidents, and heads of departments and branch offices

(I) Directors

1. Directors' profile

April 14, 2020

Title	Nationality or place of registration	Name	Gender	Date elected /appointed	Service term	Date first elected	Shareholding when elected		Current shareholding		Shares held by spouse and underage children		Shares held in the names of others		Main career (academic) achievements	Concurrent duties in the Company and in other companies (Note 1)	Spouse or relatives of second degree or closer acting as directors, supervisors, or department heads			Remarks
							No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage			Title	Name	Relationship	
Chairman	R.O.C.	Wade Chang	Male	2019.06.13	3 years	1998.06.12	7,921,463	1.82%	7,921,463	1.82%	0	0.00%	0	0.00%	Master of NTU-Fudan EMBA , National Taiwan University ; Chairman & CEO, Coretronic Corporation	Note 2	None	None	None	Note 9
Director	R.O.C.	Hsun Chieh Investment Co., Ltd.	N/A	2019.06.13	3 years	2001.06.18	15,062,551	3.47%	15,062,551	3.47%	0	0.00%	0	0.00%	None	Note 3	None	None	None	None
	R.O.C.	Representative: Tai-Shun Ho	Male	2019.06.13	3 years	2007.06.15	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master of Electrical Engineering, National Tsing Hua University ; Chairman ,Novatek Corporation -	Note 4	None	None	None	None
Director	R.O.C.	Ted Tu	Male	2019.06.13	3 years	2010.06.15	0	0.00%	0	0.00%	0	0.00%	0	0.00%	MBA, University of Houston ; Chairman & President, LAFA LifeTech, Inc.	Note 5	None	None	None	None
Director	R.O.C.	Chual-Hsin Teng	Male	2019.06.13	3 years	2012.06.12	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Honorary Doctorate in Engineering of the National United University ; Master of Business Administration, National Taiwan University ; Chairman & President , Thin Chang Co., Ltd	Note 6	None	None	None	None
Independent Director	R.O.C.	Houn-Gee Chen	Male	2019.06.13	3 years	2013.06.18	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph.D. in Industrial Engineering, and Master in Computer Science, University of Wisconsin - Madison ; Professor of Information Management Dept. and Dean of College of Managemt, Tunghai University	None	None	None	None	None
Independent Director	R.O.C.	Edward H.Chow	Male	2019.06.13	3 years	2019.06.13	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph.D. in Business, Indiana University-Bloomington ; Professor of Finance Dept., National Chengchi University	Note 7	None	None	None	None

Title	Nationality or place of registration	Name	Gender	Date elected /appointed	Service term	Date first elected	Shareholding when elected		Current shareholding		Shares held by spouse and underage children		Shares held in the names of others		Main career (academic) achievements	Concurrent duties in the Company and in other companies (Note 1)	Spouse or relatives of second degree or closer acting as directors, supervisors, or department heads			Remarks
							No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage			Title	Name	Relationship	
Independent Director	R.O.C.	Yao Chien	Male	2019.06.13	3 years	2019.06.13	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Kun Shan University Industrial Design Department ; General Manager of the Ursa Major Entertainment Ltd.	Note 8	None	None	None	None

Note 1: Concurrent duties in the Company and in other companies as of December 31, 2019.

Note 2: Concurrently served as director in affiliated enterprises including Tecpoint, Great Pride, Great Pride Hong Kong, Visicorp, Wisdom Success, Wisdom Success Hong Kong, Coretronic (BVI) Investment, Greendale Investments, Optoma Europe, Sinolink Global, Optoma, Chung Tsen Investment and Coretronic Venture Capital Corp.; person-in-charge of Coretronic Hukou Branch.

Note 3: Concurrently served as director of Harvatek, UMC, PixArt Imaging, Unimicron and Silicon Integrated Systems.

Note 4: Concurrently served as chairman of Novatek Microelectronics, NTK International, Novatek Japan, Novatek International (BVI), Novatek International (Samoa) and Cheertek International.

Note 5: Concurrently served as chairman and president of Hsuan Ho Technology, independent director of Mercuries & Associates Holding and SCI Pharmtech Inc., director of Cayenne's Ark Mobile and So-Cayenne Mobile Entertainment, and supervisor of Foresee Pharmaceuticals.

Note 6: Concurrently served as chairman and president of Thin Chang.

Note 7: Concurrently served as independent director of Yuanta Financial Holdings and Yuanta Securities, director of C.F. Koo Foundation and CTCI Education Foundation, and chairman of NCCU Griffins Taipei and Financial Literacy & Education Association.

Note 8: Concurrently served as president of Ursa Major Music and director of Zong Zong Cultural Foundation.

Note 9: In situations where the Company's President or manager of the highest equivalent grade is the same person as or a spouse or first-degree relative of the Chairman, please explain the reasons, rationality and necessity of such an arrangement and any response measures taken (such as introduction of independent directors); furthermore, disclose whether more than half of directors are involved in concurrent duty as employees or managers: Chairman Wade Chang has been assigned concurrent duty as CEO for his management, leadership and decision-making skills as well as insight to industry trends; being able to manage the Company's operations and contribute professional opinions at board meetings at the same time is beneficial to the Company's growth. To enhance independence of the board of directors and enforce the corporate governance spirit, additional independent directors will be added to the board during the 2022 re-election if the Company's President or manager of the highest equivalent grade is found to be the same person as or a spouse or first-degree relative of the Chairman.

2. Major shareholders of corporate shareholders

Name of corporate shareholder	Major shareholders of corporate shareholders (shareholding percentage)
Hsun Chieh Investment Co., Ltd.	United Microelectronics Corporation (36.49%) Hsie Yung Investment Co., Ltd. (63.48%)

3. Key shareholders of those listed above that are also corporate entities

Name of corporate shareholder	Major shareholders of corporate shareholders (shareholding percentage)
United Microelectronics Corporation (Shareholding record date April 14, 2019)	JP Morgan Chase Bank in its Capacity as Master Custodian for Global Depository Receipt Account of UMC (5.56%) Hsun Chieh Investment Co., Ltd. (3.50%) Bank of Taiwan in its Capacity as Master Custodian for International Value Equity Trust Account of Hill-Chester International Investors (2.57%) Nan Shan Life Insurance Company Ltd. (2.52%) Silicon Integrated Systems Corporation (2.26%) HSBC in its Capacity as Master Custodian for Investment Account of Puxin Insurance Co., Ltd. (1.73%) Citibank (Taiwan) in its capacity as Master Custodian for Dimension Emerging Market Fund Account (1.48%) Yan Yuan Investment Co., Ltd. (1.44%) Bank of Taiwan in its Capacity as Master Custodian for International Value Equity Group Trust Account of Hill-Chester International Investors (1.27%) JP Morgan Chase Bank in its Capacity as Master Custodian for PGIA Progress International Equity Index (1.27%)
Hsie Yung Investment Co., Ltd. (Shareholding record date December 31, 2019) (Note)	Unimicron Corporation (16.67%) Silicon Integrated Systems Corporation (16.67%) Novatek Microelectronics Corp. (15.15%) Faraday Technology Corporation (12.12%) King Yuan Electronics Co., Ltd. (7.58%) Yan Yuan Investment Co., Ltd. (7.58%)

Note: The company in question is not listed on TWSE or TPEX; no further shareholder information was available other than those presented above.

4. Directors' expertise and independence

Name	Having more than 5 years work experience and professional qualifications listed below			Compliance of independence												Number of positions as independent director in other public companies
	Criteria	Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the company's operations in a public or private tertiary institution	Judge, prosecutor, lawyer, accountant, or holder of national exam or professional qualification relevant to the company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	11	
Wade Chang			✓				✓	✓	✓		✓	✓	✓	✓	✓	0
Hsun Chieh Investment Co., Ltd. Representative: Tai-Shun Ho			✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓		0
Ted Tu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Chual-Hsin Teng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Houn-Gee Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Edward H.Chow	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Yao Chien			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: A "✓" is placed in the box below if the member met the following criteria at any time during active duty and two years prior to the date of appointment.

- (1) Not employed by the company or by any of its affiliated companies.
- (2) Not a director or supervisor of the company or any of its affiliated companies (this restriction does not apply to concurrent independent director positions in the company, its parent company, subsidiary, or another subsidiary of the parent that is compliant with the Act or local laws).
- (3) Does not hold more than 1% of the company's outstanding shares in their own names or under the name of spouse, underage children, or proxy shareholder; nor is a top-10 natural-person shareholder of the company.
- (4) Not a manager listed in (1), or a spouse, 2nd-degree relative or closer or 3rd-degree direct relative or closer to any personnel listed in (2) or (3).
- (5) Not a director, supervisor or employee of any corporate shareholder that: 1. holds 5% or more of the Company's outstanding shares; 2. is a top-5 shareholder; or 3. appoints director/supervisor representative in the Company according to Paragraph 1 or 2, Article 27 of The Company Act. (This excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act local laws).
- (6) Not a director, supervisor or employee of any other company that controls directorship in the company or where more than half of total voting rights are controlled by a single party (this excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act or local laws).
- (7) Does not assume concurrent duty and is not a spouse to the Company's Chairman, President or equivalent role, and is not a director, supervisor or employee of another company or institution. (This excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act or local laws).
- (8) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the Company (however, this excludes concurrent independent director positions held within companies or institutions that hold more than 20% but less than 50% outstanding shares of the Company, or in the Company's parent or subsidiary, or in another subsidiary of the parent that is compliant with the Act or local laws).
- (9) Not a professional who provides audit service, or commercial, legal, financial, accounting or related services for an accumulated sum of less than NTS500,000 in the last 2 years, to the Company or its affiliate, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides the above service to the Company or its affiliated companies. This excludes roles as Remuneration Committee, Public Acquisition Review Committee or M&A Special Committee member appointed in accordance with the Securities and Exchange Act or Business Mergers And Acquisitions Act.
- (10) Not a spouse or relative of second degree or closer to any other directors.
- (11) Does not meet any of the conditions stated in Article 30 of The Company Act.
- (12) Not elected as a government or corporate representative according to Article 27 of The Company Act.

(II) Background information of President, vice presidents, assistant vice presidents, and heads of departments and branches

April 14, 2020

Title	Nationality	Name	Gender	Date elected/ appointed	Shareholding		Shares held by spouse and underage children		Shares held in the names of others		Main career (academic) achievements	Concurrent positions in other companies (Note 1)	Spouse or relatives of second degree or closer acting as managers			Remarks
					No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage			Title	Name	Relationship	
CEO	R.O.C.	Wade Chang	Male	2001.06.18	7,921,463	1.82%	0	0.00%	0	0.00%	Master of NTU-Fudan EMBA , National Taiwan University ; Chairman & CEO, Coretronic Corporation	Note 2	None	None	None	Note 11
President	R.O.C.	Sarah Lin	Female	2010.12.06	1,438,576	0.33%	0	0.00%	0	0.00%	Bachelor in International Business of National Chengchi University ; President, Young Lighting Technology, Inc.	Note 3	None	None	None	None
President	R.O.C.	SY Chen	Male	2012.06.01	974,096	0.22%	432	0.00%	0	0.00%	EMBA of Cheung Kong Graduate School of Business ; President, Optoma Corporation	Note 4	None	None	None	None
CFO	R.O.C.	Franck Ho	Male	2010.10.21	137,462	0.03%	12,000	0.00%	0	0.00%	MBA of Baruch College/City University of New York ; Vice President, Coretronic Corporation	Note 5	None	None	None	None
CSO	R.O.C.	Ann Wu	Female	2020.02.03	575,091	0.13%	0	0.00%	0	0.00%	MBA Of Fu Jen Catholic University ; President, Optoma Corporation	Note 6	None	None	None	None
CTO	R.O.C.	Fleming Chuang	Male	2017.05.02	34,130	0.01%	0	0.00%	0	0.00%	Ph.D in Electro-Optical Engineering of National Central University ; Vice President, Coretronic Corporation	Note 7	None	None	None	None
CTO	R.O.C.	Robert Hsueh	Male	2017.09.01	51,194	0.01%	0	0.00%	0	0.00%	Master in Electronic Engineering of Chung Yuan Christian University ; Vice President, Coretronic Corporation	Note 8	None	None	None	None
CIMO	R.O.C.	Daniel Lee	Male	2017.10.01	34,130	0.01%	0	0.00%	0	0.00%	Master in Manufacturing System of The University of Nottingham Senior Vice President, Coretronic Corporation	None	None	None	None	None
Executive Vice President	R.O.C.	Wilson Hsu	Male	2016.11.01	34,921	0.01%	0	0.00%	0	0.00%	EMBA of National Cheng Chi University ; Vice President, Coretronic Corporation	Note 9	None	None	None	None
Executive Vice President	R.O.C.	Sara Lin	Female	2016.04.01	41,908	0.01%	800	0.00%	0	0.00%	MBA of Johnson & Wales University ; Associate Vice President, Young Lighting Technology, Inc.	Note 10	None	None	None	None
Vice President	R.O.C.	HC Yuan	Male	2019.10.01	365	0.00%	0	0.00%	0	0.00%	EMBA of National Tsing Hua University ; Vice President, Coretronic Corporation	None	None	None	None	None
Associate Vice President	R.O.C.	YC Chen	Female	2019.01.15	38,479	0.01%	0	0.00%	0	0.00%	University of Wisconsin, MBA ; Associate Vice President, Coretronic Corporation	None	None	None	None	None
Associate Vice President	R.O.C.	Mark Yang	Male	2019.11.01	0	0.00%	0	0.00%	0	0.00%	Master in Industrial Design of Tatung University ; Associate Vice President, Coretronic Corporation	None	None	None	None	None

- Note 1: Concurrent duties in the Company and in other companies as of December 31, 2019.
- Note 2: Concurrently served as director in affiliated enterprises including Tecpoint, Great Pride Hong Kong, Visicorp, Wisdom Success, Wisdom Success Hong Kong, Coretronic (BVI) Investment, Greendale Investments, Optoma Europe, Sinolink Global, Optoma, Chung Tsen Investment and Coretronic Venture Capital Corp.; person-in-charge of Coretronic Hukou Branch.
- Note 3: Concurrently served as director in affiliated enterprises including Nano Display Hong Kong, Nano Precision Hong Kong, Core-Flex, Bigshine, Bigshine International Hong Kong, Investdragon, Investdragon Hong Kong, Lead Bright, Lead Bright Hong Kong, Elite View, Elite View Hong Kong, Young Lighting, Young Lighting Hong Kong, YLG, Crystal World Finance, Brightbridge Resources, Tsen Ming Investment Corp., YLG Optotech (Guangzhou), Ucare Medical Electronics, Champ Vision Display and Coretronic MEMS; person-in-charge of Coretronic Nanke Branch and Korea Office.
- Note 4: Concurrently served as director in affiliated enterprises including Optoma Technology, Inc., Optoma Deutschland GmbH, Mat Limited, Optoma Europe, Optoma Benelux B.V., Optoma Espana, S.L., Boom Power, Young Green Energy, Optoma, Chung Tsen Investment, Tsen Ming Investment Corp., Coretronic Venture Capital Corp., Coretronic Intelligent Cloud Service, Coretronic Intelligent Robotics and Coretronic Reality, and director of Yuan Kai Investment.
- Note 5: Concurrently served as supervisor in affiliated enterprises including Nano Precision (Suzhou), Guangzhou Yangxu, Yang Can Optoelectronics (Suzhou), Coretronic Shanghai, Coretronic (Nanjing), Coretronic Suzhou, Coretronic Ningbo, Coretronic Guangzhou, Coretronic Venture Capital Corp., Kunshan Yiteng, Kunshan Yanghao, Kunshan Yangye, Vimax (Kunshan), Boom Power Electronics (Suzhou), CSEC, Suzhou Canhong, Coretronic (Suzhou), Young Green Energy, Chung Tsen Investment, Optoma, Suzhou Canary Optoelectronics, Coretronic MEMS and Coretronic Reality; director in affiliated enterprises including Champ Vision Display, Coretronic Intelligent Cloud Service, Coretronic Intelligent Robotics, InnoSpectra, Tsen Ming Investment Corp., Venture, YLG, YLG Optotech (Guangzhou) and Nano Precision Taiwan.
- Note 6: Concurrently served as director of affiliated enterprises including Mordern Smart Technology Ltd., Dynamic Time Investments Ltd., Optoma Europe, Optoma Scandinavia AS, Optoma (China & HK) and Optoma.
- Note 7: Concurrently served as director of affiliated enterprises including Nano Precision Taiwan, Coretronic MEMS and Coretronic Reality.
- Note 8: Concurrently served as director of InnoSpectra, Coretronic Intelligent Robotics and Coretronic MEMS, and President of Chung Tsen Investment.
- Note 9: Concurrently served as director of affiliated enterprises including Young Green Energy and Boom Power Electronics (Suzhou).
- Note 10: Served as director of affiliated enterprises including Coretronic Shanghai and Coretronic (Nanjing).
- Note 11: In situations where the Company's President or manager of the highest equivalent grade is the same person as or a spouse or first-degree relative of the Chairman, please explain the reasons, rationality and necessity of such an arrangement and any response measures taken (such as introduction of independent directors); furthermore, disclose whether more than half of directors are involved in concurrent duty as employees or managers: Chairman Wade Chang has been assigned concurrent duty as CEO for his management, leadership and decision-making skills as well as insight to industry trends; being able to manage the Company's operations and contribute professional opinions at board meetings at the same time is beneficial to the Company's growth. To enhance independence of the board of directors and enforce the corporate governance spirit, additional independent directors will be added to the board during the 2022 re-election if the Company's President or manager of the highest equivalent grade is found to be the same person as or a spouse or first-degree relative of the Chairman.

III. Remuneration paid to Directors, President and Vice Presidents in the last year (2019)

(I) Compensation to non-independent and independent directors

Unit: NTD thousands/thousand shares

Title	Name	Director compensation								Sum of A, B, C and D as a percentage of net income		Compensation received as employee						Sum of A, B, C, D, E, F, and G as a percentage of net income		Compensation from invested businesses other than subsidiaries		
		Compensation (A)		Pension (B)		Director remuneration (C)		Fees for services rendered (D)				Salaries, bonuses, special allowances etc (E)		Pension (F)		Employee compensation (G) (Note 1)						
		The Company	All companies included in consolidated statements	The Company	All companies included in consolidated statements	The Company	All companies included in consolidated statements	The Company	All companies included in consolidated statements	The Company	All companies included in consolidated statements	The Company	All companies included in consolidated statements	The Company	All companies included in consolidated statements	The Company	All companies included in consolidated statements	The Company	All companies included in consolidated statements			
Non-independent director	Wade Chang																					
	Hsun Chieh Investment Co., Ltd. Representative: Tai-Shun Ho	1,440	1,440	0	0	0	0	0	0	0.12%	0.12%	27,616	31,644	506	506	23,200	0	23,200	0	4.58%	4.93%	None
	Sarah Lin (Note 2)																					
	SY Chen (Note 2)																					
	Ted Tu (Note 3)																					
Independent Director	Chual-Hsin Teng (Note 3)																					
	Ted Tu (Note 3)	2,430	2,430	0	0	0	0	0	0	0.21%	0.21%	0	0	0	0	0	0	0	0	0.21%	0.21%	None
	Chual-Hsin Teng (Note 3)																					
	Houn-Gee Chen																					
	Edward H. Chow (Note 4)																					
	Yao Chien (Note 4)																					

1. Please explain the policy, system, standards and structure by which independent director remuneration is paid, and association between the amount paid and independent directors' responsibilities, risks and time committed:
According to the Company's Articles of Incorporation, independent directors are not entitled to director remuneration and are only paid fixed amounts of meeting attendance fee. The amount of compensation is determined based on attendance rate and contribution of individual independent directors and the peer level.

2. Compensation received by director for providing service to any company included in the financial statements (e.g. consultancy service without the title of an employee) in the last year, except those disclosed in the above table: None.

Individual director compensation range	Name of director			
	Sum of first 4 compensations (A+B+C+D)		Sum of first 7 compensations (A+B+C+D+E+F+G)	
	The Company	All companies included in consolidated statements	The Company	All companies included in consolidated statements
Below NT\$ 1,000,000	Wade Chang, Hsun Chieh Investment, Sarah Lin, SY Chen, Ted Tu, Chuan-Hsin Teng, Houn-Gee Chen, Edward H.Chow, Yao Chien	Wade Chang, Hsun Chieh Investment, Sarah Lin, SY Chen, Ted Tu, Chuan-Hsin Teng, Houn-Gee Chen, Edward H.Chow, Yao Chien	Hsun Chieh Investment, Ted Tu, Chuan-Hsin Teng, Houn-Gee Chen, Edward H.Chow, Yao Chien	Hsun Chieh Investment, Ted Tu, Chuan-Hsin Teng, Houn-Gee Chen, Edward H.Chow, Yao Chien
NT\$ 1,000,000 (inclusive) ~ NT\$ 2,000,000 (non-inclusive)	-	-	-	-
NT\$ 2,000,000 (inclusive) ~ NT\$ 3,500,000 (non-inclusive)	-	-	-	-
NT\$ 3,500,000 (inclusive) ~ NT\$ 5,000,000 (non-inclusive)	-	-	-	-
NT\$ 5,000,000 (inclusive) ~ NT\$ 10,000,000 (non-inclusive)	-	-	-	-
NT\$ 10,000,000 (inclusive) ~ NT\$ 15,000,000 (non-inclusive)	-	-	-	-
NT\$ 15,000,000 (inclusive) ~ NT\$ 30,000,000 (non-inclusive)	-	-	Wade Chang, Sarah Lin, SY Chen	Wade Chang, Sarah Lin, SY Chen
NT\$ 30,000,000 (inclusive) ~ NT\$ 50,000,000 (non-inclusive)	-	-	-	-
NT\$ 50,000,000 (inclusive) ~ NT\$ 100,000,000 (non-inclusive)	-	-	-	-
NT\$ 100,000,000 and above	-	-	-	-
Total	9	9	9	9

Note 1: Allocation of employee remuneration was approved during the board of directors meeting held in February 2020; this amount has yet to be paid as of the publication date of annual report, hence the figure shown in the above chart represents the proposed amount.

Note 2: Relieved from duty following the board re-election held during shareholder meeting dated June 13, 2019. The amount of compensation received for concurrent duty as employee was for the period January 1 to June 12, 2019, during which the party had served as director and President.

Note 3: In 2019, the party served as independent director between January 1 and June 12, and was reassigned the role of director following the board re-election held during the shareholder meeting dated June 13, 2019.

Note 4: Assumed role as independent director following the board re-election held during shareholder meeting dated June 13, 2019.

(II) Compensation to President and vice presidents

Unit: NTD thousands/thousand shares

Title	Name	Salary (A)		Pension (B)(Note 1)		Bonuses and allowances (C)		Employee remuneration (D) (Note 2)				Sum of A, B, C, and D as a percentage of net income (%)		Compensation from parent company or invested businesses other than subsidiaries
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares			
CEO	Wade Chang (Note 3)	48,618	55,260	1,262	1,262	33,739	33,739	34,850		34,850	0	10.27%	10.85%	None
President	Sarah Lin (Note 3)													
President	Shih-Yuan Chen (Note 3)													
CFO	Franck Ho													
CTO	Fleming Chuang													
CTO	Robert Hsueh													
CIMO	Daniel Lee													
Executive Vice President	Wilson Hsu (Note 4)													
Executive Vice President	Sara Lin (Note 5)													
Vice President	HC Yuan (Note 6)													

President's and vice presidents' compensation range	Names of President and vice presidents	
	The Company	All companies included in the financial statements
Below NT\$ 1,000,000	-	-
NT\$ 1,000,000 (inclusive) ~ NT\$ 2,000,000 (non-inclusive)	-	-
NT\$ 2,000,000 (inclusive) ~ NT\$ 3,500,000 (non-inclusive)	-	-
NT\$ 3,500,000 (inclusive) ~ NT\$ 5,000,000 (non-inclusive)	HC Yuan	HC Yuan
NT\$ 5,000,000 (inclusive) ~ NT\$ 10,000,000 (non-inclusive)	Fleming Chuang, Robert Hsueh, Daniel Lee Wilson Hsu, Sara Lin	Fleming Chuang, Robert Hsueh, Daniel Lee Wilson Hsu, Sara Lin
NT\$ 10,000,000 (inclusive) ~ NT\$ 15,000,000 (non-inclusive)	Franck Ho	Franck Ho
NT\$ 15,000,000 (inclusive) ~ NT\$ 30,000,000 (non-inclusive)	Wade Chang, Sarah Lin, SY Chen	Wade Chang, Sarah Lin, SY Chen
NT\$ 30,000,000 (inclusive) ~ NT\$ 50,000,000 (non-inclusive)	-	-
NT\$ 50,000,000 (inclusive) ~ NT\$ 100,000,000 (non-inclusive)	-	-
NT\$ 100,000,000 and above	-	-
Total	10	10

Note 1: The amount of pension provision (or contribution) expensed by the Company in 2019 totaled NT\$1,262,000. The amount of pension provision (or contribution) expensed by all companies in the consolidated financial statements in 2019 totaled NT\$1,262,000.

Note 2: Allocation of employee remuneration was approved during the board of directors meeting held in February 2020; this amount has yet to be paid as of the publication date of annual report, hence the figure shown in the above chart represents the proposed amount.

Note 3: Small passenger vehicles were provided for business-related use.

Note 4: Promoted to Executive Vice President on November 1, 2019.

Note 5: Promoted to Executive Vice President on January 1, 2020.

Note 6: On board since October 1, 2019.

(III) Names of managers entitled to employee remuneration and amount entitled

December 31, 2019
Unit: NTD thousands

	Title	Name	Amount paid in shares	Amount paid in cash (Note 1)	Total	Total as a percentage of net income (%)
Manager	CEO	Wade Chang	0	36,300	36,300	3.15%
	President	Sarah Lin				
	President	SY Chen				
	CFO	Franck Ho				
	CTO	Fleming Chuang				
	CTO	Robert Hsueh				
	CIMO	Daniel Lee				
	Executive Vice President	Wilson Hsu (Note 2)				
	Executive Vice President	Sara Lin (Note 3)				
	Vice President	HC Yuan (Note 4)				
	Associate Vice President	YC Chen				
	Associate Vice President	Mark Yang (Note 5)				

Note 1: Allocation of employee remuneration was approved during the board of directors meeting held in February 2020; this amount has yet to be paid as of the publication date of annual report, hence the figure shown in the above chart represents the proposed amount.

Note 2: Promoted to Executive Vice President on November 1, 2019.

Note 3: Promoted to Executive Vice President on January 1, 2020.

Note 4: On board since October 1, 2019.

Note 5: On board since November 1, 2019.

(IV) Amount of remuneration paid in the last 2 years by the company and all companies included in the financial statements to the company's directors, President, and vice presidents, and their respective proportions to net income, as well as the policies, standards, and packages by which they were paid, the procedures through which remunerations were determined, and their association with business performance and future risks.

1. Remuneration paid to the Company's Directors, President and Vice Presidents in the last two years, and percentage relative to net income, are shown below:

Year \ Title	2018		2019	
	The Company	All companies included in the consolidated statements	The Company	All companies included in the consolidated statements
Director	4.23%	4.50%	4.79%	5.14%
President and Vice Presidents	7.73%	8.11%	10.27%	10.85%

2. According to the Company's Articles of Incorporation, directors are not entitled to director remuneration and are only paid fixed amounts of meeting attendance fee. The amount of compensation is determined based on attendance rate and contribution of individual directors and the peer level.

Amount of compensation paid to President, and vice presidents are determined according to the Company's "Director and Manager Salary, Compensation and Performance Assessment Policy" after taking into consideration the peer level, individual responsibilities and their contribution to business targets. The compensation procedure follows "Director and Manager Salary, Compensation and Performance Assessment Policy," which takes into account the Company's operational performance, future risks and industry trends as well as performance targets of individual employees and departments. It is the Company's intent to provide employees with reasonable compensation, which is why rationality of performance evaluation, salary and compensation is constantly under review by the Remuneration Committee and board of directors. The compensation system is examined and adjusted whenever deemed necessary given the current performance and prevailing laws to maintain balance between sustainable operations and risk management.

IV. Corporate governance

(I) Functionality of board of directors: A total of 6 (A) board meetings were held in 2019. The attendance is as follows:

Title	Name	Actual attendance (B)	Proxy attendance	Actual attendance rate (%) [B/A]	Remarks
Chairman	Wade Chang	3	0	100%	The 9th board of directors convened a total of 3 meetings before the re-election on 2019.6.13. At least 2 independent directors were present at each meeting.
Director	Hsun Chieh Investment Co., Ltd. Representative: Tai-Shun Ho	3	0	100%	
Director	Sarah Lin	2	1	67%	
Director	SY Chen	3	0	100%	
Independent Director	Ted Tu	3	0	100%	
Independent Director	Chual-Hsin Teng	3	0	100%	
Independent Director	Houn-Gee Chen	2	1	67%	
Chairman	Wade Chang	3	0	100%	The 10th board of directors convened a total of 3 meetings after the re-election on
Director	Hsun Chieh Investment Co., Ltd. Representative: Tai-Shun Ho	3	0	100%	

Title	Name	Actual attendance (B)	Proxy attendance	Actual attendance rate (%) [B/A]	Remarks
Director	Ted Tu	2	1	67%	2019.6.13. At least 2 independent directors were present at each meeting.
Director	Chual-Hsin Teng	3	0	100%	
Independent Director	Houn-Gee Chen	3	0	100%	
Independent Director	Edward H.Chow	3	0	100%	
Independent Director	Yao Chien	3	0	100%	

Independent Directors' attendance in 2019 Board meetings: ◎ Attendance in person; ☆ Attendance by proxy; △ No attendance

2019	1st	2nd	3rd	4th	5th	6th
Ted Tu	◎	◎	◎			
Chual-Hsin Teng	◎	◎	◎			
Houn-Gee Chen	◎	☆	◎	◎	◎	◎
Edward H.Chow				◎	◎	◎
Yao Chien				◎	◎	◎

Other mandatory disclosures:

- I. For board of directors meetings that meet any of the following descriptions, state the date, session, the discussed motion, independent directors' opinions and how the company has responded to such opinions:
 - (1) Conditions mentioned in Article 14-3 of the Securities and Exchange Act: Not applicable. The Company has assembled an Audit Committee and is therefore subject to Article 14-5 of the Securities and Exchange Act.
 - (2) Any other documented objections or reservations raised by independent director against board resolution in relation to matters other than those described above: None. No objection or reservation was expressed by independent directors this year.
- II. Disclosure regarding avoidance of interest-conflicting motions, including the names of directors concerned, the motions, the nature of conflicting interests, and the voting process:
 1. The 9th board of directors reached a resolution during its 16th meeting with respect to the Company's 2019 employee shareholding trust (to replace the 2018 proposal), for which Directors Wade Chang, Sarah Lin and SY Chen had recused from voting due to involvement of self interest.
 2. The 9th board of directors reached a resolution during its 16th meeting with respect to payment of managers' 2018 operational bonus, for which Directors Wade Chang, Sarah Lin and SY Chen had recused from voting due to involvement of self interest.
 3. The 9th board of directors reached a resolution during its 16th meeting with respect to donation to a related party, for which Director Sarah Lin had recused from voting due to concurrent role as "Director of Coretronic Culture and Arts Foundation."
 4. The 9th board of directors reached a resolution during its 18th meeting with

respect to the removal of directors' 2019 compensation, for which Directors Tai-Shun Ho, Ted Tu, Chual-Hsin Teng and Houn-Gee Chen had recused from voting due to involvement of self interest.

5. The 9th board of directors reached a resolution during its 18th meeting with respect to the removal of managers' 2019 salary/compensation, for which Directors Wade Chang, Sarah Lin (represented by proxy - SY Chen) and SY Chen had recused from voting due to involvement of self interest.
6. The 10th board of directors reached a resolution during its 2nd meeting with respect to the allocation of 2018 employee remuneration for managers, for which Director Wade Chang had recused from voting due to involvement of self interest.

III. Board performance evaluation

Assessment cycle	Assessment interval	Scope of assessment:	Assessment method	Details of assessment
Assessed once a year	2019/1/1 ~ 2019/12/31	Performance assessment for board of directors, individual directors, individual directors, Remuneration Committee and Audit Committee	The board of directors, individual directors, Remuneration Committee and Audit Committee are required to conduct internal self-assessments once a year by way of questionnaire, which is organized and executed by the meeting organizer	<p>(1) Board performance assessment covers the board's participation in the Company's operations, the quality of board's decisions, the board's composition, election and ongoing education of board members, and enforcement of internal control. Purposes of the assessment are mainly to evaluate board's interaction with the management, directors' respect for corporate governance, directors' ability to express opinions freely and follow up on various motions, composition of the board, whether election and education of board members are compliant with law, and whether the board exercises effective assessment and supervision over internal control system and risks.</p> <p>(2) Director individual performance assessment includes director's awareness toward the Company's goals and missions, awareness to duties, level of participation in the Company's operations, maintenance of internal relations and communication, professionalism and ongoing education, and enforcement of internal control. This assessment is primarily intended to determine whether directors are individually aware of the Company's future operational plans, whether they commit adequate amount of time to participate and contribute professional opinions to the Company's operations, and whether they communicate properly with the management team.</p> <p>(3) Functional committee performance assessment covers: the committee's participation in company operations, committee's awareness toward its duties, improvement of decision quality, committee composition and member selection, and support to internal control. Purposes of the assessment are mainly to evaluate committee's participation in meetings, whether the committee is able to contribute professional advice for discussion by the board of directors when needed, whether the committee follows up on motions that it is a part of, whether directors' and managers' performance is assessed on a regular basis, and whether the committee contributes to the effective supervision of internal control and risks.</p>

- IV. Enhancement to functionality of the board of directors in the current and the most recent year, and progress of such enhancements:
1. The Company has set up an Audit Committee and Remuneration Committee in place to assist the board of directors in its duties. The abovementioned functional committees each comprises three independent directors, and may engage outside experts for opinions if necessary.
 2. The Company has a set of Board of Directors Performance Assessment Policy in place, and conducts internal self-assessments on a yearly basis and external performance evaluations once every three years. In addition, a Corporate Governance Officer has been assigned to oversee corporate governance affairs and to provide the support needed to enhance board performance and assist directors with their duties.
 3. A re-election of the board was completed during the annual general meeting held on June 13, 2019, which elected 7 directors including 3 independent directors. Duties of the board of directors are to appoint and supervise performance of the management, supervise business performance, prevent conflict of interest, ensure the Company's compliance with laws and Articles of Incorporation, and execute shareholder meeting resolutions to shareholders' best interest. The board of directors convenes meetings at least once a quarter and at least six meetings a year, during which the management is required to report operating performance so that the board may outline general strategies and policies for the future.

(II) Functionality of the Audit Committee:

1. Annual focus of the Audit Committee:

The Company assembled its Audit Committee in 2010 as a means to enhance corporate governance. The Audit Committee comprises three independent directors, and Independent Director Houn-Gee Chen has been appointed as convener for the current board. The Audit Committee convenes meetings at least once every quarter, and may do so at any time deemed necessary. Responsibilities of the Audit Committee include: reviewing fairness of financial statement presentation, reviewing effectiveness of the internal control system, assessing appointment/dismissal/independence of financial statement auditor, supervising compliance and monitoring existing or potential risks. The committee exercises authority over the following matters:

- Establishment or amendment to the internal control system.
- Evaluation over the effectiveness of internal control system.
- Establishment of procedures for major financial and business conducts.
- Matters concerning directors' personal interests.
- Major transaction of assets or derivatives.
- Major lending, endorsement or guarantee to an external party.
- Offering, issuance, or private placement of securities with equity

characteristics.

- Appointment, dismissal, or compensation of financial statement auditors.
- Review of financial statement auditors' independence
- Appointment and dismissal of finance, accounting or internal audit managers
- Review of financial report.
- Other issues deemed material by the Company or the authority.

2. Functionality of the Audit Committee in 2019:

A total of 5 (A) Audit Committee meetings were held in 2019; below are independent directors' attendance records:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) [B/A]	Remarks
Independent Director	Ted Tu	3	0	100%	The 3rd Audit Committee held 3 meetings before re-election dated 2019/6/13 The 4th Audit Committee held 2 meetings after the re-election on 2019/6/13
Independent Director	Chual-Hsin Teng	3	0	100%	
Independent Director	Houn-Gee Chen	2	1	67%	
Independent Director	Houn-Gee Chen	2	0	100%	
Independent Director	Edward H.Chow	2	0	100%	
Independent Director	Yao Chien	2	0	100%	

Other mandatory disclosures:

- I. Where operation of the audit committee exhibits any of the following, the minutes concerned shall clearly state the meeting date, term, the motions, audit committee's resolution and the Company's response to Audit Committee's opinions.

- (I) Conditions described in Article 14-5 of the Securities and Exchange Act

Date	Session	Motion	Audit Committee resolution	Company's response to Audit Committee's opinions
2019.01.28	12th meeting of the 3rd board	1. Assessment of financial statement auditors' independence 2. 2018 standalone and consolidated financial report 3. 2018 business report	Passed as proposed without objection from independent directors	Proposed by the board of directors and passed unanimously by all attending members

Date	Session	Motion	Audit Committee resolution	Company's response to Audit Committee's opinions
		4. 2018 Declaration of Internal Control System 5. Sale of Company-owned factory and office complex located in Hukou, Hsinchu, along with patented technologies to subsidiary - Nano Precision Taiwan Limited 6. Amendments to the Company's "Internal Control System" and Internal Audit Implementation Rules" 7. Amendments to the Company's "Asset Acquisition and Disposal Procedures"		
2019.03.25	13th meeting of the 3rd board	1. Appropriation of 2018 earnings 2. Amendments to the Company's "Lending, Guarantee and Endorsement Procedures"	Passed as proposed without objection from independent directors	Proposed by the board of directors and passed unanimously by all attending members
2019.04.29	14th meeting of the 3rd board	1. 2019 1st quarter consolidated financial report 2. Purchase of factory and office complex at Tainan Science Park by the Company	Passed as proposed without objection from independent directors	Proposed by the board of directors and passed unanimously by all attending members
2019.07.29	1st meeting of the 4th board	2019 1st half consolidated financial report	Passed as proposed without objection from independent	Proposed by the board of directors and passed unanimously by all attending

Date	Session	Motion	Audit Committee resolution	Company's response to Audit Committee's opinions
			directors	members
2019.10.28	2nd meeting of the 4th board	<ol style="list-style-type: none"> 1. 2019 3rd quarter consolidated financial report 2. Establishment of the Company's 2020 audit plan 3. Re-negotiated sale of Company-owned factory and office complex located in Hukou, Hsinchu, to subsidiary - Nano Precision Taiwan Limited 	Passed as proposed without objection from independent directors	Proposed by the board of directors and passed unanimously by all attending members

(II) Other than those described above, any resolutions unapproved by the Audit Committee but passed by more than two-thirds of directors:
None. No objection or reservation was expressed by independent directors this year.

II. Avoidance of involvements in interest-conflicting discussions by independent directors; state the names of concerned independent directors, the discussions, the nature of conflicting interests, and the voting process:
None.

III. Communication between independent directors and internal/external auditors (e.g. discussions concerning the Company's financial and business affairs, the method of communication used, and the outcome):

1. The chief internal auditor communicates with independent directors through conferences and Audit Committee meetings. The chief internal auditor reports to independent directors at least once a quarter regarding progress of internal audits performed, and prepares monthly reports for review by independent directors. Meetings can be convened at any time deemed necessary in the occurrence of major event.
2. Independent directors communicate with CPAs through conference. The CPAs report to independent directors twice a year on the following matters: financial statement audit, accounting estimates and material issues, changes in Statements of Financial Accounting Standards and securities or tax laws etc., and may contact independent directors at any time deemed necessary.
3. Independent directors communicate with the chief internal auditor and CPAs through regular meetings. For more details on the communication record, please visit the Company's website and go to Investor Relations\Governance\Internal Audit\Independent Directors.

(III) Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Assess criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
1. Has the company established and disclosed its corporate governance principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"?	✓		The Company has established a set of "Corporate Governance Code of Conduct" with board of directors' approval based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" to serve as guidelines toward developing sound corporate governance practice. This code of conduct is disclosed over the Company's website and at Market Observation Post System.	Conforms with the Corporate Governance Best-Practice Principles and no deviation is found
2. Shareholding structure and shareholders' interests				
(1) Has the company implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes and litigations?	✓		(1) The Company has implemented "Shareholder Suggestion, Query, Dispute and Litigation Handling Procedures" and appointed spokesperson and acting spokesperson to ensure that material information is disclosed in a timely and fair manner to the best of shareholders' interest. The Shareholder Affairs Office and Corporate Relations Office are responsible for engaging shareholders on the above issues. The Company has dedicated mailbox (ir@coretronic.com) and hotlines available to gather shareholders' suggestions, queries and disputes, whereas shareholders' litigations against the Company are handled by the Legal Affairs Department.	Conforms with the Corporate Governance Best-Practice Principles and no deviation is found
(2) Is the company constantly informed of the identities of its major shareholders and the ultimate controller?	✓		(2) The Company monitors identity of its major shareholders and the ultimate controller based on shareholder registry provided by the stock transfer agent as of the book closure date.	
(3) Has the company established and implemented risk management practices and firewalls for companies it is affiliated with?	✓		(3) The Company has "Subsidiary Supervision Policy," internal control and internal audit policies in place to outline boundaries of management duty and authority with affiliated enterprises. All business dealings or transactions with subsidiaries are subject to compliance with laws and procedures for risk management purpose.	
(4) Has the company established internal policies that prevent insiders from trading securities against non-public information?	✓		(4) The Company has "Insider Trading Prevention Policy" in place to prevent insiders from exploiting information not readily available on the market for inappropriate gains, whether for self or others. The Company promotes internal	

Assess criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			awareness on a yearly basis and discloses information over its website where managers and employees may access at any time. Insiders are constantly reminded of issues concerning material information. With respect to prevention of insider trading, the Company organized an "Insider Trading Prevention" course for newly elected directors on July 29, 2019, and released a digital training program for managers and employees on September 27, 2019 that covers multiple topics including confidentiality of material information, conditions that give rise to insider trading, definition of insider trading and case studies.	
<p>3. Assembly and obligations of the board of directors</p> <p>(1) Has the board devised and implemented policies to ensure diversity of its members?</p>	✓		<p>(1) According to the Company's "Corporate Governance Code of Conduct," the President must not assume directorship and board members should be diversified in a manner that supports the Company's operations, business activities and growth. The diversification should be based on, but is not limited to, the following two principles:</p> <ol style="list-style-type: none"> 1. Background and value: Gender, age, nationality, culture etc. 2. Knowledge and skills: Career background (e.g. law, accounting, industry, finance, marketing or technology), professional skill and industry experience. <p>The Company held a total re-election of its board during the shareholder meeting held on June 13, 2019. The new board comprises 7 directors including 3 independent directors; 14% of whom concurrently serve as employees while independent directors account for 43% of the board. 5 of the board members were in the 61~70 age group, 2 were less than 60 years old, and the board had an average age of 62.</p> <p>The Company has set its target to recruit independent professionals for at least 25% of its board members, considering the level of stakeholder participation, independence, and economic/environmental/social expertise</p>	Conforms with the Corporate Governance Best-Practice Principles and no deviation is found

Assess criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
(2) Apart from the Remuneration Committee and Audit Committee, has the company assembled other functional committees at its own discretion?	✓		<p>and experience involved with their roles. Currently, 2 of the 7 directors are independent professionals, which represents a weight of 29%.</p> <p>Members of the board are sourced from different fields of expertise, and all of them possess the knowledge, skills and characters needed to accomplish their duties. Directors Wade Chang, Tai-Shun Ho and Chual-Hsin Teng possess professional skills including operational management/leadership & decision-making/industry knowledge; Director Ted Tu contributes expertise in terms of operational management/leadership & decision-making/industry knowledge/finance & accounting; Independent Director Houn-Gee Chen offers operational management/leadership & decision-making/innovative strategy; Independent Director Edward H.Chow is well-versed at risk management/international finance/investment and venture financial management/finance & accounting/corporate governance; while Independent Director Yao Chien brings operational management/leadership & decision-making/aesthetics and consumer insight to the board. Together, their expertise benefit the Company's in terms of operational planning. Details regarding establishment and enforcement of board diversity policy have been disclosed on the Company's website.</p> <p>(2) The Company has assembled an Audit Committee and a Remuneration Committee to assist the board of directors with its duties. A Corporate Social Responsibility Committee and an Environmental Protection Committee have also been assembled to support the Company's corporate social responsibility efforts.</p>	
(3) Has the company established a set of policies and assessment tools for evaluating board performance, and conducted performance evaluation on a yearly	✓		<p>(3) The board of directors established the Company's "Board of Directors Performance Assessment Policy" in April 2018 and later amended in October 2019 so that performance of the</p>	

Assess criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
basis? Are performance evaluation results reported to the board of directors and used as reference for compensation, remuneration and nomination decisions?			<p>board, the board members and functional committees is assessed once a year with outcomes reviewed by the board of directors. The amended policy also requires board performance to be evaluated by an independent external institution at least once every three years, and outcome to be acknowledged by the board of directors. The board conducts performance self-assessment once a year using questionnaire. These assessments are arranged by the meeting organizer, and the most recent assessment covered the period January 1 to December 31, 2019. For more details on performance evaluation of the board, board members and functional committees, please refer to section 4. Corporate governance/Board performance evaluation.</p> <p>Outcome and implication of 2019 internal board performance self-assessment:</p> <ol style="list-style-type: none"> 1. Overall, board performance was rated "Exceptional" and is indicative of the efforts the Company has committed to enhancing the board's capacity. 2. Directors' (self) performance assessment outcome: Directors' overall performance was rated "Exceptional." 3. Performance of the Remuneration Committee was rated "Exceptional" and is indicative of the efforts the Company has committed to enhancing Remuneration Committee's capacity. 4. Performance of the Audit Committee was rated "Exceptional" and is indicative of the efforts the Company has committed to enhancing Audit Committee's capacity. <p>Outcome of the above assessment has been reported to the board of directors in February 2020, and is being used to support decisions such as board/functional committee capacity enhancement and compensation/nomination of individual directors.</p>	
(4) Are external auditors' independence assessed on a	✓		(4) The Audit Committee duly evaluates independence and	

Assess criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
regular basis?			<p>competence of the financial statement auditor once a year, and presents assessment result to the board of directors. Financial statement auditor's independence is assessed using the following criteria:</p> <ol style="list-style-type: none"> 1. The auditor is not related and has no employment relationship with the Company or its directors 2. The auditor has no other interest or business dealing with the Company except for the financial and taxation audit service. 3. The Company complies with relevant rules and rotates auditor within the accounting firm. 4. Statement of independence is obtained from auditor on a yearly basis. <p>Assessment outcomes are as follows: In February 2020, the Audit Committee and board of directors conducted assessments on the Company's 2019 financial statement auditors and found CPA Hsin-Min Hsu and CPA Hans Chen having satisfied independence requirements.</p>	
4. Has the company allocated adequate number of competent corporate governance staff and appointed a corporate governance officer to oversee corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, assisting directors/supervisors with compliance issues, convention of board meetings and shareholder meetings, and preparation of board/shareholder meeting minutes)?	✓		<p>The board of directors appointed the CFO to assume the role of Corporate Governance Officer during the meeting held in April 2019. Backed by more than 10 years of accounting, finance, shareholder service and meeting arrangement experience in a public company, the CFO works with the team of CFO Office to oversee corporate governance-related matters, and their main duties are to arrange board meeting and shareholder meeting affairs, provide directors with the information needed to perform duties, and gather the latest regulatory changes that are relevant to the Company to assist directors with compliance, duties and ongoing education. Education of the Corporate Governance Officer in 2019 has been disclosed on the Company's website.</p> <p>The following tasks were performed throughout 2019:</p> <ol style="list-style-type: none"> 1. Assisted directors with their duties, provided directors with the needed information, and arranged directors' training 	Conforms with the Corporate Governance Best-Practice Principles and no deviation is found

Assess criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<ul style="list-style-type: none"> ● Informed board members of the latest regulations concerning the Company's operations and corporate governance. ● Provided directors with the requested information and maintained communication between directors and senior managers. ● Independent directors regularly communicated with the chief internal auditor or financial statement auditor to learn the Company's financial and business performance. ● Annual training courses were arranged for directors based on their education, career experience and changes in existing regulations. <p>2. Assisted functional committees, board of directors and shareholders with meeting procedures and compliance issues</p> <ul style="list-style-type: none"> ● Prepared meeting agenda and notified directors at least 7 days before meeting, and provided participants with relevant materials pertaining to the issues discussed. Reminders were sent in advance for motions that involved conflict of interest, and minutes were produced within 20 days after each meeting. ● Assisted and reminded directors of the regulations to comply when performing duties or forming resolutions at board meetings. ● Checked announcement of major board resolutions, ensured compliance and accuracy of the information conveyed, and protected investors' rights to information symmetry. ● Processes such as registration of shareholder meeting date, preparation of meeting advice, conference manual, minutes, annual report etc. were completed and made available to investors within th required timeframe. <p>3. Maintenance of investor relations Through quarterly investor conference, annual general meetings and timely website updates, investors are given insight to the Company's financial, business and corporate</p>	

Assess criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			governance performance, which also protects shareholders' interest.	
5. Has the company provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers and suppliers)?	✓		The Company has employee mailbox, employee service hotline, spokesperson mailbox and general inquiry hotline available to communicate with customers, suppliers and the general public. Stakeholders may contact specific departments within the Company at any time deemed necessary. The Company has created a dedicated section on its website to disclose information that is relevant to stakeholders. The Company uses a broad range of channels to maintain communication with stakeholders and learn their expectations; these findings provide useful reference to the Company's corporate social responsibility policies and plans in the future.	Conforms with the Corporate Governance Best-Practice Principles and no deviation is found
6. Does the Company engage a share administration agency to handle shareholder meeting affairs?	✓		The Company has engaged the Shareholder Service Department of Yuanta Securities Co., Ltd. to handle matters relating to shareholder meetings.	Conforms with the Corporate Governance Best-Practice Principles and no deviation is found
7. Information disclosure				
(1) Has the company established a website that discloses financial, business, and corporate governance-related information?	✓		(1) The Company maintains a corporate website for disclosing information. Financial/business performance and corporate governance-related information can also be found on Market Observation Post System.	Conforms with the Corporate Governance Best-Practice Principles and no deviation is found
(2) Has the company adopted other means to disclose information (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the company website)?	✓		(2) The Company has set up an English website and assigned dedicated personnel to gather and disclose information of the Company, enforce the spokesperson system, publish investor conference video recordings over the Company's website, and duly disclose information in accordance with the authority's instructions and prevailing laws. Date and venue of investor conferences can be found on the Company's website under "Investor Relations/Earnings Conference," "Investor Relations/Events" or "News/Events" sections.	
(3) Does the Company publish and make official filing of annual financial report within two months after the end of an accounting period, and publish/file	✓		(3) The Company had published its 2019 financial report following the investor conference held on February 18, 2020, and expects to file its Q1, Q2 and Q3 financial reports in	

Assess criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
Q1, Q2 and Q3 financial reports along with monthly business performance before the required due dates?			April, July and October, respectively. Monthly performance results were announced before the 10th calendar day of the following month.	
8. Does the company have other information that enables a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors, implementation of risk management policies and risk measurements, implementation of customer policy, and insuring against liabilities of company directors)?	✓		<p>(1) Employee rights and care The Company strives to maintain harmonic employment relationship and caters for employees' interest by taking a mutually beneficial approach. All management practices and systems are carried out according to labor regulations. The Company has an Employee Welfare Committee in place to plan welfare measures and recreation activities such as golden week vacation, employee trip, sports competition and festive event, and thereby promote interaction among colleagues and family members. The Company also invites employees and family members to art and cultural events from time to time, where they are exposed to inspirations that may help enrich lifestyle or improve their characters. The Company has been enforcing an employee assistance program that provides employees and family members with complimentary consultation on issues concerning mental health, legal affairs, healthcare and finance, so that employees may perform their duties with a peace of mind. The Company values employees' mental and physical health, and arranges regular health checkups and health promotion activities to create a satisfying and healthy workplace.</p> <p>(2) Investor relations The Company has spokesperson and acting spokesperson in place to maintain investor relations. The Company also hosts domestic investor conferences regularly and participates in global investor conferences from time to time.</p> <p>(3) Supplier relations and stakeholders' interests The Company adheres strictly to commercial ethics for all business dealings with suppliers and customers. Key suppliers are regularly evaluated for price, quality, technology, delivery and service, and all suppliers are</p>	Conforms with the Corporate Governance Best-Practice Principles and no deviation is found

Assess criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>required to sign a letter of commitment to integrity. The Company fully understands customers' needs, helps them resolve problems and strives to deliver more satisfactory products and services. Financial and business dealings with affiliated enterprises are carried out according to rules such as "Lending, Guarantee and Endorsement Procedures," "Asset Acquisition and Disposal Procedures" and "Subsidiary Supervision Policy."</p> <p>(4) Directors' education The Company actively encourages directors to participate in courses organized by the authority. Please refer to the chart titled Directors' and Managers' Education for details on corporate governance-related training undertaken by directors and managers.</p> <p>(5) Risk management policies and risk assessment standards The Company has implemented a robust risk management system to analyze, track and respond to high-risk events that may detract the Company from its operational goals. For risk management information, please visit "CSR/Risk Management" section on the Company's website.</p> <p>(6) Implementation of customer policy The Company has implemented appropriate customer policy given the nature of its business activities. To ensure customers' satisfaction, the Company not only directs attention to the quality, safety and innovation of products delivered, but also addresses complaints in a timely manner and provides customers with complete product information.</p> <p>(7) Insurance against directors' liabilities The Company has purchased liability insurance to insure itself against liabilities of its directors; insurance policies are reported to the board of directors on a yearly basis.</p>	

Assess criteria	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
<p>9. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified:</p> <p>The Company has been ranked among the top 5% in corporate governance evaluation for 6 consecutive years, and outcome of the corporate governance evaluation is reviewed for possible and feasible improvements. The Company undertook several enhancement measures in 2019 including appointment of a Corporate Governance Officer, introduction of functional committee performance self-assessment, enhanced support for business integrity policy, training for Insider Trading Prevention Policy, and more transparent disclosure of information security/human rights policy/stakeholder engagement/management succession etc. The Company's sustainability efforts cover economic, environmental and social aspects. To date, it has received "Commonwealth CSR Award" for 8 consecutive years, TCSA - "Corporate Sustainability Report Awards - Gold" for 3 consecutive years and claimed TCSA - "Transparency and Integrity Awards - First Place" for 2 consecutive years. In the future, the Company will continue upholding integrity and shall commit to the mission of fulfilling responsibilities to stakeholders and the society.</p>				

Directors' and managers' ongoing education						
Title	Name	Course date		Organizer	Course name	Training Hours
		Start	End			
Chairman and CEO	Wade Chang	2019.07.29	2019.07.29	Taiwan Corporate Governance Association	Insider Trading Prevention, Corporate Governance Awareness	6
Representative of corporate director	Tai-Shun Ho	2019.07.29	2019.07.29	Taiwan Corporate Governance Association	Insider Trading Prevention, Corporate Governance Awareness	6
Director	Ted Tu	2019.06.20	2019.06.20	Taiwan Securities Association	Share Transfer and Tax Planning for Directors, Supervisors and Head of Accounting	3
		2019.07.29	2019.07.29	Taiwan Corporate Governance Association	Insider Trading Prevention, Corporate Governance Awareness	6
		2019.12.04	2019.12.04	Taiwan Corporate Governance Association	Functions and Missions of Corporate Governance Personnel under the Corporate Governance Roadmap, Impact of Labor Incident Act on Businesses	6
Director	Chual-Hsin Teng	2019.07.29	2019.07.29	Taiwan Corporate Governance Association	Insider Trading Prevention, Corporate Governance Awareness	6
Independent Director	Houn-Gee Chen	2019.07.29	2019.07.29	Taiwan Corporate Governance Association	Insider Trading Prevention, Corporate Governance Awareness	6
Independent Director	Edward H.Chow	2019.07.11	2019.07.11	Taiwan Securities Association	Anti-money Laundering Rules and the Latest Development	3
		2019.07.29	2019.07.29	Taiwan Corporate Governance Association	Insider Trading Prevention, Corporate Governance Awareness	6
		2019.07.31	2019.07.31	Securities & Futures Institute	Compliance Seminar on Share Transfers by Insiders of Listed and Unlisted Companies - 2019	3
Independent Director	Yao Chien	2019.07.29	2019.07.29	Taiwan Corporate Governance Association	Insider Trading Prevention, Corporate Governance Awareness	6

Directors' and managers' ongoing education						
Title	Name	Course date		Organizer	Course name	Training Hours
		Start	End			
CFO/ Corporate Governance Officer	Franck Ho	2019.07.29	2019.07.29	Taiwan Corporate Governance Association	Insider Trading Prevention, Corporate Governance Awareness	6
		2019.08.21	2019.08.21	Taipei Exchange	TPEX and Emerging Stock Market Insider Shareholding Seminar	3
		2019.10.28	2019.10.28	Taiwan Corporate Governance Association	Functionality of the Board of Directors and Remuneration Committee, Directors' Rewards and Compensations	6
		2019.11.14	2019.11.15	Accounting Research and Development Foundation of the R.O.C.	Ongoing Education for Securities Issuers, Securities Firms, and TWSE Chief Accounting Officer	12
		2019.12.12	2019.12.12	Taiwan Corporate Governance Association	Corporate Governance and Directors' Obligations and Responsibilities Under the Securities and Exchange Act of the Republic of China	3

(IV) Disclose the composition, responsibilities, and functioning of remuneration committee, if available

1. Composition of Remuneration Committee

Identity	Criteria Name	Having more than 5 years work experience and professional qualifications listed below			Compliance of independence										Number of positions as Remuneration Committee members in other public companies	Remarks	
		Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the Company's operations in a public or private tertiary institution	Judge, prosecutor, lawyer, accountant, or holder of national exam or professional qualification relevant to the company's operations	Commercial, legal, financial, accounting or other work experience required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10			
Independent Director	Houn-Gee Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None
Independent Director	Edward H.Chow	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	None
Independent Director	Yao Chien			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None

Note 1: Members who meet the following conditions at any time during active duty and two years prior to the date of appointment will have a “✓” placed in the corresponding boxes.

- (1) Not employed by the company or any of its affiliated companies.
- (2) Not a director or supervisor of the company or any of its affiliated companies (this restriction does not apply to concurrent independent director positions in the company, its parent company, subsidiary, or another subsidiary of the parent that is compliant with Securities and Exchange Act or local laws).
- (3) Does not hold more than 1% of the company's outstanding shares in their own names or under the name of spouse, underage children, or proxy shareholder; nor is a top-10 natural-person shareholder of the company.
- (4) Not a manager listed in (1), or a spouse, 2nd-degree relative or closer or 3rd-degree direct relative or closer to any personnel listed in (2) or (3).
- (5) Not a director, supervisor or employee of any corporate shareholder that: 1. holds 5% or more of the Company's outstanding shares; 2. is a top-5 shareholder; or 3. appoints director/supervisor representative in the Company according to Paragraph 1 or 2, Article 27 of The Company Act. (This excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act or local laws)
- (6) Not a director, supervisor or employee of any other company that controls directorship in the company or where more than half of total voting rights are controlled by a single party (this excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act or local laws).
- (7) Does not assume concurrent duty as Chairman, President or equivalent role, and is not a director, supervisor or employee of another company or institution owned by spouse. (This excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act or local laws).
- (8) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the Company (however, this excludes concurrent independent director positions held within companies or institutions that hold more than 20% but less than 50% outstanding shares of the Company, or in the Company's parent or subsidiary, or in another subsidiary of the parent that is compliant with the Act or local laws).
- (9) Not a professional who provides audit service, or commercial, legal, financial, accounting or related services for an accumulated sum of less than NT\$500,000 in the last 2 years, to the Company or its affiliate, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliated companies. This excludes roles as Remuneration Committee, Public Acquisition Review Committee or M&A Special Committee member appointed in accordance with the Securities and Exchange Act or Business Mergers And Acquisitions Act.
- (10) Does not meet any of the conditions stated in Article 30 of The Company Act.

2. Responsibilities of the Remuneration Committee: To evaluate directors' and managers' performance as well as compensation policies and systems in a professional and objective manner, including: (1) Regular examination of "Remuneration Committee Foundation Principles" and offering of amendment

suggestions. (2) Establish and review regularly the annual and long-term performance targets outlined for the Company's directors and managers, and the policies, systems, standards, and structures of their compensation. (3) Evaluate on a regular basis the accomplishment of performance targets by the Company's directors and managers, and determine the details and amounts of individual compensation. The Remuneration Committee convenes meetings at least twice a year and may do so at any time deemed necessary to provide the board with useful suggestions for decision-making.

3. Functionality of Remuneration Committee: The Company's Remuneration Committee comprises 3 members; service of the current board begins June 13, 2019 and ends June 12, 2022. The Remuneration Committee held 3 (A) meetings in 2019; members' background and attendance records are as follows:

Title	Name	No. of actual attendance (B)	Attendance by proxy	Actual attendance rate (%) [B/A]	Remarks
Convener	Ted Tu	2	0	100%	The 3rd Remuneration Committee held 2 meetings before the re-election on 2019/6/13
Committee member	Chual-Hsin Teng	2	0	100%	
Committee member	Houn-Gee Chen	2	0	100%	
Convener	Houn-Gee Chen	1	0	100%	The 4th Remuneration Committee held 1 meeting after the re-election on 2019/6/13
Committee member	Edward H.Chow	1	0	100%	
Committee member	Yao Chien	1	0	100%	

Other mandatory disclosures:

- In the event where the Remuneration Committee's proposal is rejected or amended in a board of directors meeting, please describe the date and session of the meeting, details of the motion, the board's resolution, and how the company had handled the Remuneration Committee's proposals (describe the differences and reasons, if any, should the board of directors approve a solution that was more favorable than the one proposed by the Remuneration Committee): None.
- Should any committee member object or express qualified opinions to the resolution made by the Remuneration Committee, whether on-record or in writing, please describe the date and session of the meeting, details of the motion, the entire members' opinions, and how their opinions were addressed: None.
- Discussions and resolutions of the Remuneration Committee, and the Company's response to committee members' opinions

Date	Session	Motion	Resolution of the Remuneration Committee	Company's response to Remuneration Committee's opinions
2019.01.28	6th meeting of the 3rd board	<ol style="list-style-type: none"> 1. 2019 employee shareholding trust of the Company (to replace the 2018 proposal) 2. 2018 operational bonus for managers of the Company 	Passed as proposed without objection from independent directors	Proposed by the board of directors and passed unanimously by all attending members
2019.04.29	7th meeting of the 3rd board	<ol style="list-style-type: none"> 1. 2019 compensation for Director Hsun Chieh Investment Co., Ltd. and Independent Director Ted Tu 2. 2019 compensation for Independent Director Chual-Hsin Teng and Independent Director Houn-Gee Chen 3. 2019 managers' salary and compensation 	<ol style="list-style-type: none"> 1. Director Ted Tu had disassociated from the final resolution as the motion concerned personal interest. The motion was passed as proposed by Director Chual-Hsin Teng and Director Houn-Gee Chen without objection 2. Director Chual-Hsin Teng and Director Houn-Gee Chen had disassociated from the final resolution as the motion concerned personal interest. The motion was passed as proposed by 	Proposed by the board of directors and passed unanimously by all attending members

Date	Session	Motion	Resolution of the Remuneration Committee	Company's response to Remuneration Committee's opinions
			Director Ted Tu without objection 3. The motion was passed as proposed without objection from independent directors	
2019.07.29	1st meeting of the 4th board	2018 employee remuneration for managers of the Company	Passed as proposed without objection from independent directors	Proposed by the board of directors and passed unanimously by all attending members

(V) Fulfillment of social responsibilities and deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies

Assess criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
1. Has the company conducted risk assessment on environmental, social and corporate governance issues that are relevant to its operations, and implemented risk management policies or strategies based on principles of materiality?	✓		The Company issues material topic questionnaire to survey sustainability issues that are of concern to stakeholders on a yearly basis. Using GRI Standards, the Company identifies material issues for a given year after taking into consideration stakeholder inclusiveness, sustainability, materiality and completeness, and classifies material issues into three main categories, namely: environmental, social and economic/corporate governance. Policies and response strategies for each of the material issues identified are disclosed separately in the Risk Management chapter of its annual corporate social responsibility report. For details on risk assessment and risk management policies pertaining to environmental, social and corporate governance issues, please refer to the Company's 2019 corporate social responsibility report under the section "Risk Management."	No material deviation is found.
2. Does the company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and does the unit report its progress to the board of directors?	✓		The Company assembled - "Corporate Social Responsibility Committee" in 2008 to promote CSR-related tasks. The Chairman serves as "Lead Member" of the CSR Committee while the Presidents and CFO serve as "committee representatives" for various committees and the spokesperson undertakes the role of "management representative." Departments that are concerned with economic, social and environmental tasks have been authorized by the CSR Committee as "Executive Representatives," whose duties are to carry out CSR-related tasks. The board of directors passed a set of "Corporate Social Responsibility Code of Conduct," in which it agreed to authorize the Corporate Social Responsibility Committee for overseeing CSR-related issues. Executive representatives have been designated under the President and CFO, whose responsibilities are to oversee main issues, execute projects and prepare CFO's	No material deviation is found.

Assess criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			annual reports to the board of directors. For details on fulfillment of corporate social responsibilities, please refer to the section titled "7. Other information useful to the understanding of corporate social responsibilities."	
<p>3. Environmental issues</p> <p>(1) Has the company developed an appropriate environmental management system, given its distinctive characteristics?</p> <p>(2) Is the company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?</p>	<p>✓</p> <p>✓</p>		<p>(1) All plants in Taiwan have adopted ISO14001 Environmental Management System and passed certification progressively since 2001. Certification is renewed every three years and tracked once a year. In 2019, ongoing efforts were made to obtain third-party certification for ISO 14064-1 - Greenhouse Gas Inventory, ISO 50001 - Energy Management System and Green Factory Label - Clean Production.</p> <p>(2) It is part of Coretronic's environmental protection and sustainability policy to "introduce environment-friendly technologies," and the Company has adhered to this goal by incorporating environmental and circular economy concepts into product design, and thereby improve product competitiveness while catering for the environment. Starting from the choice of raw materials, we have been exploring ways to make our products easier to disassemble or maintain and longer-lasting while cutting down on the volume of scraps and packaging materials. By reducing waste and production cost, this approach has yielded both economic and environmental protection benefits at the same time. The Company has been actively implementing hazardous substance control measures since 2004, and uses ISP and GPMS platforms to manage its suppliers. All new suppliers are required to conform with hazardous substance safety standards and complete related questionnaires, green product commitment and safety data sheet (SDS) before commencing transactions. Energy-saving designs and 3R (Reduce, Recycle and Reuse) technologies are adopted at</p>	No material deviation is found.

Assess criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
(3) Does the company assess potential risks and opportunities associated with climate change, and undertake measures in response to climate issues?	✓		<p>the product development, whereas green design and production technologies are also implemented throughout design and production, including: 1. Design for environment, 2. Green supply chain management, 3. RoHS testing for components/semi-finished goods/finished goods, 4. Adoption of green production technology, 5. Clean production, 6. Education/training, 7. Design and production of "Environmental Label" certified products, and 8. Voluntary product carbon footprint tracking.</p> <p>(3) The Company is well-aware of the impacts global warming and climate change have on the environment, and has therefore taken the initiative to identify risks in particular regards to "Total greenhouse gas volume control," "Greenhouse Gas Reduction and Management Act," "Energy/resource shortage" and "Waste management." Driven by its mission toward "sustainability," the Company has taken progressive actions including implementation of "Environmental Sustainability and Occupational Safety and Health Policy," setting short/medium/long term targets, and tracking performance through quarterly Environmental Protection Committee meetings. For more detailed disclosures on the response measures taken, please visit "CSR/Risk Management/Climate-change Risk" section of the corporate website.</p>	
(4) Does the company maintain statistics on greenhouse gas emission, water usage and total waste volume in the last two years, and implement policies aimed at reducing energy, carbon, greenhouse gas, water and waste?	✓		<p>(4) The Company follows ISO14064-1 - Greenhouse Gas Inventory and takes actions to survey, monitor, manage and reduce greenhouse gas emissions as part of its duties to protect the environment. Total greenhouse gas emission was calculated at 9,485.1765 and 9,291.630 ton CO₂e in 2018 and 2019, respectively. Energy and carbon reduction measures undertaken by the Company mostly focus on the air conditioning system, lighting and other power equipment, and are targeted toward reducing power usage</p>	

Assess criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>by 1% per year. Annual power savings across all plants for 2018 and 2019 were calculated at 717,454 kWh and 596,303 kWh, which were equivalent to 397 and 317 tonCO₂e reduction, respectively. Climate change has altered weather patterns by a significant degree that droughts and heavy rain have become increasingly common in Taiwan, a phenomenon requires more pro-active management of water resources. In terms of water resource management, volume of fresh water used across all plants totaled 94,928 tons in 2018 and 88,510 tons in 2019. Water conservation devices have been installed on bathroom and pantry taps to reduce usage by as much as 1/2, whereas water-intensive facilities such as kitchen have water targets set and monitored on a weekly basis. The Company has also been exploring alternative sources of water by collecting condensed water from air conditioning and rainwater for use at the cooling tower and gardening. The volume of water recycled totaled 15,524 tons in 2018 and 17,057 tons in 2019. The Company has been implementing and promoting its Environmental Sustainability and Occupational Safety and Health Policy and adopting environmental management solutions and waste reduction plans since 2018 out of care for the sustainability of the environment. With regards to waste management, the Company generated 254 tons of industrial waste in 2018 and 276 tons of industrial waste in 2019; the increase of which was mainly attributed to additional production lines being introduced during the year. Reduction measures and waste classification have been undertaken in order to minimize environmental impact from operating and production activities, and the Company was able to recycle 70% of the waste produced in 2019, which was 8 percentage points higher than the 62% reported in 2018.</p>	

Assess criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>The above statistics includes Li Hsing Plant, Chu-Nan Plant and Nanke Plant.</p> <p>Motivated by a sustainable business philosophy, the Company is dedicated to preventing pollution and has envisioned itself of "becoming a green enterprise through reduction of power usage, water consumption, waste production and carbon emission." The Company is committed to making ongoing improvements in terms of environment, sustainability, occupational safety and health, and has made 7 major commitments below to guide its achievement of energy, carbon and greenhouse gas reduction goals:</p> <ol style="list-style-type: none"> 1. It is the primary assignment and responsibility of employees to ensure the quality, safety and health of corporate activities and environment. 2. Business and operating activities must comply with occupational safety, health and environmental protection laws. 3. Minimize business risks through hazard identification, risk assessment and operational control. 4. Prevent occupational hazard and promote health awareness to create a friendly, safe and healthy workplace. 5. Design products with life cycle and circular economy in mind, and strive to minimize environmental impact and address global warming. 6. Encourage green design and clean production to become a model corporation in energy and carbon reduction. 7. Continually educate and communicate with stakeholders on environmental, sustainability, safety and health issues. <p>Energy, carbon and greenhouse gas reduction targets:</p> <ol style="list-style-type: none"> a. Coastal cleanup and environmental education (120 	

Assess criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>participants in 2019 and 150 participants in 2020) - The program accumulated 270 participants/810 hours between 2019 and 2020.</p> <p>b. 4-hour online environmental education - Average completion rate is estimated at 85% for 2020.</p> <p>c. "Rise Up" Stair Climbing Competition - Participants in 2020 are expected to complete 15% more stairs than those in 2017.</p> <p>d. Waste reduction - Average 3% reduction per year over the short term (2015~2019) and 2% reduction per year over the medium term (2020~2022); cumulative 14% reduction is estimated for 2020.</p> <p>e. Energy/carbon reduction at plants - Cumulative 14% reduction expected in 2020 compared to 2015.</p> <p>f. Water reduction at plants - Cumulative 10% reduction expected in 2020 compared to 2015.</p> <p>g. Renewable energy at Chu-NanPlant - Renewable energy accounted for 1% of total power consumed by the plant in 2019 and 2020.</p>	
<p>4. Social issues</p> <p>(1) Has the company developed its policies and procedures in accordance with laws and International Bill of Human Rights?</p>	✓		<p>(1) Being an electronic industry citizen, the Company abides by the RBA commitment, fulfills corporate social responsibilities and protects human rights of all its employees. The Company recognizes and complies with international human rights conventions including "The Universal Declaration of Human Rights," "The Global Compact," "The UN Guiding Principles on Business and Human Rights" and "International Labour Organization," and has established a set of "Human Rights Policy" that explicitly prohibits any act of human rights violation and requires all employees to be treated fairly and respected. This policy represents the Company's commitment to enforcing human rights and protecting employees' rightful</p>	No material deviation is found.

Assess criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
(2) Has the company developed and implemented reasonable employee welfare measures (including compensation, leave of absence and other benefits), and appropriately reflected business performance or outcome in employees' compensations?	✓		<p>interests. For more information relating to human rights policy, please visit "CSR/Friendly Workplace/Human Rights Policy" section on the Company's website.</p> <p>(2) The Company ensures the competitiveness of its salary and compensation policy by taking into consideration its business performance, peer levels and fairness within the organization. According to Article 25 of the Company's Articles of Incorporation, profits concluded by the Company in a given year shall be subject to employee remuneration of 10%~20%. Amounts are allocated to individual employees based on personal performance and outcome of the performance management system. The Company is dedicated to creating an inspirational, fair and satisfying work environment where talents may thrive. The Company values performance and rewards top performers through the use of an objective performance management system that is capable of distinguishing performers from non-performers. Not only are employees allowed to set their study plans and work targets, they may also discuss with line managers face-to-face about the skills they need to attain their work targets. Outcomes of performance evaluation are taken into consideration for future decisions such as salary adjustment, bonus allocation and promotion. The Company has a well-defined reward and disciplinary policy that outlines appropriate disciplines and rewards for various conducts. The policy promotes systematic management throughout the organization and raises employees' awareness toward rules and discipline.</p>	
(3) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	✓		<p>(3) The Company has created a LINE chat group to provide employees with useful information and to promote awareness toward voluntary health management at workplace. Sports clubs such as yoga, softball and badminton have been created at each plant, and sports</p>	

Assess criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
(4) Has the company implemented an effective training program that helps employees develop skills over their career?	✓		<p>competitions and activities are being organized to develop exercising habit among employees. Meanwhile, nutritional meals are being served to cater for the health of factory workers. The Company places great emphasis on the health condition of its workers. In addition to eye checks, cancer screening for women, running tips, influenza vaccine and thyroid ultrasound, the Company also arranges health promotion seminars to guide employees toward maintaining a healthy lifestyle, and organizes employee health checkups as required under the Occupational Safety and Health Act. The addition of LDCT (low-dose computed tomography) cancer screening and fitness test during the year was highly welcomed by employees, as did other hazard assessments (including ergonomic engineering, over-stress, workplace violence and protection for women) the Company had undertaken to create a sustainable, healthy workplace. For details on other workplace and employee safety protection measures, please refer to chapter Five. Operational Overview - "5. Labor-management relations/(4) Work environment, employee safety and protection measures."</p> <p>(4) The Company has developed its training policies and programs in line with corporate visions and operational targets to help employees develop competitiveness over the course of their career. Below is a description of various training courses offered by the Company:</p> <p>(a) Shaping of corporate culture: Training courses that promote Coretronic's R.I.S.E. culture are being organized so that each employee may practice responsibility, innovation, excellence and originality at work. In 2019, the Company held a series of RISE seminars and invited renowned guest speakers to share knowledge and reading experiences with</p>	

Assess criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
(5) Has the company complied with laws and international standards with respect to customers' health, safety and privacy, marketing and labeling in all products and services offered, and implemented consumer protection policies and complaint procedures?	✓		<p>participants. It is the ultimate goal of the Company to not only direct employees' attention toward corporate culture, but enforce that culture at work and in life as well.</p> <p>(b) Professional talent training: The Company offers three main categories of training: general knowledge training, managerial skill training, and specialist training, to help employees accomplish performance targets.</p> <p>(c) Training courses for international talents: Many sessions of English course are being organized to support the group's globalization initiative.</p> <p>(d) Orientation training: Through the use of games and diverse learning methods, new employees are given a better understanding of the corporate culture, Electronic Industry Code of Conduct, avoidance of conflicting interest by suppliers, business integrity and ethical behavior guidelines. The orientation helps employees develop appreciation for the corporate culture as well as understanding of existing rules, welfare policies and administrative guidelines for quicker adaptation.</p> <p>(5) All specifications and labeling applied to product exterior are compliant with laws and international standards, and are backed by valid test reports. The Company values customers' opinions and has product return/repair procedures, customer complaint procedures and relevant policies in place to protect consumers' interest. Through customer service mailbox (ser@coretronic.com), complaint channels, visits, phone interviews, customer service units and satisfaction surveys, the company communicates with its customers extensively not only to raise satisfaction, but also to learn their expectations in regards to innovative</p>	

Assess criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
(6) Has the company implemented a supplier management policy that regulates suppliers' conducts with respect to environmental protection, occupational safety and health or work rights/human rights issues, and tracked suppliers' performance on a regular basis?	✓		<p>R&D, product procurement, production quality and operating environment, so that effective responses can be taken immediately.</p> <p>(6) The Company looks forward to growing and accomplishing sustainability alongside its suppliers. We have robust supply chain management policies and measures in place to cover everything from supplier evaluation, supplier management, supplier audit to supplier counseling, which enable us to choose the vendors that deliver the level of quality and technology needed. Furthermore, we have compiled an "RBA Code of Conduct Handbook" based on R B A to manage our suppliers. We strive to direct suppliers' attention toward ethics, workers' human rights, environmental protection, health and safety issues, and implement risk management and business continuity plans in such a way that helps us build a sustainable green supply chain. The Company has committed to corporate social responsibilities as a part of a global supply chain; for this reason, any supplier that exhibits major adverse conduct in regards to the environment, work conditions, human rights, or social aspect will be immediately removed from the qualified suppliers list. For suppliers of non-substitutable goods, the Company will assist the offender in the elimination of adverse conduct in order to keep the supply chain operational. For more details, please visit "CSR/Supply Chain" section on the Company's website.</p>	
5. Does the company prepare corporate social responsibility report or any report of non-financial information based on globally accepted standards and guidelines? Are the abovementioned reports supported by assurance or opinion of a third-party certifier?	✓		The Company has been publishing annual corporate social responsibility reports since 2008 using globally accepted standards and guidelines. Starting from 2016, the Company has been voluntarily engaging "SGS Taiwan" to provide assurance for its reports. The 2016 and 2017 reports were both awarded AA1000AS Type 1, Moderate level assurance, whereas 2018 and 2019 reports were awarded AA1000AS Type 2, High level	No material deviation is found.

Assess criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			assurance. These assurances have raised the credibility of the Company's corporate social responsibility reports.	
<p>6. If the company has established CSR principles in accordance with "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: The Company has implemented "Corporate Social Responsibility Code of Conduct" with the approval of the board of directors, and adopted the practice of preparing annual CSR reports and disclosing them over the Company's website as well as Market Observation Post System. The report contents and preparation procedures are entirely compliant "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies," and hence no significant deviation is found.</p>				
<p>7. Other information useful to the understanding of corporate social responsibilities:</p>				
<p>(1) Sustainability awards: 1. Ranked top 5% among TPEX listed companies in the Corporate Governance Evaluation for 5 consecutive years (2015~2019); 2. Ranked top 10% among TPEX listed electronics industry with market capitalization above NT\$10 billion in the Corporate Governance Evaluation in 2019; 3. Selected as a composition of "TPEX 50 Index" for 10 consecutive years (2010~2019); 4. Selected as a composition of "TPEX High Dividend Yield Index" and "TPEX Labor Employment 88 Index" for 6 consecutive years (2014~2019); 5. Selected as a composition of "TPEX Corporate Governance Index" and "TPEX Compensation Index" for 5 consecutive years (2015~2019); 6. Won "Commonwealth CSR Award" (Top 30) for 8 consecutive years (2012~2019); 7. Won TCSA - "Corporate Sustainability Report Awards – Gold Award" for 3 consecutive years (2017~2019); 8. Claimed TCSA - "Transparency and Integrity Awards - First Place" for 2 consecutive years (2018-2019); 9. Won TCSA - "Corporate Sustainability Awards" and "Social Inclusion Award" in 2019; 10. Won SGS "2019 CSR Award" in 2019; 11. Awarded "Buying Power - The New Product and Service of Social Innovation Purchase Reward Program" - Second Prize by the Small and Medium Enterprise Administration, Ministry of Economic Affairs, in 2019; 12. Chu-Nan Plant was awarded "National Enterprise Environmental Protection Award – Silver Award" by Environmental Protection Administration, Executive Yuan, for 2 consecutive years (2018-2019), Nanke Plant was awarded "National Enterprise Environmental Protection Award – Bronze Award" by Environmental Protection Administration, Executive Yuan, for 3 consecutive years (2017~2019), Li Hsing Plant was awarded "National Enterprise Environmental Protection Award – Bronze Award" by Environmental Protection Administration, Executive Yuan, for 2 consecutive years (2018-2019); 13. Awarded "Private Enterprise and Private Organization Green Procurement Performance Award – Excellent" by Miaoli County Government for 2 consecutive years (2018-2019); 14. Awarded "Private Enterprise and Private Organization Green Procurement Rating – Excellent" by Hsinchu City Government in 2019; 15. Nanke Plant was named "Top Environmental Protection Enterprise" by Tainan Science Park for 3 consecutive years (2017~2019); 16. Won the 14th "Arts & Business Awards-Gold Award" from the Ministry of Culture in 2019.</p>				
<p>(2) Social engagement: 1. In 2019, the Company committed more than NT\$17.81 million of social spending and mobilized 495 volunteers to deliver 2,994 hours of volunteer service to the benefit of 2,508 underprivileged people, 28 remotely located schools and 31 charity organizations; 2. "Rice Donation": The Company has purchased more than 23 tons of Yuanli Rice over a period of 8 years, and 234 kg of Yuanli Rice from Miaoli was donated in 2019 to Hua Shan Social Welfare Foundation to the benefit of 78 underprivileged elders; 3. "Fulfill Kids' Dreams on Children's Day": 240 students and teachers from remote schools including Chia Hsiang Elementary School, Mei Hua Elementary School, Chin Ping Elementary School and Hsin Hsiang Elementary School in Jianshi Township, Hsinchu County, and Tao Shan Elementary School in Wufeng Township were invited to a trip of "MOVE! into the wildlife" and "Centre Pompidou Kids Atelier - Playing with the Images" at Huashan 1914 Creative Park; 4. "Exchange Love and Warm on X'mas": Employees voluntarily purchased and donated winter jackets and popcorns at their own expenses to Shi Lin Elementary School (and kindergarten) and Siang Bi Elementary School (and kindergarten) in Taian Township, Miaoli County, Dong He Elementary School (and kindergarten) and Peng Lai Elementary School (and kindergarten) in Nanzhuang Township, Kai Gong Elementary School in Gongguan Township, Fu Hsiang Martial Arts Elementary School in Tongxia Township and Da Nan Elementary School in Dahu Township, and sponsored breakfast program of World Peace Organization, CNY meal program of Andrew</p>				

Assess criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>Charity Association and winter blankets program of Taoyuan Home for the Disabled to the benefit of 534 underprivileged children; 5. "Run for Love": a total of 362 employees and family members participated in this event of road run and charity (where Hua Shan Social Welfare Foundation, World Peace Organization, Ai heng Man Fair Sheltered Workshop, Yu An Retarded Children's Home, Saint Joseph Social Welfare Foundation and Hsinchu Welfare Association for the Mentally Challenged were invited to set up stalls for charity fundraising, members of Hsinchu County Welfare Association for the Visually Impaired were invited to provide massage service, and Miaoli County Taian Junior High School Choir was invited to deliver a series of performances), and all enrollment fees collected were donated to the 17th "CNY Meal for Elders" event organized by Hua Shan Social Welfare Foundation to the benefit of 107 underprivileged elders, for which employees were encouraged to deliver them personally before the Chinese New Year; 6. "CNY meal donation": all enrollment fees collected from the 1st Run for Love were donated to the 16th "CNY Meal for Elders" event organized by Hua Shan Social Welfare Foundation, and 8 employees volunteered themselves to deliver festive meal, gloves, wool hats and scarves to 12 lone elders living in Jianshi and Beipu Township of Hsinchu County; 7. "Volunteer Day": Firefly Volunteer Team made 1,530 dumplings and donated them to Zenan Homeless Social Welfare Foundation; 8. "Grab Your Bat": the Company continued sponsorship to the baseball team of Chiayi County Shiou Lin Elementary School, and not only were the 54 team members invited to play against Coretronic's softball team for the second time, they were given a tour at Li Hsing Plant where they experienced the "immersive touch control and display system"; furthermore, collaboration was made with supplier - PCGBROS and mini baseball promoter T.S. Chang was invited to engage Shiou Lin team and Coretronic's 47 softball team members in interactive teaching; the softball team even played against Shiou Lin team for the third time, and at the end of the game donated 3 sets of mini baseball gear and 50 tickets to WBSC Premier 12 to Shiou Lin baseball team; 9. " Your Dream • Your Future ": through a collaboration with Jenteh Junior College of Medicine, Nursing and Management, the Company organized a 3-day-2-night summer camp involving 42 students of Shi Tan Junior High School from Shitan Township, Tsao Chiao Junior High School from Zaoqiao Township, San Wan Junior High School from Sanwan Township, and Wen Ying Junior High School from Toufen City; meanwhile, 42 blanket and pillow sets were purchased from Taoyuan Home for the Disabled and donated to participating students, and thereby contributing job opportunities and income to people with disabilities; 10. "Earn Your Future": through a collaboration with Cheng Shiu University, the Company provided scholarship and living expense to 3 junior university students; 11. "High-tech Adventure": a total of 223 students and teachers of Tung Kuang Elementary School from Holong Township, Cheng Chung Elementary School and Ping Ting Elementary School from Tongxiao Township, Jiau Pu Elementary School from Yuanli Township, Qing An Elementary School from Taian Township and Li Yue Elementary School from Sanyi Township, Miaoli County, were invited to a tour at product showroom of Li Hsing Plant and Chu-Nan Plant and Exploration Museum of the science park, and thereby eliminate the digital divide between urban and suburban areas; 12. "Digital Interactive Classroom": the Company built 5 Digital Interactive Classrooms equipped with awarded products- Laser Ultra-wide Touch System and Ultra-short-throw Laser Projector for Wu Mei Elementary School and Feng Shu Campus, Cheng Chung Elementary School and Ping Ting Elementary School from Tongxiao Township and Jiau Pu Elementary School from Yuanli Township, Miaoli County, and thereby improved learning environment in remote areas to the benefit of 302 students and teachers; 13. "Future Light Camp: through cooperation with IM-specific volunteer team from National United University, the Company made good use of all devices in the digital interactive classroom to teach rural students basic computer programming, film editing, Google VR cardboard assembly, and environmental protection knowledge for 84 students of Fu Hsiang Martial Arts Elementary School from Tongxiao Township, Tai Xing Elementary School from Taian Township and Fu Chi Elementary School from Gongguan Township, Miaoli County; 14. "Technology Sharing": the Company donated 12 high-end projectors to Taipei Philharmonic Foundation for Culture and Education, Tainan Science Park Administration and Miaoli County Taian Junior High and Elementary School, and sponsored 8 visual arts exhibitions by offering 55 high-end projectors which is representative of the Company's initiative to support and promote art and cultural activities in Taiwan; 15. "Farm the Hopes": the Company purchased 21 tons of organic vegetable from social enterprises "Buy NearBy" and "Earth Friend Organic" and served them in workers' meals, a decision that not only increased income for small, disadvantaged farmers and supported organic farming in remote locations of Miaoli and Tainan, but</p>	

Assess criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>also catered for employees' health; 16. "Charity Sale": Andrew Charity Association, Genesis Social Welfare Foundation, Hua Shan Social Welfare Foundation, Love Link Association and World Vision Taiwan were invited to conduct charity sale at various plants; 17. Invoice donation boxes for World Peace Organization, World Vision Taiwan, The Garden of Hope Foundation, Good Shepherd Social Welfare Foundation, Miaoli County Association for Persons with Disability and Universal Peace Foundation Taiwan were placed at various plants; 18. Coretronic Culture and Arts Foundation is dedicated to promoting environmental awareness and supporting Taiwan's cultural development, and it made 3 major accomplishments in 2019: <1> The 2nd "Taiwan Environment Lighting Award": chaired by international lighting expert Lien Chou, prominent figures including Chu-Joe Hsia, Chin Hsueh, Chung-Tuan Kuo, Ze Yang, Ma-Li Wu and Cheng-Neng Kuan were invited to assemble a jury panel for this event. After preliminary, secondary and final review, the grand awards were granted to "Taichung World Floral Exposition Bamboo Pavilion" and "Kaohsiung Museum of Fine Arts," whereas "Hehuan Mountain Dark-Sky Park" was given "Jury Special Award" for taking the initiative to reduce light pollution in favor of Taiwan's night sky; <2> Light Up Taiwan Program-Tamsui Church: <u>Yu-Huang Chen</u>, the winner of 2018 "Taiwan Environment Lighting Award," was invited to organize light decorations for "Tamsui Church," a building of profound influence in terms of religion, healthcare, education, history and culture to Northern Taiwan and an important establishment for Mackay's expedition a century ago. By lighting this church, we hoped to spark everyone's care for the people and environment around them; <3> Shine a New Light - Tamsui Deng Kong Elementary School Art Education Program: through the "Light Up Tamsui Church" project, we introduced aesthetics of light to students and invited artists <u>Te-Yu Wang</u> and <u>Chin-Pao Chen</u> to showcase their illustration of Tamsui in different colors, and to see the world from an impressionist perspective. In this program, children were invited to a trip to Tamsui Church where they observed, appreciated and captured the beauties of this cultural heritage under changing lights with their hand-made pinhole cameras, which in turn strengthened their impression toward home and culture; <4> Tamsui Lighting Detectives: in the Tamsui Art Trail as the event space, illumination artist <u>Yi-Chang Chen</u> and historian - Tamsui Traveler jointly hosted a course that took participants through local street blocks and cultural landmarks where they searched and observed light in the environment to establish new connections with the local culture. (3) Consumer rights: All of the Company's products have conformed with international restrictions on hazardous substances and environmental protection requirements. By adopting green design, production, procurement and management practices, the Company strives to prevent and minimize negative effects its business activities have on the environment, and reduce environmental impact of electronic products. (4) Human rights: 1. The Company convenes labor-management meetings in accordance with its "Labor-management Conference Policy." 2. The Company has implemented workplace sexual harassment prevention, grievance and disciplinary measures to protect the rights and privacy of parties involved. 3. The Company has employee opinion mailbox, employee care hotline and discussion forums in place, and assigns accountable units to respond to queries and offer solutions. (5) Safety and health: 1. The Company offers "orientation training," "on-the-job training," "ordinary training" and "ESH management training" to improve employees' awareness toward environment, safety and health. 2. A digital learning website has been created to deliver environmental safety and health training online. Employees may inquire and enroll to courses at any time using the system. 3. Environmental safety and health policies are summarized, printed on small cards and distributed to employees to promote and enforce the environmental safety and health management system. (6) Environment friendliness: 1. An Environmental Protection Committee was assembled in 2015 to accommodate the Company's sustainable movements, and the committee's responsibilities are to establish the sustainability strategy, set short/medium/long term targets and conduct regular performance reviews. A set of "Environmental Sustainability and Occupational Safety and Health Policy" was later implemented in 2018. 2. Li Hsing Plant, Chu-Nan Plant and Nanke Plant have all passed certification for ISO 14064-1 Greenhouse Gas Inventory, ISO 14001 Environmental Management System, OHSAS 18001 Occupational Health and Safety Management System and CNS 15506 Taiwan Occupational Health and Safety Management System; 3. Chu-Nan Plant passed certification for ISO 50001 Energy Management System; 4. Nanke Plant passed clean production assessment; 5. The Company has been free of major environmental violation for 8 consecutive years; 6. Nanke Plant installed 263.19 kWh of solar power capacity; 7. Chu-Nan Plant purchased 50 renewable energy certificates (for 50,000 kWh of capacity); 8. Environmental protection volunteers were recruited to offer guidance and explanation on</p>	

Assess criteria	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
<p>energy-saving measures for students and teachers who participated in plant tours; 9. Environmental protection/green credits are being given to reward and commend employees' green actions, and to stimulate employees' contribution toward building a green enterprise; 10. Online green courses and off-site ecosystem education programs (including Earth Day - Environmental Label/Green Family Day/Recycled Pallet DIY, coastal cleanup, bottle lamp DIY and butterfly/beetle specimen DIY) were introduced; 11. Adopted green accounting system and prioritized purchase for green products; 12. Air quality monitoring equipment and improvement measures were adopted and performance was monitored regularly to create a worker-friendly environment. (7) Friendly workplace: 1. The Company received silver rating for "Talent Quality-management System (TTQS)"; 2. Rated Excellent in the Healthy Diet Category of Common Health Magazine's "First CHR Healthy Corporate Citizen Award"; 3. Li Hsing Plant, Chu-Nan Plant and Nanke Plant were awarded 2019 "Badge of Accredited Healthy Workplace" by the Ministry of Health and Welfare; 4. Li Hsing Plant and Chu-Nan Plant received certification for 2019 "CPR+AED Friendly Workplace" from Ministry of Health and Welfare; 5. One salary adjustment was made in 2019, and employees on average saw a 3~5% increase in salary; 6. 27 summer internship positions were offered to employees' children, and the Company cooperated with 28 tertiary institutions including Tsing Hua University, National Taipei University of Technology, National Chiao Tung University and Chung Hua University in a multitude of industry-academia projects. (8) Other socially responsible actions: The Company has developed a system for online reporting of public information, and assigned dedicated personnel to gather and disclose information relating to the Company, and make sure that any information capable of influencing shareholders' and stakeholders' decisions is disclosed in a timely and adequate manner.</p>				

(VI) Enforcement of business integrity, deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies

Assessment criteria	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
<p>1. Establishment of integrity policies and solutions</p> <p>(1) Has the company established a set of board-approved business integrity policy, and stated in its Memorandum or external correspondence about the polices and practices it implements to maintain business integrity? Are the board of directors and the senior management committed to fulfilling this commitment?</p>	✓		<p>(1) The Company has implemented "Business Integrity Code of Conduct" and "Business Integrity Procedures and Behavioral Guidelines" with board of directors' approval. These policies require all directors, managers and employees to adhere to integrity principles and standards in all business interactions, and develop sound corporate governance as well as robust risk control measures based on which. The Company has disclosed in its annual report and website the various steps that the board of</p>	No material deviation is found.

Assessment criteria	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
<p>(2) Has the company developed systematic practices for assessing integrity risks? Does the company perform regular analyses and assessments on business activities that are prone to higher risk of dishonesty, and implement preventions against dishonest conducts that include at least the measures mentioned in Paragraph 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?"</p> <p>(3) Has the company defined and enforced operating procedures, behavioral guidelines, penalties and grievance systems as part of its preventive measures against dishonest conducts? Are the above measures reviewed and revised on a regular basis?</p>	<p>✓</p> <p>✓</p>		<p>directors and the management have taken toward enforcing the business integrity policy, which are reported at board meetings on a yearly basis.</p> <p>(2) The Company has a set of "Business Integrity Procedures and Behavioral Guidelines" that prohibits directors, managers and employees from offering, committing, requesting or accepting any illegitimate benefits, or involving in any conducts that would be construed as dishonest, illegal or in breach of trust, whether directly or indirectly, while carrying out their duties. The policy also outlines disciplinary and grievance measures. All related policies have been published on the Company's Intranet and made available for inquiry by employees at any time.</p> <p>(3) The Company engages in commercial activities out of the utmost fairness, honesty, faithfulness and transparency. It has "Business Integrity Procedures and Behavioral Guidelines" in place to fully enforce integrity management, prevent unethical conducts, and outline areas that require employees' attention when performing duties. For example: The Company specifically prohibits insiders from offering or accepting bribes and other illegitimate gains, requires all business transactions to be completed in the utmost transparency and correctly reflected in ledgers and records, and enforces monitoring and enhancement procedures to ensure that integrity requirements are fulfilled.</p>	
<p>2. Enforcing ethical management</p> <p>(1) Does the company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?</p>	<p>✓</p>		<p>(1) Prior to commencing business relationship, the Company would check its counterparty for history of dishonest conduct, and demand suppliers to sign letter of commitment to integrity in order to ensure fairness and transparency of business dealings between two parties.</p>	<p>No material deviation is found.</p>

Assessment criteria	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
(2) Does the company have a unit that enforces business integrity directly under the board of directors? Does this unit report its progress (regarding implementation of business integrity policy and prevention against dishonest conducts) to the board of directors on a regular basis (at least once a year)?	✓		<p>Suppliers that violate anti-bribery or anti-corruption rules and cause losses to the Company will be subjected to damage claims according to the letter of commitment, and legal actions where necessary.</p> <p>(2) According to board-approved "Business Integrity Code of Conduct" and "Business Integrity Procedures and Behavioral Guidelines," the human resource unit is responsible for the establishment and execution of business integrity policy as well as preventive measures. Execution of business integrity policy is reported to the board of directors once every year. Below is a summary of the 2019 report:</p> <ul style="list-style-type: none"> • Digital training courses were introduced to help promote business integrity within the Company and subsidiaries. Furthermore, indirect employees were given 0.5 hour of online course on "Corporate Integrity and Integrity Principles." The above courses received a total of 1,531 participants and delivered 765.5 man-hours of training in 2019. • Communication channel: Employees are able to express opinions to the management and human resource department through a multitude of channels. The Company has announced its Business Integrity Policy and disclosed integrity progress over its website, annual report and external documents. • Regular examination: Operating activities at all office locations are subject to assessment for corruption risk. By monitoring half-yearly self-audits and compliance self-assessments conducted by the business administration department, the Company is able to effectively manage and respond to risks. An audit unit has been assigned to perform independent audits and ensure that the overall system is 	

Assessment criteria	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
(3) Does the company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?	✓		<p>functioning properly to prevent dishonest conducts. None of the Company's Taiwan plants received any complaint in 2019 whereas 2 complaints were received by Mainland plants, and no violation was found upon investigation. In the future, the Company will continue enforcing its anti-corruption policy and build a corporate culture of integrity.</p> <p>(3) The Company's "Board of Directors Conference Policy" contains a conflicting interest clause that requires directors to disassociate from all discussion and voting of any motion that poses a conflict of interest between the Company and themselves or the entities they represent. The Company has a set of "Supplier Conflicting Interest Management Policy" and "RBA Code of Conduct Handbook" in place, and has misconduct reporting hotline (ext.: 8215) and mailbox (8215@coretronic.com) set up to receive misconduct reports from employees and the public. The Company also prepares integrity note cards that employees may bring along, and offers online courses as means to promote awareness.</p>	
(4) Has the company implemented effective accounting policy and internal control system to maintain business integrity? Has an internal or external audit unit been assigned to devise audit plans based on the outcome of integrity risk assessment, and to audit employees' compliance with various preventions against dishonest conduct?	✓		<p>(4) The Company has developed its accounting system and internal control system based on the authority's rules, and prepares financial reports using International Accounting Standards. These systems do not allow secret accounts other than those reported in the financial statements, and their effectiveness is constantly reviewed. The Company has internal audit personnel who regularly audit compliance with the above policies, and report findings to the board of directors. The CPAs, too, review execution of the Company's accounting system and internal control system on a yearly basis.</p>	
(5) Does the Company organize internal or external training on a regular basis to maintain business integrity?	✓		<p>(5) The Company and subsidiaries (Young Green Energy, Champ Vision Display, Optoma and Coretronic</p>	

Assessment criteria	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			Intelligent Cloud Service) not only promote business integrity among new recruits, but also arrange 0.5 hour of online course on "Corporate Integrity and Integrity Principles" for indirect employees. The above courses received a total of 1,531 participants and delivered 765.5 man-hours of training in 2019. Speakers from external institutions are invited to share insight on integrity developments local and abroad during regular manager training courses organized by the Company. Their contributions help build a corporate culture of integrity and support business growth as well as sound commercial practice.	
3. Whistleblowing system				No material deviation is found.
(1) Does the company provide incentives and means for employees to report misconducts? Does the company assign dedicated personnel to investigate the reported misconducts?	✓		(1) The Company has implemented channels that employees and outsiders may use to report any improper conduct in violation of integrity standards. A misconduct reporting hotline (ext. 8215) and mailbox (8215@coretronic.com) have been set up while dedicated personnel have been assigned to accept and process reports.	
(2) Has the company implemented any standard procedures for handling reported misconducts, and subsequent actions and confidentiality measures to be undertaken upon completion of an investigation?	✓		(2) The Company's "Business Integrity Procedures and Behavioral Guidelines" outlines standard operating procedures and confidentiality practices for investigating misconducts. All reported misconducts are investigated according to the abovementioned procedures, guidelines and confidentiality requirements.	
(3) Has the company provided proper whistleblower protection?	✓		(3) The Company maintains confidentiality over informant's identity and details of each misconduct report, and is committed to protecting informants from retaliation as a result of their report.	
4. Enhanced information disclosure Has the company disclosed its integrity principles and progress onto its website and MOP?	✓		(1) Details and implementation progress of the Company's "Business Integrity Code of Conduct" and "Business Integrity Procedures and Behavioral Guidelines" have	No material deviation is found.

Assessment criteria	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			been disclosed on website and Market Observation Post System. The Company enforces integrity principles as part of its corporate governance, and in doing so protects shareholders' interest while fulfilling its goal of becoming a sustainable business.	
<p>5. If the company has established business integrity policies in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies," please describe its current practices and any deviations from the Best Practice Principles:</p> <p>The Company has "Business Integrity Code of Conduct" and "Business Integrity Procedures and Behavioral Guidelines" in place, and uses "Integrity Cards" and digital training courses to help employees comply. Other integrity-related policies such as "Corporate Social Responsibility Code of Conduct," "Corporate Governance Code of Conduct" and "Ethical Behavior Guidelines" have also been implemented within the Company For details on business integrity management, please refer to chapter Three. Corporate Governance section "(6) Enforcement of business integrity, deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies" of this annual report.</p>				
<p>6. Other information relevant to understanding the company's business integrity (e.g. review of business integrity principles)</p> <p>The Company has been introducing new policies such as "Business Integrity Code of Conduct," "Ethical Behavior Guidelines" and "Business Integrity Procedures and Behavioral Guidelines" since 2014 that specifically require all employees to uphold high level of integrity when conducting business-related activities, and to refrain from exploiting company assets or their vested authority for personal gains or engaging in any conduct that competes with the Company or undermines interests of the Company or its customers. In order to establish the integrity spirit deep within employees, all new recruits are required to undergo training courses on ethical conducts, during which they are taught the best practices to be expected in the given industry.</p> <p>To further convey the Company's integrity philosophy, a "Code of Conduct" section containing information including the integrity code of conduct, misconduct reporting channels and case studies has been created on the Intranet. In addition, employees are issued note cards printed with integrity principles to remind them of proper practices, whereas online integrity courses have been made mandatory for completion by indirect employees on a yearly basis. It is part of the Company's initiative to convey integrity values using available means at its disposal.</p>				

(VII) If the company has established corporate governance principles or related guidelines, references to such principles must be disclosed: Corporate governance principles have been made available on "Investor Relations" and "Governance" sections of the Company's website, which investors may inquire and download at any time.

(VIII) Other important information material to the understanding of corporate governance within the company:

1. The Company continues to enhance corporate governance practices. Policies on corporate governance and major resolutions of the board of directors have been disclosed in the Investor Relations section of the Company's website.

2. The Company ranks top 5% among TWSE and TPEX listed companies in corporate governance evaluation for 6 consecutive years, which is a strong recognition of the progress the Company has made.
3. The Company actively informs directors of training programs that are relevant to improving corporate governance. All 7 directors of the Company have completed training courses in accordance with "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies."

- (IX) Disclosures relating to the execution of internal control system
1. If the internal control system was reviewed by an external CPA at the request of the Securities and Futures Bureau, the result of such review must be disclosed: None
 2. Declaration of Internal Control System

Coretronic Corp.
Declaration of Internal Control System

Date: February 17, 2020

The following declaration has been made based on the 2019 self-assessment of the Company's internal control system:

- I. The Company acknowledges and understands that establishment, implementation and maintenance of the internal control system are the responsibility of the Board and managers, and that such a system has been implemented within the Company. The purpose of this system is to provide reasonable assurance in terms of business performance, efficiency (including profitability, performance, asset security etc), reliable, timely and transparent financial reporting, and regulatory compliance.
- II. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably assure achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, the internal control system of the Company features a self-monitoring mechanism that rectifies any deficiencies immediately upon discovery.
- III. The Company evaluates the design and execution of its internal control system based on the criteria specified in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "The Governing Principles") to determine whether existing policies continue to be effective. Assessment criteria introduced by "The Governing Principles" consisted of five main elements, each representing a different stage of internal control: 1. Control environment; 2. Risk evaluation and response; 3. Procedural control; 4. Information and communication; and 5. Supervision. Each element further encompasses several sub-elements. Please refer to the "The Governing Principles" for more details.
- IV. The Company has adopted the abovementioned criteria to validate the effectiveness of its system design and execution.
- V. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective as at December 31, 2019. This system (including supervision and management of subsidiaries) has provided assurance with regards to the Company's business results, target accomplishments, reliability, timeliness and transparency of reported financial information, and its compliance with relevant laws.
- VI. This declaration constitutes part of the Company's annual report and prospectus, and shall

be disclosed to the public. Any illegal misrepresentation or concealment in the public statement above are subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This declaration was passed unanimously without objection by all 7 directors present at the board meeting dated February 17, 2020.

Coretronic Corp.

Chairman: Wade Chang signature/seal

President: Sarah Lin signature/seal

SY Chen signature/seal

- (X) Penalties imposed against the Company for regulatory violation, or penalties against employees for violation of internal control system, in the most recent year up till the publication date of annual report that may significantly impact shareholders' interest or security price; describe details of the penalty, areas of weakness and any corrective actions taken: None.
- (XI) Major resolutions passed in shareholder meetings and board of directors meetings held in the last year up till the publication date of annual report: Please refer to announcements and material information published on Market Observation Post System and disclosures made over the Company's website.
- (XII) Documented opinions or declarations made by directors against board resolutions in the most recent year, up till the publication date of annual report: None.
- (XIII) Resignation or dismissal of the Chairman, President, head of accounting, head of finance, chief internal auditor, corporate governance officer or head of R&D in the most recent year up till the publication date of annual report: None.
- (XIV) Procedures for material insider information handling: The Company has established its own "Insider Trading Prevention Policy" based on "Sample Procedures for Handling Material Inside Information" and "Insider Trading Prevention" goal of its internal control system to support the development of insider trading control practices that not only prevent information leakage, but also ensure the consistency and accuracy of information disclosed to the public. This policy has been approved by the board of directors and published over the Company's website, and applies to managers and general staff. Furthermore, the Company promotes internal awareness on a yearly basis and constantly reminds insiders of issues concerning material information. With respect to prevention of insider trading, the Company organized an "Insider Trading Prevention" course for newly elected directors on July 29, 2019, and released a digital training program for managers and employees on September 27, 2019 that covers multiple topics including confidentiality of material information, conditions that give rise to insider trading, definition of insider trading and case studies. The above courses received a total of 1,269 participants including managers and general staff, and delivered 634.5 man-hours of training in 2019.

V. Disclosure of auditors' remuneration

Name of accounting firm	Name of CPA		Audit period	Remarks
Ernst & Young	Hsin-Min Hsu	Hans Chen	2019.1.1~2019.12.31	None

Amount range		Fee category	Audit fee	Non-audit fee	Total
1	Below NT\$2,000,000			✓	✓
2	NT\$2 million (inclusive) ~ NT\$4 million		✓		✓
3	NT\$4 million (inclusive) ~ NT\$6 million				
4	NT\$6 million (inclusive) ~ NT\$8 million				
5	NT\$8 million (inclusive) ~ NT\$10 million				
6	NT\$10,000,000 and above				

1. Disclosure of audit fee, non-audit fee and details of non-audit service, if the sum of non-audit fee paid to the auditor, accounting firm and affiliated companies

thereof amount to more than one-quarter of total audit fee: None.

2. Amount and nature of other non-audit fees paid to auditor and auditor's accounting firm:

Unit: NTD thousands

Name of accounting firm	Name of CPA	Audit fee	Non-audit fee					Audit period	Remarks
			System design	Business registration	Human resource	Others	Subtotal		
Ernst & Young	Hsin-Min Hsu Hans Chen	3,990	0	0	0	110	110	2019.01.01 ~ 2019.12.31	Non-audit fees included NT\$50,000 for stock take of impaired inventory, NT\$40,000 for stock take of bonded inventory, and NT\$20,000 for auditing of business tax

3. Change of accounting firm that resulted in the reduction of audit remuneration from the previous year; disclose audit remuneration before and after the change and the cause of such change: None.
4. Any reduction in audit remuneration by more than 10% compared to the previous year; state the amount, the percentage and reason of such variation: None.

VI. Change of CPA: Not applicable.

VII. The company's Chairman, President, or any managers involved in financial or accounting affairs being employed by the accounting firm or any of its affiliated company in the last year; including their names, job titles, and the periods during which they were employed by the auditor's firm or any of its affiliated company. An affiliated company refers to one that the auditor's accounting firm holds more than 50% ownership or more than 50% directorship, or any company or institution that the accounting firm has publicly referred to as being affiliated: Not applicable.

VIII. Details of shares transferred or pledged by directors, managers and shareholders with more than 10% ownership interest in the last year, up till the publication date of annual report

- (I) Changes in shareholding of directors, managers and major shareholders

Unit: shares

Title	Name (Note 1)	2019		2020, up till April 14	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman and CEO	Wade Chang	0	0	0	0
Director	Hsun Chieh Investment Co., Ltd.	0	0	0	0

Title	Name (Note 1)	2019		2020, up till April 14	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
	Representative: Tai-Shun Ho				
Director	Ted Tu (Note 2)	0	0	0	0
Director	Chual-Hsin Teng (Note 2)	0	0	0	0
Independent Director	Houn-Gee Chen	0	0	0	0
Independent Director	Edward H.Chow (Note 3)	0	0	0	0
Independent Director	Yao Chien (Note 3)	0	0	0	0
President	Sarah Lin (Note 4)	682,576	700,000	0	0
President	SY Chen (Note 4)	170,644	0	0	0
CFO	Franck Ho	42,662	0	0	0
CSO	Ann Wu (Note 5)	(Note5)	(Note5)	0	0
CTO	Fleming Chuang	34,130	0	0	0
CTO	Robert Hsueh	51,194	0	0	0
CIMO	Daniel Lee	34,130	0	0	0
Executive Vice President	Wilson Hsu (Note 6)	34,129	0	0	0
Executive Vice President	Sara Lin (Note 7)	81,908	0	(40,000)	0
Vice President	HC Yuan (Note 8)	0	0	0	0
Associate Vice President	YC Chen	28,442	0	0	0
Associate Vice President	Mark Yang (Note 9)	0	0	0	0

Note 1: The Company had no shareholder with 10% or higher ownership interest.

Note 2: Reassigned to director (formerly independent director) following the board re-election held during shareholder meeting dated June 13, 2019.

Note 3: Commenced duty following the board re-election held during shareholder meeting dated June 13, 2019.

Note 4: Relieved from director position following the board re-election held during shareholder meeting dated June 13, 2019.

Note 5: On board since February 3, 2020.

Note 6: Promoted to Executive Vice President on November 1, 2019.

Note 7: Promoted to Executive Vice President on January 1, 2020.

Note 8: On board since October 1, 2019.

Note 9: On board since November 1, 2019.

(II) Disclosure of shares transferred to related parties: None.

(III) Disclosure of shares pledged to related parties: None.

IX. Relationships characterized as spouse or second-degree relatives or closer among top-ten shareholders

April 14, 2020

Name	Self Shareholding		Shares held by spouse and underage children		Shares held in the names of others		Relationship Characterized As Spouse or Relative of Second Degree or Closer Among the Top-10 Shareholders.		Remarks
	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	Name	Relationship	
Taiwei Advanced Technology Co., Ltd.	25,179,196	5.80%	0	0.00%	0	0.00%	None	None	None
Taiwei Advanced Technology Co., Ltd. Representative: Hsiang-Yi Wang	Note	Note	Note	Note	Note	Note	Note	Note	None
Hsun Chieh Investment Ltd	15,062,551	3.47%	0	0.00%	0	0.00%	None	None	None
Hsun Chieh Investment Ltd. Representative: Chun Kuan	Note	Note	Note	Note	Note	Note	Note	Note	None
Bank of Taiwan in its Capacity as Master Custodian for Investment Account of Edgbaston Asian Equity Trust	13,248,000	3.05%	0	0.00%	0	0.00%	None	None	None
Deutsche Bank AG Taipei Branch in its Capacity as Master Custodian for Proprietary Trading Account of Fubon Hyundai Life Insurance Co., Ltd.	11,337,000	2.61%	0	0.00%	0	0.00%	None	None	None
Fubon Life Insurance Co., Ltd.	10,828,000	2.49%	0	0.00%	0	0.00%	None	None	None
CTBC Bank in its Capacity as Trustee for Employee Shareholding Trust Account of Coretronic Corp.	10,411,109	2.40%	0	0.00%	0	0.00%	Note	Note	None
Citibank (Taiwan) in its Capacity as Master Custodian for Investment Account of Norges Bank	9,865,274	2.27%	0	0.00%	0	0.00%	None	None	None
Chunghwa Post Co., Ltd.	8,435,800	1.94%	0	0.00%	0	0.00%	None	None	None
Wade Chang	7,921,463	1.82%	0	0.00%	0	0.00%	None	None	None
China Life Insurance Co., Ltd.	7,834,800	1.80%	0	0.00%	0	0.00%	None	None	None
China Life Insurance Co., Ltd. Representative: Ming-Yang Wang	Note	Note	Note	Note	Note	Note	Note	Note	None

Note: No relevant information was available as of the publication date of annual report.

X. Investments jointly held by the Company, the Company's directors, managers, and enterprises directly or indirectly controlled by the Company; disclose shareholding in aggregate of the above parties

December 31, 2019 Unit: shares; %

Invested businesses (Note)	Held by the Company		Held by directors, managers, and directly or indirectly controlled enterprises		Aggregate ownership	
	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage	No. of shares	Shareholding percentage
Genejet Biotech Co., Ltd.	1,575,000	19.51%	—	—	1,575,000	19.51%

Note: Long-term investment accounted by the Company using the equity method.

Four. Capital Overview

I. Source of capital

Unit: NTD; shares

Year / month	Issued price	Authorized capital		Paid-up capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of share capital	Paid in properties other than cash	Others
11.2004	10	650,000,000	6,500,000,000	437,796,953	4,377,969,530	Conversion of convertible bonds into common shares - NT\$28,840,460	None	Note 1
08.2005	10	810,000,000	8,100,000,000	520,205,466	5,202,054,660	Capitalization of earnings NT\$700,475,130, and capitalization of employee profit sharing NT\$123,610,000.	None	Note 2
12.2005	10	810,000,000	8,100,000,000	520,895,389	5,208,953,890	Conversion of convertible bonds into common shares - NT\$6,899,230	None	Note 3
03.2006	10	810,000,000	8,100,000,000	547,830,363	5,478,303,630	Conversion of convertible bonds into common shares - NT\$269,349,740	None	Note 4
04.2006	10	810,000,000	8,100,000,000	564,348,375	5,643,483,750	Conversion of convertible bonds into common shares - NT\$165,180,120	None	Note 5
08.2006	10	1,000,000,000	10,000,000,000	667,375,738	6,673,757,380	Capitalization of earnings NT\$ 829,915,470; conversion of convertible bonds into common shares NT\$200,358,160	None	Note 6
08.2007	10	1,000,000,000	10,000,000,000	694,463,253	6,944,632,530	Capitalization of earnings NT\$ 133,475,150, and capitalization of employee profit sharing NT\$137,400,000	None	Note 7
08.2008	10	1,000,000,000	10,000,000,000	724,038,518	7,240,385,180	Capitalization of earnings NT\$ 138,892,650, and capitalization of employee profit sharing NT\$156,860,000	None	Note 8
07.2014	10	1,000,000,000	10,000,000,000	543,028,888	5,430,288,880	Capital reduction for cash NT\$1,810,096,300	None	Note 9
07.2016	10	1,000,000,000	10,000,000,000	434,423,110	4,344,231,100	Capital reduction for cash NT\$1,086,057,780	None	Note 10

Note 1: Letter No. Yuan-Shang-Zi 0930031524 issued by Science Park Administration on November 10, 2004.

Note 2: Letter No. Yuan-Shang-Zi 0940022936 issued by Science Park Administration on August 26 2005.

Note 3: Letter No. Yuan-Shang-Zi 0940033054 issued by Science Park Administration on December 2, 2005.

Note 4: Letter No. Yuan-Shang-Zi 0950006079 issued by Science Park Administration on March 10, 2006.

Note 5: Letter No. Yuan-Shang-Zi 0950010529 issued by Science Park Administration on April 28 2006.

Note 6: Letter No. Yuan-Shang-Zi 0950021383 issued by Science Park Administration on August 11 2006.

Note 7: Letter No. Yuan-Shang-Zi 0960022923 issued by Science Park Administration on August 29 2007.

Note 8: Letter No. Yuan-Shang-Zi 0970024243 issued by Science Park Administration on August 29 2008.

Note 9: Letter No. Zhu-Shang-Zi 1030020264 issued by Science Park Administration on July 11, 2014.

Note 10: Letter No. Zhu-Shang-Zi 1050019331 issued by Science Park Administration on July 14, 2016.

As of April 14, 2020

Share category	Authorized capital			Remarks
	Outstanding shares (Note)	Unissued shares	Total	
Common share (shares)	434,423,110	565,576,890	1,000,000,000	None

Note: The Company's shares are listed for trading on TPEX.

II. Shareholder structure

As of April 14, 2020

Shareholder structure Count	Government agencies	Financial institutions	Other corporate entities	Natural persons	Foreign institutions and foreigners	Total
Count	0	6	168	49,720	287	50,181
Shares held	0	32,516,400	62,678,963	161,262,562	177,965,185	434,423,110
Shareholding percentage	0.00%	7.48%	14.43%	37.12%	40.97%	100.00%

III. Diversity of ownership

(I) Information on common shares

As of April 14, 2020

Shareholding range	Shareholder count	Shares held	Shareholding percentage
1~999	24,865	4,100,131	0.94%
1,000 ~5,000	19,192	41,538,489	9.56%
5,001~10,000	3,350	25,440,050	5.86%
10,001~15,000	989	12,458,149	2.87%
15,001~20,000	521	9,491,822	2.18%
20,001~30,000	432	10,900,374	2.51%
30,001~40,000	207	7,331,386	1.69%
40,001~50,000	136	6,205,381	1.43%
50,001~100,000	222	15,643,944	3.60%
100,001~200,000	104	14,448,897	3.33%
200,001~400,000	55	15,761,583	3.63%
400,001~600,000	30	14,341,301	3.30%
600,001~800,000	19	12,712,660	2.93%
800,001~1,000,000	13	11,929,189	2.75%
1,000,001 and above	46	232,119,754	53.42%
Total	50,181	434,423,110	100.00%

(II) Information on preferred shares: Not applicable.

- IV. Major shareholders: If the number of shareholders with more than 5% ownership interest is less than 10, disclose the names, the number of shares held and shareholding percentage of the top-10 shareholders

As of April 14, 2020

Name of major shareholder	Share	Shares held	Shareholding percentage
Taiwei Advanced Technology Co., Ltd.		25,179,196	5.80%
Hsun Chieh Investment Ltd.		15,062,551	3.47%
Bank of Taiwan in its Capacity as Master Custodian for Investment Account of Edgbaston Asian Equity Trust		13,248,000	3.05%
Deutsche Bank AG Taipei Branch in its Capacity as Master Custodian for Proprietary Trading Account of Fubon Hyundai Life Insurance Co., Ltd.		11,337,000	2.61%
Fubon Life Insurance Co., Ltd.		10,828,000	2.49%
CTBC Bank in its Capacity as Trustee for Employee Shareholding Trust Account of Coretronic Corp.		10,411,109	2.40%
Citibank (Taiwan) in its Capacity as Master Custodian for Investment Account of Norges Bank		9,865,274	2.27%
Chunghwa Post Co., Ltd.		8,435,800	1.94%
Wade Chang		7,921,463	1.82%
China Life Insurance Co., Ltd.		7,834,800	1.80%

- V. Information relating to market price, net worth, earnings, and dividends per share for the last 2 years

Item	Year		2018	2019	Year-to-date March 31, 2020 (Note 7)
	Market price per share (Note 1)	High		59.1	50.7
	Low		34.3	37.1	26.45
	Average		46.01	43.14	35.18
Net worth per share	Before dividend		51.11	49.22	46.79
	After dividend		47.61 (Note 2)	47.22 (Note 3)	—
Earnings per share	Weighted average outstanding shares		434,423,110	434,423,110	434,423,110
	Earnings per share		4.65	2.65	0.01
Dividends per share (Note 3)	Cash dividend		3.5	2.0	—
	Stock dividend	From earnings	—	—	—
		From capital reserves	—	—	—
	Cumulative unpaid dividends		—	—	—
Analysis of investment returns	P/E ratio (Note 4)		9.89	16.28	—
	Price to dividend ratio (Note 5)		13.15	21.57	—
	Cash dividend yield (Note 6)		7.61%	4.64%	—

- Note 1: Average market price is taken from <http://www.otc.org.tw/ch/index.php>.
- Note 2: 2018 figure is the amount approved during the 2019 annual general meeting.
- Note 3: Cash dividend from 2019 earnings was resolved and passed during the board of directors meeting dated March 16, 2020.
- Note 4: P/E ratio = average closing price per share for the year / earnings per share.
- Note 5: Price to dividend ratio = average closing price per share for the year / cash dividends per share.
- Note 6: Cash dividend yield = Cash dividend per share / average closing price per share for the current year.
- Note 7: Net worth per share and earnings per share are based on audited (auditor-reviewed) data as at the latest quarter before the publication date of annual report. For all other fields, calculations are based on data as at the end of their respective years.

VI. Dividend policy and execution

(I) The Company's dividend policy

The Company has developed its dividend policy based on a number of factors including capital structure, financial position, business performance, earnings, industry nature and business cycle. Dividends can be paid in shares or in cash, but given the growth stage the industry is currently in, the Company may determine its dividends by taking into consideration financial, business and operational factors and the amount of dividends paid in previous years. As a principle, the Company shall distribute no less than 30% of net income reported in a financial year, with no less than 50% of total dividends being paid in cash.

The Company may distribute dividends wholly or partially from reserves in years when there is no earning available for distribution, or out of financial, business and operational concerns, or in situations permitted by the authority.

(II) Execution: Appropriation of 2019 earnings to be discussed at the 2020 annual general meeting has been proposed at NT\$651,634,665 entirely in cash, equivalent to NT\$1.5 per share. In addition, a proposal will also be raised to pay NT\$217,211,555 of cash dividends or NT\$0.5 per share out of capital reserves that the Company had previously recognized from common shares issued at premium. In aggregate, shareholders are to be paid NT\$2 of cash dividend for every share held, or NT\$868,846,220 in total.

(III) Expected change in dividend policy: None.

VII. Impacts of proposed stock dividends on the Company's business performance and earnings per share: Not applicable.

VIII. Employee and director remuneration

(I) Percentage or range of employee/director remuneration stated in the Articles of Incorporation:

Profits concluded from a financial year are subject to employee remuneration of 10% to 20%. However, profits must first be taken to offset against cumulative losses if any. Employee remuneration can be paid in cash or in shares. Payments are intended for employees of the Company, and can be made to employees of affiliated companies that satisfy the eligibility criteria.

Annual surpluses concluded by the Company are first subject to taxation and reimbursement of previous losses, followed by a 10% provision for

statutory reserve. However, no further provision is needed when statutory reserve has accumulated to an amount equal to the Company's paid-up capital. Any surpluses remaining shall then be subject to provision or reversal of special reserve, as laws or the authority may require. The residual balance is then added to undistributed earnings carried from previous years and distributed at board of directors' proposal subject to resolution at a shareholder meeting.

The Company has authorized the board of directors to distribute dividends and profit-sharing wholly or partially in cash at its discretion and seek acknowledgment from shareholders afterwards, provided that such decision is made in a board of directors meeting where more than two-thirds of the board is present, and voted in favor by more than half of all directors present at the meeting.

The Company has authorized the board of directors to distribute statutory reserve and capital reserve wholly or partially in cash at its discretion and seek acknowledgment from shareholders afterwards, provided that such decision is made in a board of directors meeting where more than two-thirds of the board is present, and voted in favor by more than half of all directors present at the meeting.

- (II) Basis of calculation for employee/director remuneration and share-based compensations; and accounting treatments for any discrepancies between the amounts estimated and the amounts paid.

During the board of directors meeting held on February 17, 2020, a resolution was passed to distribute 2019 employee remuneration at NT\$175,699,888. This amount is indifferent from the amount of expenses previously recognized in the 2019 financial statements.

- (III) Remuneration passed by the board of directors

Unit: NTD

Item	Amount
Employee remuneration - in cash	175,699,888
Employee remuneration - in shares	0
Percentage of employee remuneration distributed by stock, relative to current net income and total employee remuneration	0.00%
Director remuneration	0

- (IV) Actual payment of previous year's (2018) employee and director remuneration

Unit: NTD

Item	Amount
Employee remuneration - in cash	290,397,559
Employee remuneration - in shares	0
Director remuneration	0
The amount of 2018 earnings distribution resolved and proposed by the board of directors was identical to the amount resolved by the shareholder meeting.	

- IX. Buyback of company shares: None.
- X. Disclosure relating to corporate bonds: None.
- XI. Preferred shares, global depository receipts, employee warrants, restricted employee shares, or merger/acquisition/divestment through exchange of shares: None.
- XII. Progress on planned uses of capital: None.

Five. Overview of operation

I. Business Activities

(I) Business scope

1. Principal business activities

- (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 Manufacturing.
- (6) F401021 Restrained Telecom Radio Frequency Equipments and Materials Import .
- (7) CC01990 Electrical Machinery, Supplies Manufacturing. (Only manufacturing outside the Science Park is allowed).
- (8) CC01090 Batteries Manufacturing. (Only manufacturing outside the Science Park is allowed).
- (9) Research, develop, produce, manufacture, and market the following products:
 - A. Various LCD displays, projection systems, and their modules as well as backlight devices.
 - B. Multimedia presentation system equipment and their software.
 - C. Plasma monitors/TVs, LCD networking PCs, LCD-type terminals, digital transmission-type LCD monitors.
 - D. LED displays and LED modules.
 - E. Projection systems for wearable devices.
 - F. Commercial Drone Systems.
 - G. ODM and consulting services of each aforementioned product.
 - H. Import/export trading business of related products (except for permitted business).
- (10) Design, manufacturing, and sales of acrylic sheets, and outsourced design, development, consulting, and import/export trading of related products (except those that are subject to special approval). (Only the subsidiary outside the Science Park can run them)
- (11) Design, manufacturing, and sales of products related to PSUs, EVs, fuel batteries, and their components as well as parts. (Only manufacturing outside the Science Park is allowed)

2. Revenue distribution

Unit: NT\$ 1,000

Item \ Year	2018		2019	
	Amount	%	Amount	%
Energy Saving products	24,793,483	44.53%	23,968,822	49.21%

Item \ Year	2018		2019	
	Amount	%	Amount	%
Visual Solutions products	18,907,165	33.96%	14,475,014	29.71%
Others	11,972,285	21.51%	10,267,423	21.08%
Total	55,672,933	100.00%	48,711,259	100.00%

3. Current product (service) items

- (1) Energy Saving products: Barebone, system, or whole set assembly for automobile displays, tablets, notebooks, LCD displays, and high brightness backlight modules for LCD TVs; panel modules, electronic whiteboard modules, customized notebooks, LCD displays; tiled display solutions for medical, educational, ATM, POS and public digital splicing display.
- (2) Visual Solutions products: Including various digital projectors, AiO LED displays, which project large screens via various video signals, and interactive modules, smart connectors, edge blending and image warping processors, and image signal processing boxes; the system is integrated with software to provide the user-friendly complete image solutions via intelligent service platform for diverse applications.

4. New products (services) planned for development:

- (1) Energy Saving products: We've continuously developed various new light guide plates and Mini-LED technologies without light guide plates. We also want to decrease the thickness of the backlight module, reduce the bezel width, increase the optical efficiency, and reduce the usage of optical as well as LED to develop slim, high-contrast, and high-value application displays for video consoles, tablets, notebooks, industrial monitors, medical monitors, AIO monitors, and high-end smart TVs. In addition to the improved functionality and specifications of traditional panel modules, we actively conduct the differentiation design of a wide variety of displays to enter the high value-added markets of commercial displays, notebooks, automotive displays, and gaming displays.
- (2) Visual Solutions products: Through the core technologies in the fields of optics, machinery, electricity, thermal, and software integration provided by our image product businesses, we are committed to the large tiled screen wall, interactive touch, digital signage, large public displays and smart link solutions; given that LED products have high-growth potential, digital contents from display devices, such as projectors or LED screens, will be managed to continuously provide more amazing image lifestyle experience for users.

(II) Industry Overview

1. Current industry situation and development

We position ourselves as the innovative display solution provider, and our product lineup includes two main product categories: energy saving products and visual solutions products. The following shows the current status and development of each main product category:

(1) Energy Saving products

The market research firm Digitimes indicates that for the large LCD panel (measured more than 9 inches diagonally) industry and market development, nearly all of LCD panel manufacturers will be under deficit by 2024, because BOE, CSOT, HKC, China Electronic Corporation, and their subsidiaries have expanded production capacity gradually. As a result, South Korean panel manufacturers plan to adjust their production lines radically. It is estimated that several Gen 7.5/8.5 LCD production lines in South Korea will stop operation between the second half of 2019 and 2021, which helps ease oversupply of large LCD panels. According to the estimated demand for large LCDs between 2020 and 2024, the shipments of four application panels for TVs, monitors as well as AIO PCs, notebooks (NB) and large-size tablets will slightly decrease. As South Korean companies have accelerated the expansion of their OLED production lines in South Korea and Mainland China, it is estimated that the compound annual growth rate (CAGR) of the global large LCD shipments will be slightly inferior to other applications. “Other” applications include products, such as automotive display panels, digital signage, and have high growth potential with a CAGR of nearly 10%.

It is estimated that the production capacity in Mainland China accounts for more than 53.5% of total global production capacity. Apart from the LCD production lines of foreign companies in Mainland China (such as the Gen 10.5 LCD production lines of SDP-GZ Corporation, and Gen 8.5 production lines of Samsung, SDC, and LG Display as well as LGD in Mainland China), the large LCD production capacity of Chinese companies alone accounts for 44.1% in 2020. Since the second half of 2019, SDC and LGD have decreased their LCD production capacity in South Korea to avoid price competition caused by Chinese companies’ expansion of production capacity, while increasing production capacity of QD OLED and White-Light OLED (WOLED) which have higher unit price. Therefore, between the second half of 2019 and 2021, the production capacity of LCD panels in South Korea will be reduced significantly. This helps ease oversupply of large LCD panels in the market. The main demand for large LCD panels comes from TV applications, accounting for more than 75% of areas shipped or 39% of the shipments in 2020. The average size of TV panels is likely to increase 0.7~1 inch every year, which is a big momentum for the growth of large LCDs.

Various technologies, such as OLED TV, however, will make

inroads on the LCD TV market. After 2021, the shipments of global TV LCD panels are estimated to decline. For the PC demand, in 2020, Intel's CPU shortage issue may be resolved and AMD continues to release new products to gain market shares. The fierce competition between two major helps reduce product pricing, which in turn stimulate consumption. As a result, it is estimated that the shipments of LCD panels related to PC may grow. A trend for a large screen of the product is a big momentum for tablet applications. However, after 2022, the AMOLED technology may make inroads on the LCD panel market. Other applications include large automotive panels, digital signage, industrial devices, medical devices, ATM, arcade stations, POS check-out system in which automotive display panels are most promising, followed by digital signage. The panel manufacturers do not care a lot about other applications because of their smaller demand. However, they are highly customized so that their prices do not sharply decline as those used for TVs and monitors due to oversupply. This guarantees their profitability. As the large automotive and commercial displays become more popular, panel manufacturers gradually invest more in them. The CAGR of the large automotive display panel shipments is estimated to be 15%. The CAGR of the digital signage shipments is estimated to be nearly 10%.

Looking into 2020, the total market demand has been declining due to the China-United States trade war. The growth of the TV and tablet applications has been staggering or declining. However, as the display technology becomes mature and the trend for smart devices is emerging, the digital signage market probably continues to grow in the future. The demand for the digital signage include those for the smart city, smart factory, and smart retailing and most of them are large LCD panels. It is estimated that the CAGR of 32" or above LCD panel shipments will be 11.4% between 2018~2022. Mainland China is the focus region of the smart display applications including those used in the smart city in the world. It has a growing demand for digital signage. Japan has also expanded the deployment of digital signage for the incoming Olympic games. Digital signage is mainly used for information display in public spaces so that most of them features large screen. In the future, their growth mainly comes from those with a 50" or above screen. It is estimated that they will grow by 61.5% in 2025 when compared to 2018. While those with a 50" or below screen have a smaller market share, it is estimated that they will grow by 10.2% in 2025 when compared to 2018.

In the future, for the display applications, they will feature higher resolutions, large size, and smarter, while more and more products will feature AI and 5G technologies. To stimulate the product demand, and improve the unit price as well as profitability, our products will have

added value and become larger, while commercial displays always have a growing demand, which helps consume excessive production capacities. Another trend of the display technology is Mini LED application. The Mini LED backlight has reached the volume production and commercialization phase where gaming and automotive applications are obvious; to help Mini LED products expand their market penetration, the supply chain of LED manufacturers have proposed some methods to reduce costs. Mini LED backlight has been introduced for gaming products in the consumer market earlier. Lextar and AUO are the main supplier for most of famous gaming brands in the market. In 2019, the featured products on display have one thousand control zones with a contrast of 1,000,000:1 and the 65" LCD display will also be released in the end of 2019. LED is a solid-state light source, automotive LCD panels features Mini LED backlight because it has good weatherability, visibility under strong lights, and can be used to build curved displays or those with irregular shapes. Besides, LED lighting has been introduced into the vehicle taillights, headlights, and interior lights so that auto makers are more willing to use it.

For the Energy Saving Business Group, in addition to the introduction of smart manufacturing into the original applications to enhance performance and cost competition, we focus on small amount of diverse and highly customized products with growing demand in the market, such as the digital signage for public display, large automotive display panels, ATMs, etc. The technology development focuses on the market trend for ultra-slim, touch, narrow-bezel, high-resolution, high-contrast, and energy-saving displays, to provide a flexible business mode in response to the market changes and customer needs. For our product development, in addition to the shipments of the backlight modules, product design of the tablet/notebook, as well as TV, and manufacturing of the system/barebone product, not only do we provide key components and parts for ultra-fine display technology HDR, LCD module, free shape backlight module, tiled video wall, and privacy display applications, but also provide the combination platform of the touch module, mechanism design, and electronic solutions to provide a comprehensive, diverse, and customized display solution.

(2) Visual Solutions products

The main application market of the projectors is divided into the several segments: corporate and governmental agencies, educational, professional, home, large venue, industrial applications, and digital signage. In addition to the presentations in the business meetings and school classes, the use of projectors has extended to digital classroom diverse experience equipment from multimedia and electronic blackboard. In recent years, the trend for a large screen, high

resolution, and high contrast images in the household has emerged. As a result, this drives the demand for entertainment projectors in the household.

As the technology improves every day and there is a demand for high quality and brightness, the use of projectors as display in the large public exhibitions and various digital signage has becoming popular. As a result, there is a rapid-increasing trend for the use of high-brightness products in large venues.

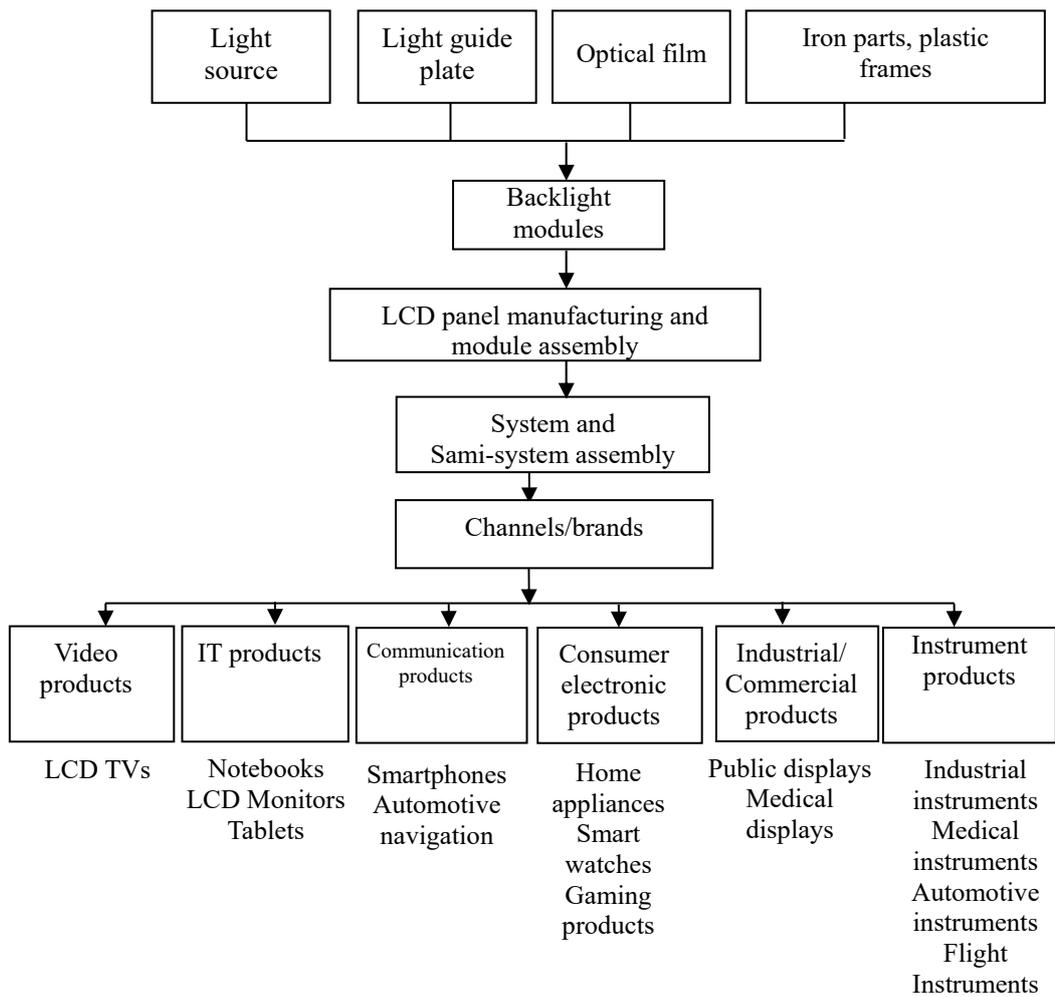
Currently, the projector technologies are mainly divided into LCD and DLP. LCD projectors have lifelike and natural image quality but are bigger in size due to the limitations of the optical design. Two Japan-based companies, EPSON and SONY, possess of key optical panel technology. The key component of the DLP projector is Texas Instruments' DMD (Digital Micro-mirror Device). It produces full-color images via many tiny lenses with high-speed rotating color wheel or tri-color light source.

Both LCD and DLP technologies have their advantages and disadvantages respectively. A LCD projector has softer and saturated colors while a DLP projector is smaller in size with better projection brightness, contrast, sharpness, as well as longer lifetime. The DLP technology dominates in the market of the high-resolution 4K/UHD projector products.

The Company is a leading manufacturer of DLP projectors. We have established the strategic alliance with US-based Texas Instruments and have a close relationship with it. Furthermore, in recent years, we have taken the lead in the development and application of the solid state light source and 4K/UHD resolution among DLP manufacturers.

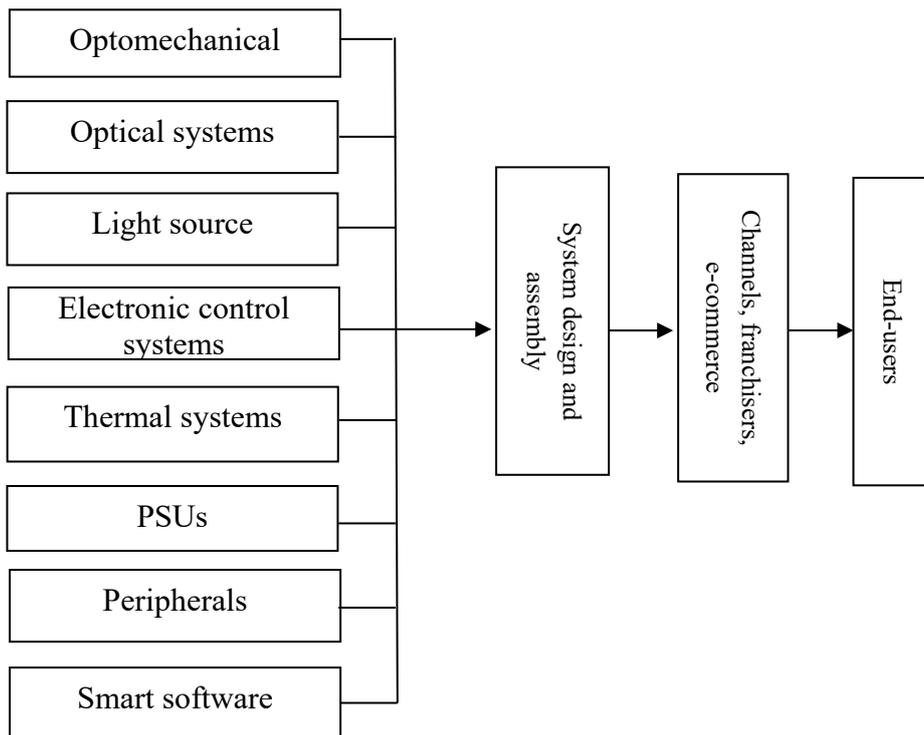
2. Relevance between the upstream, middle stream, and downstream industries
 - (1) Energy Saving products: The backlight module is part of the LCD industry. Figure 1 shows the relevance between the upstream, middle stream, and downstream industries. The upstream industries involves the products such as the light source, light guide plate, optical film, iron parts, and plastic frames; the downstream industries involves manufacturing and assembly of LCD panels, and their applications for a number of electronic products.

Figure 1: Relevance between the upstream, middle stream, and downstream of the backlight module



- (2) Visual Solutions products: The upstream components and parts of projectors including the optical system, lighting system, electronic control system, and thermal system. Refer to Figure 2. Most of the components and parts such as the LCD panel or DMD chip and light source rely on import. After the overall optical, mechanical, electronic control design as well as thermal adjustment, and assembly, testing, as well as packaging, they are distributed to various users via PC vendors, professional A/V equipment shops, and PC shops. These channels have expanded to e-commerce ones, such as online shops, TV shopping channels, etc. and system integrators.

Figure 2. Relevance between the upstream, middle stream, and downstream of the projector



3. Various development trends of products and their industry trends

- (1) Energy Saving products: As the Internet applications are expanding and the Internet infrastructure as well as display applications are developing, it can be imagined that “One Cloud to Multi-Screens” will be the future, i.e., by connecting to the cloud, you can acquire necessary information on multi-purpose displays in different forms, and different applications and services will be derived. The market-survey firm IEK indicated that the two forces of the global display market will be mobile phones and LCD TVs by 2020. At that time, the shipments of mobile phones will reach 1.91 billion units, of which the output value of displays is about US\$ 43.83 billion. For LCD TVs, 280 million units will be shipped, of which the output value of displays is about US\$ 45.76 billion. In addition, approximately 90 million smart watches will be shipped with the value of US\$ 880 million of displays, and the CAGR will also reach 19.7%. The vertical market of the automotive and public displays has driven the growth of displays as the technology has been gradually improved and the market applications are expanded. It is estimated that it will reach production values of US\$ 7.4 billion and US\$ 3.33 billion respectively in 2020. These assessment data and development indicate that the demand for displays will continue to increase in the future, and the applications will be more diversified. The applications can be roughly divided into 5 categories including personal use (such as mobile phones, wearable devices, computers), AR/VR, smart homes (such as TV), signage and automotive use. In different application fields and scenarios, the

demand for display technology differs and brings different values.

As China's panel ecosystem rise, the transformation of the business model as well as consumer demand, and customized solutions that integrate panels, systems, applications and software will bring the flat-panel display industry to a new era.

- (2) Visual Solutions products: Corporate and education applications have always been the mainstream for projectors. In response to the demand for large screens and high resolution in the home market, 1080P/4K home projectors have also become an important product line. The Company's core strategies are based on the leading technologies and we have launched the "Laser Ultra-Wide Touch System", "Multi-Screen Automated Blending System" and "Immersive Curved Touch System", which have been awarded the Innovative Product Awards of Hsinchu Science Park for three consecutive years; afterwards, smart home entertainment projectors will be launched in conjunction with AI and voice assistant. Among them, "Smart 4K UHD Laser Cinema projector" was awarded the Silver Medal of Taiwan Excellence Award and Japan's Good Design Award. In addition, in response to the demand for pure colors in large-screen applications, the Company also launched the 20,000 lumens high-brightness projector series with unique multi-color mixing technology to significantly improve color saturation. Smart and Internet features are development and the LED, laser light source, as well as new projection component technology are getting mature, which has expanded the scope of the projector application. Regardless of mobile use, screen-less TVs, digital signage and large venue applications, they add infinite possibilities. In addition, in response to the future growing trend for fine-pitch LED products, since 2019, the development of several ultra size AIO LED displays have been completed; due to their high reliability, fast installation, unique image processing cores, they have been given 5 major international awards, and recognized by experts. The demand of emerging markets for new technologies and environmental protection has surpassed that of many mature markets and traditional customers. This has become an important indicator that requires further observation.

4. Competition

(1) Energy Saving products

In recent years, Japanese panel makers have outsourced Taiwan and South Korean manufacturers for production due to cost, and the red supply chain has risen. The industry involving backlight is labor-intensive with an industrial model that its factories are near to the customer to provide services. It has an important strategy for Taiwanese backlight manufacturers to invest in establishment of

production lines in Mainland China. Under the fierce competition, Taiwanese backlight manufacturers have stayed competitive by means of their rapid adaptation capability and economies of scale. The main manufacturers in Taiwan include Coretronic, Radiant Opto-Electronics Corp. and Darwin Precisions Corp. In addition to the service and technological competition, the scale and integrity of the Group's supply chain integration are important factors affecting the operation. As a whole, the flat panel display backlight industry has gradually evolved into a "winner takes it all" type of situation.

(2) Visual Solutions products

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

(III) Technology and R&D Overview

1. R&D expenses invested in the most recent year and as of March 31st, 2020

Unit: NT\$ 1,000

Item \ Year	2019	As of March 31st, 2020
Research and development expenses	3,452,548	699,561
Net Sales	48,711,259	8,368,637
Ratio of R&D expenses to revenue (%)	7.09%	8.36%

2. Technologies or products successfully developed in the most recent year and as of March 31st, 2020

Backlight plate	(1) Successful mass production of - ultra-thin semi-system for notebooks (Hinge Up, H/U). (2) Successful mass production panel modules for 7"-12" tablet models. (3) Successful mass production one-stop assembly panel modules for 11"-17" tablet models. (4) Successful mass production panel modules for 24"-79" LCD TVs. (5) Successful mass production of curved MT and TV backlight.
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	<ul style="list-style-type: none"> (6) Successful mass production of the bezel-free MT LCM module. (7) Successful mass production of the wide color gamut PAD, NB, MT, and TV backlight plate. (8) Development of a special precision machining process for ultra-thin flat light guide plates for NB backlights. (9) Successful mass production of microstructured high brightness light guide plates (IML). (10) Successful mass production of glass light guide plates for ultra-thin TVs. (11) Successful development of ultra-thin direct-lit-type backlight module (OD=2.5mm). (12) Successful development of backlight for ultra-thin TVs (3.7mm in thickness). (13) Continue to develop high-gain optical parts and put them into mass production. (14) Successful development and mass production of automotive head-up display PGU modules. (15) Successful development the privacy display LCM module for automotives and notebooks. (16) Successful development the ultra-narrow-bezel HDR display LCM module for notebooks. (17) Successful development of the automotive BKL direct-lit-type module. (18) Successful development of the Local Dimming integrated system module.
Projector	<ul style="list-style-type: none"> (1) Developed the new generation LED portable projector products with brightness and size in the position of market leaders. (2) Launched the high brightness home projector with LED light source. (3) Launched the ultra-short-throw projector that can be used for projection of 130-inch large-screen for educational purposes and home 4K/UHD laser projectors. (4) Introduced a new generation of high-watt, high-brightness and high-end laser projectors ranging from XGA resolution to 4K/UHD (3840x2160) with a maximum brightness of 20,000 lumens. (5) Launched 4K/ UHD DLP high resolution professional and home projectors. (6) Developed a roll-out interactive electronic whiteboard technology for education and meeting purposes. (7) In response to the demand for professional projection large screens, a curved multi-screen blending touch system with built-in image capture device has been developed. (8) The MCLA™ exclusive patented technology uses a composite laser source complemented by a two-color wheel SSI optical structure that provides users with saturated, vibrant color performance while maintaining brightness. (9) To meet user's desire for brighter screens and better color experience, the Company developed the key component, the high efficiency inorganic phosphor wheel. (10) To provide the public with the immersive 3D experience with a large screen, the Company developed high efficiency passive 3D key component.

(IV) Long-term and Short-term Business Development Plans

1. Short-term Business Development Plans

- (1) Marketing: The Company will increase product market share, expand product portfolio and flexible production planning to provide existing customers with comprehensive product lines and more flexible and

efficient services to continuously expand new markets. The Company will also provide customized product design options to customers and create value-added services for high-end and niche products as well as providing one-stop solution from design to production.

- (2) Research and development: Strengthening the training of R&D personnel, developing a common R&D platform, and establishing a design platform for key component designs for R&D personnel in China and Taiwan. Reducing the number of components and standardizing components to increase the price competitiveness of products while reducing production costs. Improving the mass production and maintainability of the product to cater to small amount but a variety of product combinations.
 - (3) Operational management: Continuously improving the enterprise resource system and supply chain management, using overseas production bases and increasing the flexibility of component procurement, integrating group resources to build smart factories, such as production line assembly automation, intelligent inspection, etc. to reduce manpower demand and production costs, as well as improving competitiveness to pursue better operational performance. According to the framework of the medium and long-term capital demand plan, the Company will conduct short-term financial planning based on the principle of safety and stability, and establish a relationship of trust and reciprocity with the existing banks, grasp the trend of the financial market, and improve the performance of financial operations.
2. Long-term Business Development Plans
- (1) Marketing: Cultivating customer relations and establishing a long-term cooperative marketing model for proprietary technologies. The Company works with internationally renowned brand customers and regional leading brands as strategic alliance partners to provide a full range of display product solutions, collect the latest market and technology trends, provide customers with the best product solutions and after-sales service, continue to strengthen the global after-sales service capabilities and quality.
 - (2) Research and development: Focusing on research and development of high-profit and forward-looking products, integrating resource investment to develop new technologies and new products, continuously integrating upstream and downstream supply chains to develop key components to enhance the value of proprietary products and reduce costs, as well as improving production autonomy. Actively cooperating with procurement, quality assurance, engineering, manufacturing and other departments to develop new product platforms, continuing to introduce modular design, production and production automation, and developing smart manufacturing to reduce production and service costs and increasing competitiveness.
 - (3) Operational management: Integrating the Group's resource allocation

and application efficiency, promoting the performance of joint venture businesses, structuring an international operation plan system, strengthening the functions and preparation of overseas organizations, improving overall performance, and taking advantage of capital market and money market instruments to raise low-cost working capital to build long-term strength.

- (4) Strategic alliance: With the rapid development of science and technology and the promotion of high-tech and complex industries and markets, the Group actively develops strategic alliances or mergers and acquisitions of potential startups to reduce the development costs and achieve the complement of internal and external resources, while achieving economies of scale in the short term. The Company aims at integrating, accelerating research and development capabilities, expanding the business landscape, and bringing synergy of different corporate cultures to enhance long-term competitiveness.

II. Market and Production Overview

(I) Market Analysis

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

Unit: NT\$ 1,000

Year/Amount Item		2018		2019	
		Amount	%	Amount	%
Domestic Sales		11,700,488	21.02%	9,775,792	20.07%
Overseas sales	America	5,863,265	10.53%	4,009,968	8.23%
	Europe	5,977,593	10.74%	3,845,116	7.89%
	Asia	30,419,147	54.64%	29,196,440	59.94%
	Others	1,712,440	3.07%	1,883,943	3.87%
	Subtotal	43,972,445	78.98%	38,935,467	79.93%
Total		55,672,933	100.00%	48,711,259	100.00%

2. Market Share

The main products of the Company are energy saving products and visual solutions products. According to market statistics, the estimated shipments of large-size LCD panels were 749 million pieces in 2019. The company's 2019 total shipments of energy-saving products were 41.4 million pieces, and the global market share was about 5.53%. According to market data, it is estimated that the global projector shipments in 2019 will be 7.31 million units. The company's 2019 visual solutions product shipments were 0.96 million units, taking up 13% of the global market share.

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

(1) Energy Saving products

According to IHS Markit, LCD TV panel manufacturers have developed a more conservative 2020 panel shipping plan. In 2020, LCD TV panel shipments will be significantly reduced to 265 million pieces, down 8% year-on-year. It was the first annual decline since 2011 and growth was at an all-time low. Although the volume of LCD TV panels has been eroded, shipments of larger LCD TV panels will continue to grow. IHS Markit expects LCD TV panel shipments of 65-inch and above to grow from 29.4 million to 37 million by 2020. However, the unstable international political economy may become a concern for businesses. In case the sales did not meet expectations, the supply chain have to regulate its stocks.

The slowing demand for LCD TVs, LCD displays, notebooks, smartphones, and tablets in the major applications in recent years cannot meet the rapidly increased production capacity. This is the fundamental reason for LCD oversupply. Other display applications include the automotive panels, digital signage, smart watches, near-eye displays, industrial use, and private use. It is expected that their growth rate will exceed those of other applications. In a market when the supply exceeds the demand, this can counterbalance the slowing demand of large and small panels. According to IHS Markit, the panel manufacturers have seen significant increase in the revenues from other applications, and the compound annual growth rate (CAGR) from 2017 through 2025 will amount to 7 percent for automobile monitors, 7 percent for public displays, and 8 percent for smart watches. Shipments of other types of application panels are estimated to reach 40.94 million units in 2023, an increase of 87% from 2017. This will be the focus area for the next five years.

(2) Visual Soutions products

Looking forward to 2020, the solid-state light source products such as laser TVs, personal projectors, ultra-short-throw projectors and high-end projectors in the Chinese market will be booming. New 4K/UHD products will be introduced as well. In addition, when entering the era of 5G, the feasibility of video applications will be obviously improved while the cost will be go down. This must diversify the engineering projection application scenarios, which accelerate the development of engineering projector market. Overall, the market forecast data estimates that despite the advent of 5G era, the market will drop significantly in 2020 due to the COVID-19 epidemic. The projector (including laser TVs) will have a shipment of about 6.35 million units, of which 4K/UHD application markets will continue to grow.

4. Competitive Niches

(1) Solid R&D capabilities

The Company is committed to the research and development of technology. In addition to designing and developing products that meet customer needs, the Company will also continuously develop key components for vertical integration, which enhances competitiveness in the industry. Up until the end of March, 2020, the Company has a total of 1,051 pending patents at home and abroad. The Company has over 700 R&D personnel, which shows the Company's emphasis on research and development.

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

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

(3) Flexible marketing methods

The Company mainly adopts the ODM development strategy to obtain orders by participating in customer design. In addition to collecting the latest market and technology trends, the Company can respond to market and technology trends in a timely manner, and understanding the local market as well as customer needs to provide the best products and after-sales services around the world.

5. Favorable and Unfavorable Factors of Development Prospect and Strategies

Item	Favorable Factors	Unfavorable Factors and Countermeasures
Industry Development and Outlook	<p>1. The applications of LCD products continue to develop such as notebook computers, tablets, flat panel displays, mobile phones, LCD TVs, etc., driving the industry to grow and creating a huge demand for key component LCD backlight modules.</p> <p>2. The production capacity of various panel manufacturers has been gradually expanded, and Taiwan's downstream products such as notebook computers and LCD monitors have a global market share of more than 60%, which gives Taiwanese manufacturers an advantage in panels. This also makes the industrial prospect of the upstream backlight module promising.</p> <p>3. In response to the popularity of the mobile phone market, consumers now demand high-quality display. All product applications (including NB/MNT/TV) are moving towards higher resolution. After working on backlight modules for years, the Company has a good grasp of the core technologies include high brightness, high efficiency and high resolution. Therefore, the prospects for subsequent market demand are promising.</p> <p>4. With the gradual popularization of 4K resolution, the wide use of wide color gamut technology, the increase of screen update rate to 60 fps or even higher, and the dynamic range of brightness have gradually become a limit for the further improvement of image quality. This</p>	<p>1. The addition of new flat-panel display manufacturers will lead to increased competition and lower profits.</p> <p><u>Corresponding countermeasures:</u></p> <ul style="list-style-type: none"> • Maintaining technological leadership with proprietary backlight plate design. • Expanding customer base from panel manufacturers to system integration (SI) and brand names, and acquiring orders through participation in the design. • Expanding customer base and application market. Breaking off from the ODM/OEM model and becoming a leading manufacturer of all-round imaging products. In addition to providing professional design advice and stable high-quality product development and production to Brand Names, the Company offers a high degree of customization to be closer to user needs and quickly enter the market. In the dynamic process of discovering demand and meeting the needs, we are able to grow together with our business partners and expand the application market. <p>2. Projectors have seen stronger competition due to competition from large LCD displays and video walls.</p> <p><u>Corresponding countermeasures:</u></p> <ul style="list-style-type: none"> • The use of technological leadership continues to bring value to customers. Advantages can be continuously created by integrating research and development capabilities and experience in light, mechanical, electricity, thermal, and

Item	Favorable Factors	Unfavorable Factors and Countermeasures
	<p>is why HDR came into being. Only by strengthening this aspect can the users truly enjoy the high image quality experience. Therefore, the market demand for displays with new specifications shows a positive outlook.</p> <p>5. With the advancement of LED/Laser solid-state light source technology, brightness is increased and market applications are expanded.</p> <p>6. With the active development of new applications such as laser TV, digital signage and large-size signage solutions, the prospects are promising.</p> <p>7. With the gradual implementation of China's national strategic emerging industry planning, the formation of information technology, high-end manufacturing, digital creativity, tourism and other industries, the demand for display or projection equipment will increase significantly, bringing new business opportunities for the professional audio-visual industry.</p>	<p>software to continuously increase the percentage of our solid-state light source and 4K/UHD products.</p> <ul style="list-style-type: none"> • Continuing to develop user-friendly software and connect to cloud value-added services to increase customer satisfaction and adhesion. • Building a strategic procurement platform and promoting strategic procurement plans in order to achieve optimal costs and increase product competitiveness. • Actively introducing innovative technologies such as multi-screen blending and immersive blending to solve the problems of large venue display, projection and moving in irregular situations, and providing overall solutions to enhance customer satisfaction and loyalty, as well as expanding market applications. • Engaging in strategic alliances or mergers and acquisitions of potential companies, speeding up the development schedule, and quickly expanding the LED display market share. • Developing the cloud smart announcement system, providing the digital content management platform with AI image recognition and interactive features to diversify the applications of visual solutions product.
Operating Environment	<p>1. The Company entered the market ahead of the industry, has therefore accumulated enough technologies and experience to understand important customers and the market.</p> <p>2. The Company has a stable source of supply and support from key component suppliers.</p>	<p>1. The high proportion of outsourcing and export makes the Company more vulnerable to the impact of exchange rates. <u>Corresponding countermeasures:</u></p> <ul style="list-style-type: none"> • Collecting information regarding foreign exchange rates to effectively reduce the impact on revenue and profitability. • Depending on the Company's capital needs and the information provided by banks and financial institutions, the Company can decide on the timing for foreign exchange hedge in order to avoid exchange risk. <p>2. Continuous increase in China's manufacturing costs. <u>Corresponding countermeasures:</u></p> <ul style="list-style-type: none"> • Introducing production automation as soon as possible to effectively reduce labor costs. <p>3. The increase in the proportion of overseas investment has gradually disqualified the Company for domestic tax incentives, and the overall tax advantage has gradually decreased. <u>Corresponding countermeasures:</u></p> <ul style="list-style-type: none"> • Keeping the R&D focus in Taiwan to benefit from R&D incentives. • Making tax planning from a Group perspective to seek the overall minimum tax. <p>4. The scale of operations in China is growing, and the financial planning of daily operations is susceptible to tightening local monetary policies. <u>Corresponding countermeasures:</u></p> <ul style="list-style-type: none"> • Increase the number of financial institutions and credit lines outside of China. • Adjust the trading flow to reduce the funding demand of companies in China. <p>5. The China- US trade war has led to an increase in the risk of operational costs. <u>Corresponding countermeasures:</u></p> <ul style="list-style-type: none"> • The products that may be affected will gradually be produced in Taiwan.

Item	Favorable Factors	Unfavorable Factors and Countermeasures
Within the Company's Conditions	<ol style="list-style-type: none"> 1. Technical advantages and mass production scale. 2. The Company shortens the production cycle and changes the process time with lean management, and continuously introduces the automation process, which can meet the customers' small-amount demands as well as fulfilling the multi-line production at the same time to meet a large number of orders. 	<p>The scale of operation of the company has grown rapidly and the logistics integration capability needs to be further strengthened.</p> <p><u>Corresponding countermeasures:</u></p> <ul style="list-style-type: none"> • Engaging professionals to participate in the Company's operations planning. • Establishing a comprehensive talent training and incentive system. • Making use of computer information systems to simplify internal operations.
Product and Technology Development	<ol style="list-style-type: none"> 1. The product line is complete and competitive on the market. 2. The R&D team is strong enough to master key technologies and makes the Company a market leader. 3. The Company has the technology to design and manufacture large-size LCD backlight modules. 4. The Company has the advanced technology and products based on the integration of light, mechanical, electricity, and software. 5. The Company has the advanced technology and products with ultra-short throw machine and solid state light source. 6. The R&D team continues to innovate and provides customers with comprehensive projection solutions. 	<p>Industry sales change rapidly, and customer cost control has become increasingly stringent.</p> <p><u>Corresponding countermeasures:</u></p> <ul style="list-style-type: none"> • Maintaining close relationships with key component suppliers to understand their capacity and adjust lead time. • Developing innovative technologies, improving the ability to produce parts, and cooperating with third-party manufacturers to develop Film materials with their own LGP technology to optimize optical performance. • Actively carrying out technical cooperation or strategic alliance with major domestic and foreign manufacturers to facilitate the launch of new products or the acquisition of new technologies.
Sales overview and market capabilities	<ol style="list-style-type: none"> 1. The strategy is focusing on ODM and continuing to innovate as our advantages. 2. Committed to the improvement of production technology and quality assurance system. The products have been recognized by domestic and foreign customers, and maintaining good customer relationships will help to improve market stability. 	<p>Science and technology are advancing rapidly, and some markets may be replaced by big screens or other new technologies. Traditional business models are also affected by e-commerce platforms.</p> <p><u>Corresponding countermeasures:</u></p> <ul style="list-style-type: none"> • Taking advantage of key market components and brand customers to capture pre-market information and market trends. Investing in the research and development of technologies that can compete with alternative technologies, as well as incorporating technologies such as HDR and LGP film into the Company's research and development. • Using existing overseas subsidiaries to collect market information in order to understand market trends. The Group will also develop potential, and may replace the existing product market in the current product market, and incorporate the technology of the Company in the R&D projects, such as laser source and the ultra-short-throw interactive technology, multi-screen blending technology, and the immersive curve blending interaction technology. • Leveraging technology and customer access to build new retail trends and expand market applications.

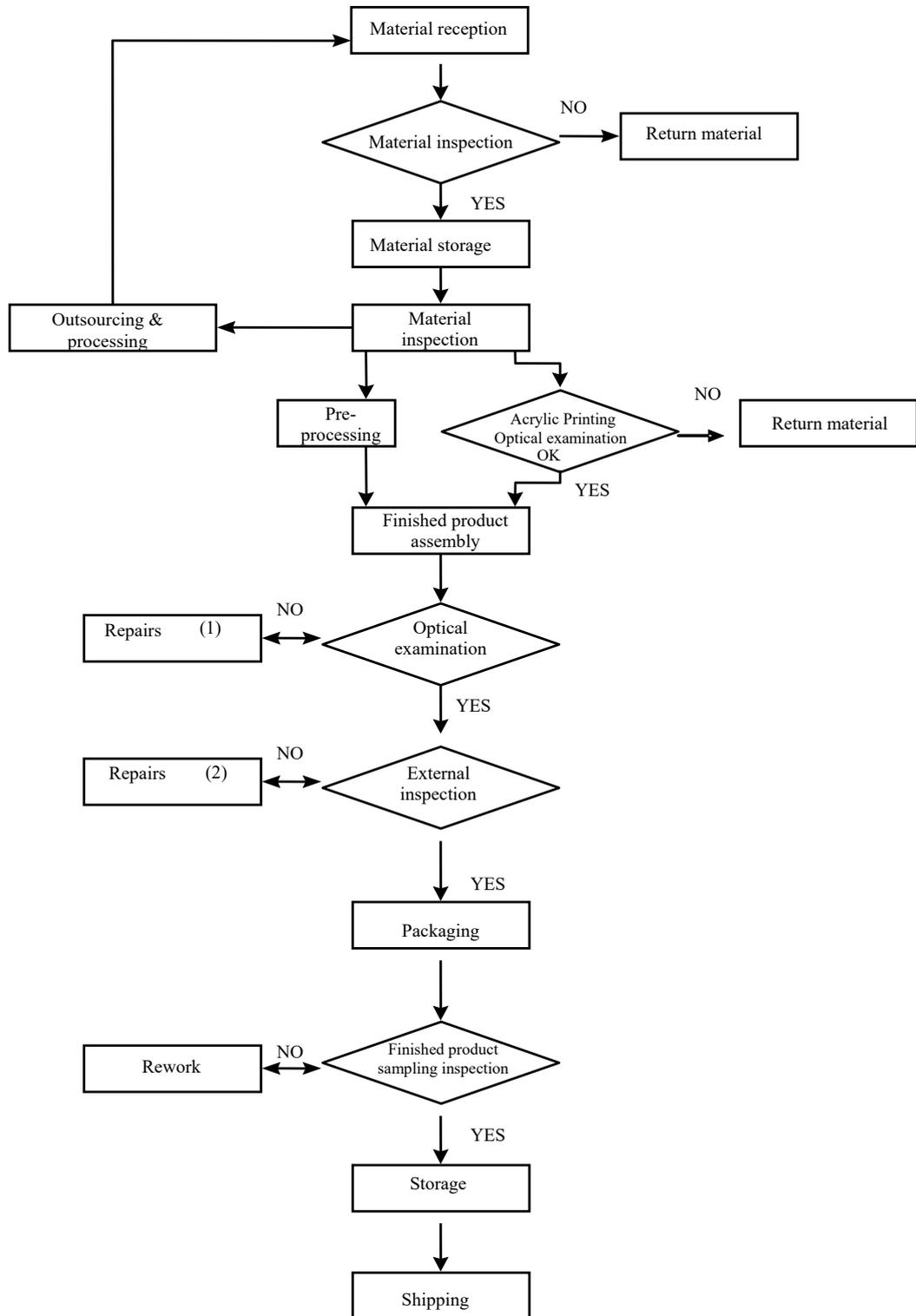
(II) Usage and production process of the primary products

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

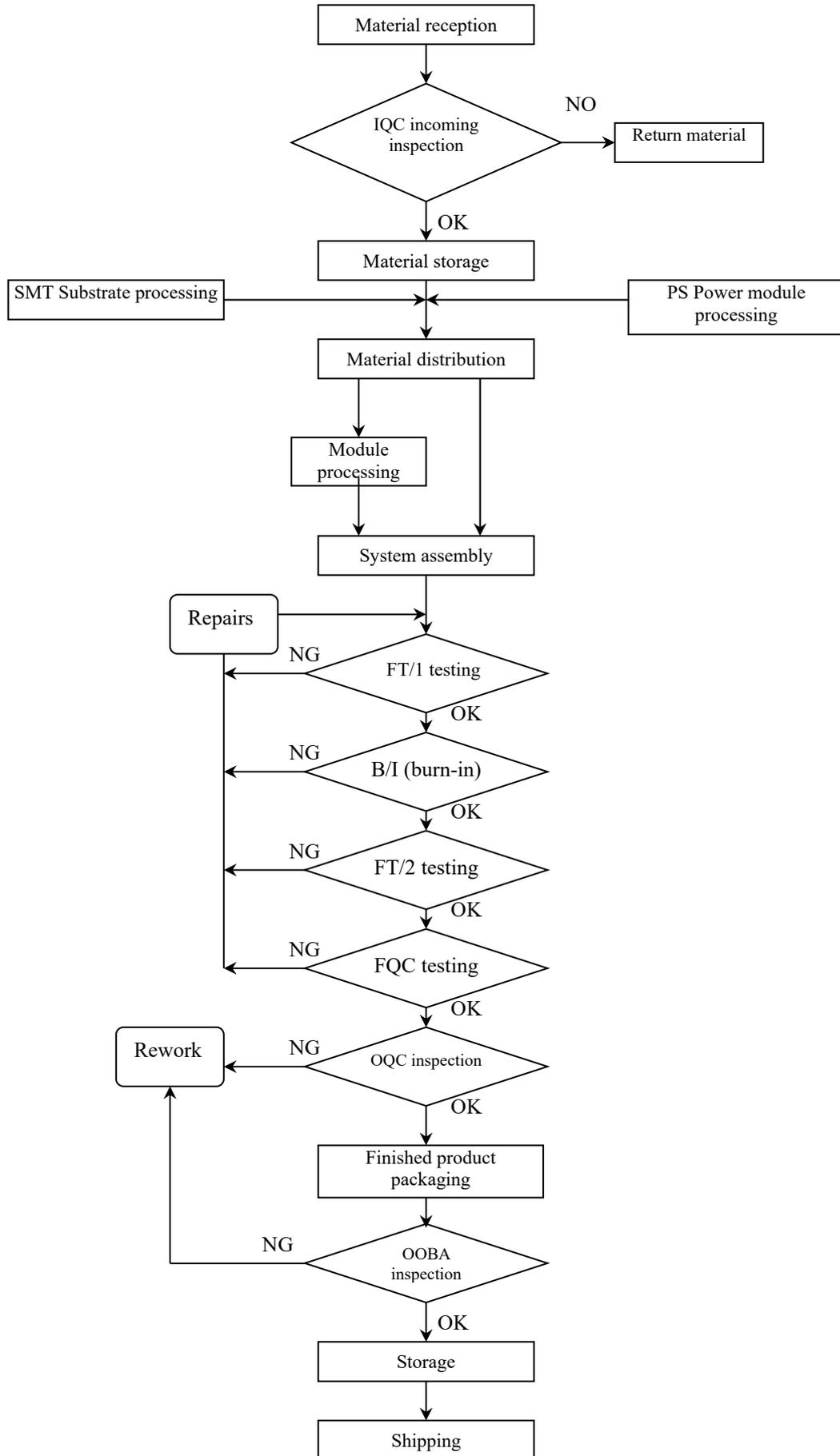
smart connection and wearable display (AR/MR) for video image signals.

2. Production processes of the primary products

(1) Backlight production process



(2) Projector production process



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

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

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

Unit: NT\$ 1,000

Item	2018				2019				As of March 31st, 2020			
	Name (note)	Amount	Year net purchase ratio (%)	Relationship with the issuer	Name (note)	Amount	Year net purchase ratio (%)	Relationship with the issuer	Name (note)	Amount	Net purchase ratio of the first quarter of 2020 (%)	Relationship with the issuer
1	Supplier A	5,675,488	14.98	-	Supplier A	3,407,008	10.68	-	Supplier A	528,802	10.17	-
2	Others	32,214,923	85.02	-	Others	28,498,941	89.32	-	Others	4,671,816	89.83	-
3	Total net purchase	37,890,411	100.00	-	Total net purchase	31,905,949	100.00	-	Total net purchase	5,200,618	100.00	-

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

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

Unit: NT\$ 1,000

Item	2018				2019				As of March 31st, 2020			
	Name	Amount	Year net Sales ratio (%)	Relationship with the issuer	Name	Amount	Year net sales ratio (%)	Relationship with the issuer	Name	Amount	Net sales ratio of the first quarter of 2020 (%)	Relationship with the issuer
1	Others	55,672,933	100.00	-	Others	48,711,259	100.00	-	Others	8,368,637	100.00	-
2	Total net sales	55,672,933	100.00	-	Total net sales	48,711,259	100.00	-	Total net sales	8,368,637	100.00	-

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

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

Product \ Year	2018			2019		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Energy Saving products	107,533,846	48,996,578	30,432,350	101,635,136	43,720,102	28,447,524
Visual Solutions products	2,400,000	1,296,291	14,777,758	2,400,000	947,313	10,913,295
Total	—	—	45,210,108	—	—	39,360,819

(VI) Sales volume in the most recent 2 years

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

Primary Products \ Year	2018				2019			
	Domestic Sales		Overseas sales		Domestic Sales		Overseas sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Energy Saving products	19,918,766	9,359,728	27,702,226	16,384,062	17,411,367	7,541,370	24,342,194	16,427,452
Visual Solutions products	165,707	1,418,440	1,143,810	17,488,724	155,653	1,373,543	798,879	13,101,473
Others	—	922,320	—	10,099,659	—	860,879	—	9,406,542
Total	—	11,700,488	—	43,972,445	—	9,775,792	—	38,935,467

III. Employees

Year		2018	2019	As of March 31st, 2020
Number of employees	Technical personnel	3,022	2,990	2,925
	Management personnel	2,195	2,492	2,294
	Operating personnel	10,809	8,735	11,324
	Total	16,026	14,217	16,543
Average age		36.37	37.72	38.08
Average Years of Service		6.92	7.61	8.21
Education Distribution Ratio (%)	PhD	0.30	0.43	0.41
	Graduate School	8.02	8.91	7.28
	University/ College	24.98	26.38	21.92
	High school (and below)	66.70	64.28	70.39

IV. Environmental protection expenditure

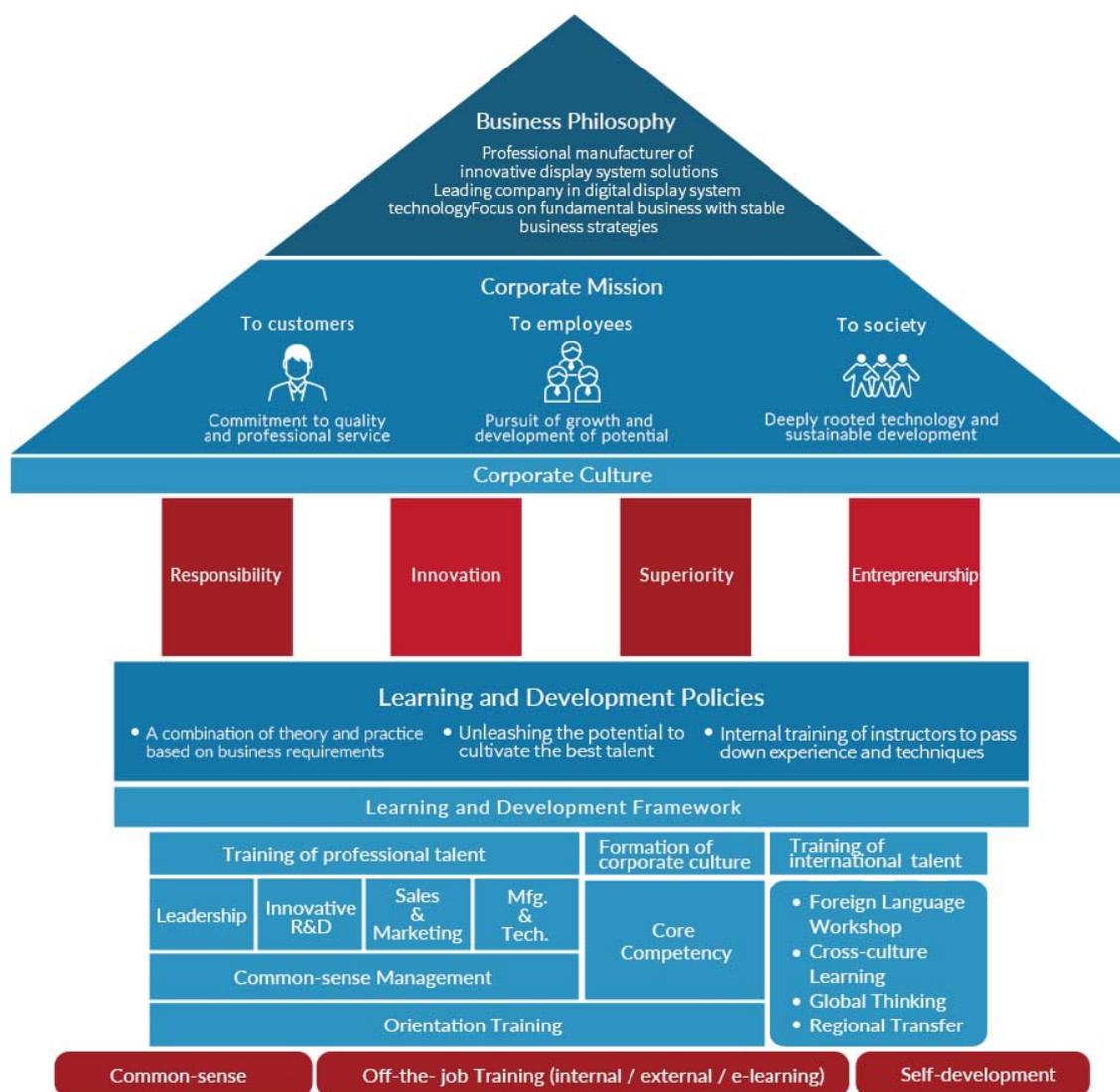
- (I) Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.
- (II) Future countermeasures (including improvement measures) and possible expenditures: The Company has a dedicated unit to promote the ISO 14001 environmental management system / OHSAS 18001 occupational safety and health management system / CNS 15506 Taiwan occupational safety and health management system, ISO14064-1 greenhouse gas inventory certificate, ISO50001 energy management system and the green factory clean production evaluation system. The environmental protection and operation safety have been implemented. There has been no loss or penalties due to environmental pollution or work safety incidents by the competent authorities.
- (III) In order to conform to the trend of green consumption in the 21st century, the Executive Yuan promulgated the “Organization Green Procurement Plan” in July 2001. In line with government policies, the Company has added environmentally-friendly products to priority procurement. In 2019, the total purchase amount was NT\$18,687,000.

V. Labor relations

- (I) Employee welfare measures, continuing education, training, retirement system and implementation status: The Company's treatment is comparable to that of its peers, and the labor-management relationship is harmonious. The welfare, training and retirement measures are all well-established, as explained below:
 - 1. The Company has an Employee Welfare Committee to which funds are granted according to regulations to plan various welfare measures and organize activities such as employee trips, sports events and festivals to promote exchanges among colleagues as well as parent-child relations. In addition, in order to enhance the appreciation for art and allow employees to enjoy art and cultural activities, the Company occasionally arranges art and cultural performances for employees and their families to enrich their lives. The Company continues to promote employee assistance programs, provide free professional consulting services such as psychological, legal, medical and wealth management services. Details of employee benefits and welfare measures are as follows:

Employee welfare measures	
Operating profit sharing (Applicable to full-time employees in Taiwan)	<ol style="list-style-type: none"> 1. Employee bonus (depending on the annual operational and individual performance) 2. Performance bonus, operating performance bonus, and R&D patent bonus 3. Award ceremony for excellent R&D personnel, senior employees and outstanding employees 4. Employee shares (when possible)
Comprehensive Employee Care	<ol style="list-style-type: none"> 1. Employees enjoy free group insurance, expatriate and family accident insurance, travel insurance for overseas travel, and at EIP, a Group Insurce One-Stop System is built to provide a platform to search for the insurance amount and claim records of our employees and their families. 2. Regular health checkups, employee health management, comfortable leisure space and professional medical consultation 3. Setting up breastfeeding (collection) rooms and providing information for mothers 4. Comprehensive retirement system 5. Working conditions with gender equality 6. Flexible working hours and shuttle buses
Diversified Welfare Design	<ol style="list-style-type: none"> 1. Gift vouchers for Labor Day, Mid-Autumn Festival, Dragon Boat Festival and birthdays 2. Wedding gift, childbirth gift, hospitalization subsidies, condolences money, travel subsidy, funding for clubs 3. Family day, club activities, year-end party, domestic and overseas trips 4. Restaurant, cafe, convenience store, employee leisure center, multi-functional employee fitness center 5. One free breakfast per month, afternoon tea on a irregular basis, indoor sports event

2. The Coretronic group believes that “human resources are the company's most important asset”. Therefore, the Company provides a diverse and flexible learning environment to enhance the professional skills of employees so that they can combine work and new knowledge to create the foundation for future self-development. The Company provides systematic training courses for employees based on their career and learning plans to help them become experts in management or other professions. Based on the course category, internal and external lecturers will be invited to share knowledge, experience and skills to enhance employee functions and career development. The Company organized a total of 289 training sessions for 2019 with the total number of participants of 5,380. The total number of training hours was 17,593 hours, costing approximately NT\$7,467,000. The Company supports learning and innovation and commits to creating a sustainable learning environment. Through a job-oriented learning development system, online learning practical training, as well as combining regional rotation and foreign language learning, the Company helps people who want to experience the world to realize their dreams. In 2019, we worked with Leader Campus of Commonwealth Magazine to promote the online learning “100 Readings Program,” which encourages our colleagues to finish 100 online management courses, and recognized by “Annual Learning Organization” and “Best Learning Promoter” Awards.



3. The company's retirement system is handled in accordance with the Labor Standards Act. Since July 1st, 2005, the Company has complied with the regulations to implement a new system of labor pensions. According to the law, the employees who choose the new system have to deposit 6% personal account with the Bureau of Labor. Those who choose the old pension system or the new one but started working before the new system came into force will allocate 2% of the retirement reserve to the Company account of the Bank of Taiwan on a monthly basis. The Company has a sound retirement system to ensure that employees' pension funds and benefits are not being compromised. The pension funds will be paid within 30 days after the date of employee's retirement. For 2019, 6 employees applied for retirement. All procedures were completed in accordance with regulations. After applying for retirement from a senior employee with excellent work performance, the Company invites employees to serve as consultants and imparts rich experience to other employees. It not only provides professional consulting services for the Company, but also provides a stage for the development of retired employees to continue to contribute.

(II) Labor-management agreement and employee rights maintenance measures: The Company has established various regulations in accordance with The Labor Act to ensure the rights and interests of employees through labor-management meetings,

business group meetings, employee assistance programs and employee suggestion boxes.

- (III) Any losses suffered by the company in the most recent 2 fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

- (IV) Work environment and employee personal safety protection measures

The Company adheres to the philosophy of "pursuing excellence and valuing customers." In order to protect employee health, maintain the work environment as well as protecting the environment, the Company promotes ISO14001 environmental management system/OHSAS18001 occupational safety and health management system/CNS15506 Taiwan occupational health and safety management system and obtained certification. In order to "implement risk management, prevent disasters and unhealthy occurrences, enhance employees' safety and hygiene awareness, create a safe and comfortable working environment, prevent pollution, reduce waste and recycle, and improve resource use efficiency, and becoming a green enterprise," we are committed to the continuous improvement of environmental and safety management performance, to preventing occupational disasters, to improving the working environment, to maintaining peer safety and reducing accident losses, and to regularly implementing 6S inspections with the supervisors. In the process of inspection and improvement, all departments pay more attention to the safety of the work environment, gradually improve the safety awareness of personnel and reduce the risk of environmental hazards. In terms of personal safety protection, access safety control measures have been implemented. The guards patrol 24 hours a day, and surveillance system has been set up. In order to promote disaster prevention and enhance the crisis awareness and emergency response capability of the emergency response team members, the Company regularly reviews emergency contingency plans and implements disaster response drills, so as to effectively control the damage when disasters occur, and avoid personal injury and Company property losses. In addition to the fire brigade's fire drills in the factory area, the Company also conducts environmental and safety education and training. A total of 3,077 people were trained in 2019. In 2019, four accidents occurred during work. One staff got injured when some employees going up and down the stairs. One staff fell and got injured because his chair was damaged. One staff had his fingers cut when handling sliding rail components. One staff felt uncomfortable during blood donation, and fell down in a faint then getting hit. 70 working days were lost in total. In response to the accident, the employees have been made aware of the situation, and preventive measures have been taken. The effectiveness of risk control is regularly reviewed to eliminate the occurrence of accidents in the plant.

- (V) Does the Company set up a code for employees conduct or ethics

The Company clearly defines ethical behavior, business integrity, conflicts of

interests and work safety. The "Code of Conduct" section has been set up on the internal website to ensure that employees who are engaging in the Company's business activities comply with the requirements of the ethics, customers and stakeholders. The "Code of Conduct" section includes the Code of Ethical Conduct / Code of Integrity Management / Operation Procedures and Conduct Guidelines of Integrity Management / Management Manual of Code of Conduct for Responsible Business Alliance / Management Manual for Supplier's Avoidance of Benefits / Safety and Health. The above-mentioned regulations regulate the behavior of all employees. The main content is as follows:

The Company's Electronic Industry Code of Conduct Management Manual follows the requirements of the Electronic Industry Code of Conduct, with reference to the Universal Declaration of Human Rights, international social responsibility, trade ethics, and ecological management. This requirement is included in the supply chain audit system. In line with international trends, the Electronic Industry Code of Conduct Management Manual is being revised to the Responsible Business Alliance Code of Conduct Management Manual (RBA) to ensure a safe supply chain for the electronics industry, practitioners with dignity, and environmental protection as well as moral responsibility in manufacturing processes. The Company hopes to create a sustainable environment and provides customers with satisfactory products and services through the incorporation of the Responsible Business Alliance Code of Conduct Management Manual and the continuous introduction of relevant requirements.

VI. Important contracts

Nature of Contract	Parties	Contract Start/End Date	Main Content	Restrictive Provisions
Land lease	Hsinchu Science Park Administration Office	2017.07.01~2036.12.31	Science Section of Hsinchu Science Park 9,047.95 square meters of land	Sublease and sublease conditions should be agreed by the Administration Office
Land lease	Hsinchu Science Park Administration Office	2020.01.01~2020.06.30	Science Section of Hsinchu Science Park 2838 square meters of land	Sublease and sublease conditions should be agreed by the Administration Office
Land lease	Hsinchu Science Park Administration Office	2003.11.01~2022.12.31	11,001 square meters of land in the Phase 4 Chunan Base, Hsinchu Science Park	Sublease and sublease conditions should be agreed by the Administration Office
Land lease	Southern Taiwan	2003.11.01~2022.12.31	25,001 square	Sublease and

Nature of Contract	Parties	Contract Start/End Date	Main Content	Restrictive Provisions
	Science Park Administration Office		meters of land in Southern Taiwan Science Park	sublease conditions should be agreed by the Administration Office
Land lease	Southern Taiwan Science Park Administration Office	2019.06.20~2039.06.19	66,116 square meters of land in Southern Taiwan Science Park	Sublease and sublease conditions should be agreed by the Administration Office
Trademark Licensing	HDBaseT Alliance	2015.01.20 till the end of the Company's membership in the technology alliance	The Alliance has granted its trademark licensing to the Company	Not transferrable
Technology licensing	Dolby Laboratories Licensing Corporation	2020.12.19 ~ the termination of the patent	The Company's technology licensing is authorized and the royalty is paid by the Company	None
Technology licensing	A Technology Alliance	2015.01.20~last patent till the termination of the patent	This technology license is granted and the royalty is paid by the Company	Confidentiality agreement
Supply Contract	A U.S. company	Three years starting from 2002.07.31 with automatic renewal	Projector Supply Contract	Confidentiality agreement
Supply Contract	A Japanese company	2004.01.06 ~ 2005.01.05 with automatic renewal	Projector Purchase/Sales Contract	Confidentiality agreement
Supply Contract	A major Japanese company	2004.04.01 ~ 2005.03.31 with automatic renewal	Projector Purchase/Sales Contract	Confidentiality agreement
Supply Contract	A Japanese household appliance and consumer electronic product brand	2005.01.06 ~ 2006.01.05 with automatic renewal. 2005.05.25 ~ 2006.05.24 with automatic renewal.	Projector Purchase/Sales Contract	Confidentiality agreement
Supply Contract	A U.S. company	2006.11.01 till any party terminates the contract	Projector Supply Contract	Confidentiality agreement

Nature of Contract	Parties	Contract Start/End Date	Main Content	Restrictive Provisions
Supply Contract	A Japanese company	Effective from 2007.12.01	Projector Supply Contract	Confidentiality agreement
Supply Contract	A Japanese company	1 year from 2009.8.26 with automatic renewal	Projector Supply Contract	Confidentiality agreement/ Not transferrable
Supply Contract	A Canadian company	Signed in 2010 but effective from 2008.10.21 until any party terminates the contract effective until any party terminates the contract	Projector Supply Contract	Confidentiality agreement
Supply Contract	A U.S. company	2010.3.8 until any party terminates the contract	Optical Product Supply Contract	Confidentiality agreement
Supply Contract	A Japanese company	2010.6.01~2011.5.31 (Automatically renewed)	Backlight Module Supply Contract	Confidentiality agreement
Supply Contract	A U.S. company	Signed on 2010.11.17 but effective from 2006.11.01 until terminated by any party the contract	Projector Supply Contract	Confidentiality agreement
Supply Contract	An American company	1 year from 2011.3.15 with automatic renewal	Projector Supply Contract	Confidentiality agreement
Supply Contract	A Japanese company	1 year from 2011.08.1 with automatic renewal	Projector Supply Contract	Confidentiality agreement
Supply Contract	A Korean company	2011.7.20 ~ 2012.7.19 with automatic renewal	LCD Module Supply Contract	Confidentiality agreement
Supply Contract	A U.S. company	5 year from 2012.11.23 with automatic renewal	Projector Supply Contract	Confidentiality agreement
Supply Contract	A Indian company	2014.9.25 ~ until any party terminates the contract	Backlight Module Supply Contract	Confidentiality agreement
Supply Contract	A Korean company	1 year from 2015.6.1 with automatic renewal	LCD Module Supply Contract	Confidentiality agreement/ Not transferrable
Supply Contract	A Taiwanese company	Effective from 2016.1.1	Projector Supply Contract	None

Six. Financial Summary

I. Summary balance sheet and statement of comprehensive income for the last 5 years

(I) Summary balance sheet for the last 5 years

1. IFRS-compliance (consolidated)

Unit: NT\$ 1,000

Item		Financial information for the latest 5 years (Note 1)					Year-to-date Financial information as at March 31 (Note 2)	
		Year	12.31.2015	12.31.2016	12.31.2017	12.31.2018		12.31.2019
Current assets			43,551,624	41,440,028	43,944,704	39,983,296	38,979,695	35,008,955
Long-term investments (Note 3)			384,790	413,088	315,029	379,924	505,815	450,167
Property, plant and equipment			8,888,079	7,543,772	6,760,253	6,551,312	6,930,269	6,955,152
Intangible assets			131,426	120,774	171,728	156,402	281,674	281,846
Other assets			892,498	835,767	827,295	966,271	2,625,667	2,639,381
Total assets			53,848,417	50,353,429	52,019,009	48,037,205	49,323,120	45,335,501
Current liabilities	Before dividend		27,583,117	26,187,830	27,747,440	23,195,844	23,872,451	21,017,482
	After dividend		28,397,660	27,056,676	28,833,498	24,716,325	24,741,297 (Note 4)	21,017,482 (Note 4)
Non-current liabilities			603,288	410,924	724,908	575,708	1,898,109	1,887,701
Total liabilities	Before dividend		28,186,405	26,598,754	28,472,348	23,771,552	25,770,560	22,905,183
	After dividend		29,000,948	27,467,600	29,558,406	25,292,033	26,639,406 (Note 4)	22,905,183 (Note 4)
Equity attributable to parent company shareholders			23,270,527	21,633,095	21,532,101	22,205,213	21,383,195	20,325,746
Share capital			5,430,289	4,344,231	4,344,231	4,344,231	4,344,231	4,344,231
Capital reserve			4,624,208	4,627,479	4,092,423	4,072,808	3,727,475	3,513,213
Retained earnings	Before dividend		12,339,806	13,333,015	14,288,274	15,401,992	15,673,259	15,026,674
	After dividend		11,525,263	12,464,169	13,202,216	14,533,146	15,021,624 (Note 4)	15,026,674 (Note 4)
Other equity items			876,224	(671,630)	(1,192,827)	(1,613,818)	(2,361,770)	(2,558,372)
Treasury stock			—	—	—	—	—	—
Non-controlling interests			2,391,485	2,121,580	2,014,560	2,060,440	2,169,365	2,104,572
Total equity	Before dividend		25,662,012	23,754,675	23,546,661	24,265,653	23,552,560	22,430,318
	After dividend		24,847,469	22,885,829	22,460,603	22,745,172	22,683,714 (Note 4)	22,430,318 (Note 4)

Note 1: All consolidated financial information in the last 5 years has been audited.

Note 2: Consolidated financial information for the first quarter of 2020 was auditor-reviewed.

Note 3: Long-term investments include financial assets at fair value through profit or loss - non-current, financial assets at fair value through other comprehensive income - non-current and equity-accounted investments.

Note 4: Cash dividend from 2019 earnings was resolved and passed during the board of directors meeting dated March 16, 2020.

2. IFRS-compliance (standalone)

Unit: NT\$ 1,000

Item	Year	Financial information for the latest 5 years (Note 1)				
		12.31.2015	12.31.2016	12.31.2017	12.31.2018	12.31.2019
Current assets		11,744,630	12,359,671	9,493,077	12,109,159	8,011,769
Long-term investments (Note 2)		22,509,451	22,623,243	24,299,439	24,441,658	24,385,495
Property, plant and equipment		1,308,578	1,285,461	1,213,970	1,338,638	1,692,769
Intangible assets		26,703	28,117	33,210	33,653	27,041
Other assets		132,804	132,507	130,911	173,966	902,789
Total assets		35,722,166	36,428,999	35,170,607	38,097,074	35,019,863
Current liabilities	Before dividend	11,968,159	14,542,410	13,460,310	15,428,197	12,785,192
	After dividend	12,782,702	15,411,256	14,546,368	16,948,678	13,654,038(Note 3)
Non-current liabilities		483,480	253,494	178,196	463,664	851,476
Total liabilities	Before dividend	12,451,639	14,795,904	13,638,506	15,891,861	13,636,668
	After dividend	13,266,182	15,664,750	14,724,564	17,412,342	14,505,514(Note 3)
Equity attributable to parent company shareholders		23,270,527	21,633,095	21,532,101	22,205,213	21,383,195
Share capital		5,430,289	4,344,231	4,344,231	4,344,231	4,344,231
Capital reserve		4,624,208	4,627,479	4,092,423	4,072,808	3,727,475
Retained earnings	Before dividend	12,339,806	13,333,015	14,288,274	15,401,992	15,673,259
	After dividend	11,525,263	12,464,169	13,202,216	14,533,146	15,021,624(Note 3)
Other equity items		876,224	(671,630)	(1,192,827)	(1,613,818)	(2,361,770)
Treasury stock		—	—	—	—	—
Non-controlling interests		—	—	—	—	—
Total equity	Before dividend	23,270,527	21,633,095	21,532,101	22,205,213	21,383,195
	After dividend	22,455,984	20,764,249	20,446,043	20,684,732	20,514,349(Note 3)

Note 1: All standalone financial information in the last 5 years has been audited.

Note 2: Long-term investments include financial assets at fair value through profit or loss - non-current, financial assets at fair value through other comprehensive income - non-current and equity-accounted investments.

Note 3: Cash dividend from 2019 earnings was resolved and passed during the board of directors meeting dated March 16, 2020.

(II) Summary statement of comprehensive income in the last 5 years

1. IFRS-compliance (consolidated)

Unit: NT\$ 1,000

Year Item	Financial information for the latest 5 years (Note 1)					
	2015	2016	2017	2018	2019	Year-to-date March 31, 2020 (Note 2)
Net Sales	68,160,042	57,057,665	53,105,303	55,672,933	48,711,259	8,368,637
Gross profit	9,383,555	9,534,318	9,090,518	10,369,870	8,806,446	1,324,163
Operating Income (loss)	2,015,652	1,972,130	1,731,281	2,301,619	1,201,103	(189,355)
Non-operating income and expenses	681,809	688,751	491,101	565,702	500,809	190,596
Income before tax	2,697,461	2,660,881	2,222,382	2,867,321	1,701,912	1,241
Continuing operations - current net income	—	—	—	—	—	—
Loss from discontinued operations	—	—	—	—	—	—
Net income (loss)	1,955,209	1,826,093	1,704,578	2,128,184	1,158,307	(58,256)
Other current comprehensive income	(256,613)	(1,752,169)	(488,444)	(359,410)	(800,822)	(200,185)
Total comprehensive income/loss for the current period	1,698,596	73,924	1,216,134	1,768,774	357,485	(258,441)
Net income attributable to parent company shareholders	1,905,047	1,964,534	1,750,627	2,020,219	1,153,070	5,049
Net income attributable to non-controlling interests	50,162	(138,441)	(46,049)	107,965	5,237	(63,305)
Comprehensive income attributable to parent company shareholders	1,658,491	319,958	1,302,908	1,649,136	392,161	(191,553)
Comprehensive income attributable to non-controlling interests	40,105	(246,034)	(86,774)	119,638	(34,676)	(66,888)
Earnings per share (\$)	3.51	4.01	4.03	4.65	2.65	0.01

Note 1: All consolidated financial information in the last 5 years has been audited.

Note 2: Consolidated financial information for the first quarter of 2020 was auditor-reviewed.

2. IFRS-compliance (standalone)

Unit: NT\$ 1,000

Item \ Year	Financial information for the latest 5 years (Note 1)				
	2015	2016	2017	2018	2019
Net Sales	20,901,196	21,276,306	19,561,266	19,698,298	17,837,272
Gross profit (Note 2)	2,427,107	2,802,593	2,747,442	2,995,651	2,727,735
Operating Income (loss)	(48,888)	96,854	153,691	(259,401)	(447,700)
Non-operating income and expenses	2,096,840	2,044,764	1,642,478	2,292,184	1,677,599
Income before tax	2,047,952	2,141,618	1,796,169	2,032,783	1,229,899
Current net income from continuing operations	1,905,047	1,964,534	1,750,627	2,020,219	1,153,070
Loss from discontinued operations	—	—	—	—	—
Net income (loss)	1,905,047	1,964,534	1,750,627	2,020,219	1,153,070
Other current comprehensive income	(246,556)	(1,644,576)	(447,719)	(371,083)	(760,909)
Total comprehensive income/loss for the current period	1,658,491	319,958	1,302,908	1,649,136	392,161
Net income attributable to parent company shareholders	—	—	—	—	—
Net income attributable to non-controlling interests	—	—	—	—	—
Comprehensive income attributable to parent company shareholders	—	—	—	—	—
Comprehensive income attributable to non-controlling interests	—	—	—	—	—
Earnings per share (\$)	3.51	4.01	4.03	4.65	2.65

Note 1: All standalone financial information in the last 5 years has been audited.

Note 2: Includes realized (unrealized) gains with associated companies.

(III) Names of financial statement auditors in the last 5 years and audit opinions

Year	Name of accounting firm	Name of CPA	Audit opinion
2015	Ernst & Young	Hsin-Min Hsu, James Wang	Unqualified opinion
2016	Ernst & Young	Hsin-Min Hsu, James Wang	Unqualified opinion
2017 (Note 1)	Ernst & Young	Hsin-Min Hsu, Hans Chen	Unqualified opinion
2018	Ernst & Young	Hsin-Min Hsu, Hans Chen	Unqualified opinion
2019	Ernst & Young	Hsin-Min Hsu, Hans Chen	Unqualified opinion

Note 1: CPA Hsin-Min Hsu and CPA Hans Chen were re-appointed as auditors on April 26, 2017 following an organizational adjustment within Ernst & Young.

II. Financial analysis for the last 5 years

1. IFRS-compliance (consolidated)

Year Analysis Item		Financial analysis for the last 5 years (Note 1)					
		2015	2016	2017	2018	2019	Year-to-date March 31, 2020 (Note 2)
Financial position (%)	Debt to assets ratio	52.34	52.82	54.74	49.49	52.25	50.51
	Long-term capital to property, plant and equipment ratio	268.61	292.22	329.23	347.73	335.94	319.38
Solvency (%)	Current ratio	157.89	158.24	158.37	172.37	163.28	166.57
	Quick ratio	129.88	129.06	127.79	136.31	135.66	136.70
	Interest coverage ratio	18.90	27.01	13.54	12.70	5.90	1.02
Operating efficiency	Accounts receivable turnover (times)	3.41	3.04	3.10	3.66	3.81	3.34
	Average cash collection days	107	120	118	100	96	109
	Inventory turnover (times)	8.06	6.25	5.48	5.36	5.24	4.29
	Accounts payable turnover (times)	3.78	3.46	3.47	4.08	4.49	3.83
	Average inventory turnover days	45	58	67	68	70	85
	Property, plant and equipment turnover (times)	7.42	6.95	7.43	8.37	7.23	4.82
	Total asset turnover (times)	1.25	1.10	1.04	1.11	1.00	0.71
Profitability (%)	Return on assets	3.71	3.93	3.71	4.43	2.94	0.54
	Return on equity	8.13	8.75	8.11	9.24	5.29	0.10
	Pre-tax profit to paid-up capital	49.67	61.25	51.16	66.00	39.18	0.11
	Net profit margin	2.87	3.20	3.21	3.82	2.38	(0.70)
	Earnings per share (\$)	3.51	4.01	4.03	4.65	2.65	0.01
Cash flow (%)	Cash flow ratio	4.50	10.05	10.77	15.54	21.08	2.97
	Cash flow adequacy ratio	85.06	136.98	151.46	153.42	132.86	163.73
	Cash reinvestment ratio	—	5.67	6.54	7.54	13.17	—
Degree of leverage	Operating leverage	1.97	1.82	1.88	1.63	2.25	(0.88)
	Financial leverage	1.08	1.05	1.11	1.12	1.31	0.72

Please elaborate reasons for changes in financial ratio in the last 2 years. (unnecessary if the variation was less than 20%)

- Interest coverage ratio decreased mainly due to lower profit before tax.
- Return on assets decreased mainly due to lower net income.
- Return on equity decreased mainly due to lower net income.
- Pre-tax profit to paid-up capital decreased mainly due to lower profit before tax.
- Earnings per share (\$) decreased mainly due to lower net income.
- Cash flow ratio increased mainly due to higher net cash inflow from operating activities.
- Cash reinvestment ratio increased mainly due to higher net cash inflow from operating activities.
- Degree of operating leverage increased mainly due to lower operating profits.
- Degree of financial leverage increased mainly due to higher interest expenses.

Note 1: All consolidated financial information in the last 5 years has been audited.

Note 2: Consolidated financial information for the first quarter of 2020 was auditor-reviewed.

2. IFRS-compliance (standalone)

Analysis Item		Year	Financial analysis for the last 5 years (Note 1)			
		2015	2016	2017	2018	2019
Financial position (%)	Debt to assets ratio	34.86	40.62	38.78	41.71	38.94
	Long-term capital to property, plant and equipment ratio	1,803.39	1,702.63	1,788.37	1,693.43	1,313.51
Solvency (%)	Current ratio	98.13	84.99	70.53	78.49	62.66
	Quick ratio	84.76	72.51	60.10	69.51	55.90
	Interest coverage ratio	36.78	56.04	19.26	12.01	5.87
Operating efficiency	Accounts receivable turnover (times)	2.99	2.44	2.23	2.61	2.80
	Average cash collection days	122	149	163	140	130
	Inventory turnover (times)	12.52	11.43	10.92	12.70	14.51
	Accounts payable turnover (times)	4.39	3.49	3.09	3.14	3.85
	Average inventory turnover days	29	32	33	29	25
	Property, plant and equipment turnover (times)	15.58	16.40	15.65	15.43	11.77
	Total asset turnover (times)	0.60	0.59	0.55	0.54	0.49
Profitability (%)	Return on assets	5.59	5.48	5.12	5.93	3.71
	Return on equity	8.13	8.75	8.11	9.24	5.29
	Pre-tax profit to paid-up capital	37.71	49.30	41.35	46.79	28.31
	Net profit margin	9.12	9.23	8.95	10.26	6.48
	Earnings per share (\$)	3.51	4.01	4.03	4.65	2.65
Cash flow (%)	Cash flow ratio	2.42	0.19	12.61	16.57	—
	Cash flow adequacy ratio	5.76	19.13	55.43	91.94	57.08
	Cash reinvestment ratio	—	—	3.14	5.46	—
Degree of leverage	Operating leverage	(4.79)	3.22	2.75	(0.04)	0.70
	Financial leverage	0.46	1.67	2.78	0.58	0.64

Please elaborate reasons for changes in financial ratio in the last 2 years. (unnecessary if the variation was less than 20%)

1. Long-term capital to property, plant and equipment decreased mainly due to higher net fixed assets.
2. Current ratio decreased mainly due to lower current assets.
3. Quick ratio decreased mainly due to lower current assets.
4. Interest coverage ratio decreased mainly due to lower pre-tax profit.
5. Payables turnover increased mainly due to lower payables balance.
6. Property, plant and equipment turnover decreased mainly due to higher net value of property, plant and equipment.
7. Return on assets decreased mainly due to lower net income.
8. Return on shareholders' equity decreased mainly due to lower net income.
9. Pre-tax profit to paid-up capital decreased mainly due to lower pre-tax profit.
10. Net profit margin decreased mainly due to lower gains from equity-accounted subsidiaries, associated companies and joint ventures.
11. Earnings per share (\$) decreased mainly due to lower net income.
12. Degree of operating leverage increased mainly due to negative net balance after deducting variable operating cost and expense from operating revenue, and higher operating losses.

Note 1: All standalone financial information in the last 5 years has been audited.

Note 2: Below are the formulas used in various financial analyses.

1. Financial position
 - (1) Debt to asset ratio = total liabilities/ total assets.
 - (2) Long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.
 2. Solvency
 - (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets - inventories- prepaid expenses) / current liabilities.
 - (3) Interest coverage ratio = earnings before interest and tax / interest expenses for the current period.
 3. Operating efficiency
 - (1) Receivables turnover (including accounts receivable and notes receivable from business activities) = net sales / average receivables balance (including accounts receivable and notes receivable from business activities).
 - (2) Average cash collection days = 365 / receivables turnover.
 - (3) Inventory turnover = cost of sales/average inventory balance.
 - (4) Payables turnover (including accounts payable and notes payable for business activities) = cost of sales / average payables balance (including accounts payable and notes payable for business activities).
 - (5) Average inventory turnover days = 365 / inventory turnover.
 - (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment balance.
 - (7) Total asset turnover = net sales/average total assets.
 4. Profitability
 - (1) Return on assets = (post-tax profit or loss + interest expenses x (1- tax rate)) / average asset balance.
 - (2) Return on shareholders' equity = post-tax profit or loss/ average shareholders' equity.
 - (3) Net profit margin = post-tax profit or loss / net sales.
 - (4) Earnings per share = (net income attributable to parent company shareholders - preference dividend) / weighted average outstanding shares. (Note 3)
 5. Cash flow
 - (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
 - (2) Cash flow adequacy ratio = net cash flow from operating activities for the previous 5 years / (capital expenditure + increase in inventory + cash dividends) for the previous 5 years.
 - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital). (Note 4)
 6. Degree of leverage:
 - (1) Degree of operating leverage = (net operating revenues - variable operating costs and expenses) / operating profit (Note 5).
 - (2) Degree of financial leverage = operating profit / (operating profit - interest expense).
- Note 3: Calculation of earnings per share has taken the following factors into account:
1. Weighted average outstanding common shares are used, instead of year-end outstanding shares.
 2. Effects of cash issue or treasury stock, weighed by the number of outstanding shares and calculated for the length of time they were in circulation.
 3. Where any additional shares were issued against capitalized earnings or reserves, the full year or half-year earnings per share are adjusted retrospectively, regardless of when the additional shares were issued.
 4. For preferred shares that are cumulative and non-convertible in nature, all current year dividends (whether distributed or not) are deducted from net income, or added to net loss. For preferred shares that are non-cumulative in nature, preferred share dividends are deducted from net income, but no adjustment is required for net loss.
- Note 4: Cash flow analyses have taken the following factors into account:
1. Net cash flow from operating activities is taken from the amount presented in the cash flow statement.
 2. Capital expenditure refers to the amount of annual cash outflow spent on capital investments.
 3. Increase in inventory is used only if closing balance exceeds opening balance. The value will be substituted with zero if closing inventory balance is less than the opening balance.
 4. Cash dividends include both common and preferred share cash dividends.
 5. Gross property, plant and equipment refers to the amount before deducting accumulated depreciation.
- Note 5: The Company, as a securities issuer, is required to classify operating costs and expenses between fixed and variable portions; any estimate or subjective judgment used in the classification has to be reasonable and consistent.
- Note 6: For companies that issue shares without face value or at any face value other than NT\$10 per share, all above percentages that involve paid-up capital in the denominator shall be substituted with equity attributable to parent company shareholders instead.

III. Audit Committee's report on the review of the latest financial report

Audit Committee's Report

The Audit Committee has completed review of the 2019 financial statements prepared by the board of directors and audited by CPA Hsin-Min Hsu and CPA Hans Chen of Ernst & Young, along with the business report and earnings appropriation proposal. The Audit Committee finds no inappropriate disclosure with respect to the above, and hereby issues this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of The Company Act.

For

2020 Annual General Meeting of Coretronic Corp.

Coretronic Corp.

Audit Committee Convener: Houn-Gee Chen

April 27, 2020

- IV. Latest financial statements: Please refer to pages 144 to 274.
- V. The latest audited standalone financial statements: Please refer to pages 275 to 392.
- VI. Any financial distress experienced by the company or its affiliated enterprise and impacts on the company's financial position in the last year up till the publication date of annual report: None.
- VII. Attainment of mandatory certification by personnel involved in financial information transparency: The Company has four licensed CPAs of the Republic of China in its organization.

Seven. Review and Analysis of Financial Position and Business Performance, and Risk Management Issues

I. Financial position

Unit: NT\$ 1,000

Item	Year	2019	2018	Variation	
				Amount	%
Current assets		38,979,695	39,983,296	(1,003,601)	(2.51%)
Property, plant and equipment		6,930,269	6,551,312	378,957	5.78%
Long-term investments (Note)		505,815	379,924	125,891	33.14%
Intangible assets		281,674	156,402	125,272	80.10%
Other assets		2,625,667	966,271	1,659,396	171.73%
Total assets		49,323,120	48,037,205	1,285,915	2.68%
Current liabilities		23,872,451	23,195,844	676,607	2.92%
Long-term liabilities		183,427	287,295	(103,868)	(36.15%)
Other liabilities		1,714,682	288,413	1,426,269	494.52%
Total liabilities		25,770,560	23,771,552	1,999,008	8.41%
Share capital		4,344,231	4,344,231	—	—
Capital reserve		3,727,475	4,072,808	(345,333)	(8.48%)
Retained earnings		15,673,259	15,401,992	271,267	1.76%
Other equity items		(2,361,770)	(1,613,818)	(747,952)	46.35%
Non-controlling interests		2,169,365	2,060,440	108,925	5.29%
Total equity		23,552,560	24,265,653	(713,093)	(2.94%)
Explanation of major variations: (unnecessary if the variation was less than 20%)					
1. Long-term investments increased mainly due to increase in financial assets at fair value through other comprehensive income - non-current.					
2. Intangible assets increased mainly due to increase in other intangible assets.					
3. Other assets increased mainly due to increase in right-of-use assets.					
4. Long-term liabilities decreased mainly due to decrease in secured bank borrowing.					
5. Other liabilities increased mainly due to increase in lease liabilities - non-current.					
6. Other equity items increased mainly due to increase in cumulative translation adjustment.					

Note: Long-term investments include financial assets at fair value through profit or loss - non-current and financial assets at fair value through other comprehensive income - non-current.

II. Financial performance

(I) Comparative analysis of operating performance

Unit: NT\$ 1,000

Item \ Year	2019	2018	Variation	Variation %
Net Sales	48,711,259	55,672,933	(6,961,674)	(12.50%)
Operating costs	39,904,813	45,303,063	(5,398,250)	(11.92%)
Gross profit	8,806,446	10,369,870	(1,563,424)	(15.08%)
Operating expenses	7,605,343	8,068,251	(462,908)	(5.74%)
Operating Income	1,201,103	2,301,619	(1,100,516)	(47.81%)
Non-operating income and expenses	500,809	565,702	(64,893)	(11.47%)
Income before tax	1,701,912	2,867,321	(1,165,409)	(40.64%)
Income tax benefits (expenses)	(543,605)	(739,137)	195,532	(26.45%)
Net income	1,158,307	2,128,184	(969,877)	(45.57%)
Explanation of major variations: (unnecessary if the variation was less than 20%)				
1. Operating profits decreased mainly due to portfolio adjustments that resulted in lower gross profit.				
2. Pre-tax profit reduced mainly as a result of lower operating profit and higher financial costs.				
3. Income tax expenses reduced mainly due to lower pre-tax profit.				

(II) Sales forecast and basis: Uncertainties given rise by the trade war is expected to undermine growth of the consumer market in 2020, and limit growth to very few market sectors such as industrial automation, automotive and public information display. For the energy-saving solutions segment, the Company will continue investing into research and development of light guides, specialized optical films and high-value displays with features such as thin-and-light, energy-saving, privacy and HDR for a variety of applications from automotive, industrial automation, medicine, eSports, smart home to commercial display. The Company will also strive to explore international customers as well as the home furnishing market by leveraging advantages such as Open Cell, light guides, touchscreens, proprietary production technology and integrated business model.

As for the visual solutions segment, the Company will continue integrating core technologies in optics, mechanics, electronics, thermal and software to create new interactive visual experience for a variety of customers and applications from home entertainment, screen array, digital signboard, large public information display to smart retail. It is expected that the overall operation of the Company will aim at pursuing high profits, high values, and steady growth.

III. Cash flow

(I) Analysis of cash flow variations in the last year

Item	Year	2019	2018	Variation (%)
	Cash flow ratio		21.08	15.54
Cash flow adequacy ratio		132.86	153.42	(13.40%)
Cash reinvestment ratio		13.17	7.54	74.67%
Explanation of major variations: 1. Cash flow ratio and cash reinvestment ratio increased mainly due to higher net cash flow from operating activities in 2019.				

(II) Improvements for lack of liquidity: Not applicable.

(III) Liquidity analysis for the next year

Unit: NT\$ 1,000

Operating cash balance①	Projected net cash flow from operating activities for the year②	Expected cash outflow for the year③	Expected cash surplus (deficit) ①+②-③	Financing of expected cash deficits	
				Investment plans	Financing plans
1,511,802	2,790,691	1,460,566	2,841,927	–	–

Analysis of cash flow variation for the next year:
Net cash inflow from operating activities arose mainly as a result of profits generated from operations. Expected annual cash outflow mainly comprises cash dividends and long-term investments, which the Company is able to meet using proprietary capital.

IV. Material capital expenditures in the last year and impacts on financial/business performance: None.

V. Causes of profit or loss incurred on investments in the last year, and any improvements or investments planned for the next year:

All of the Company's investments are long-term in nature. The Company realized NT\$1,579,874,000 of gains from investment in 2019, which was attributed to the strong profitability of its invested businesses. The Company will continue making careful assessment of its investment projects in the future.

VI. Risk management

(I) Impact of interest rate, exchange rate, and inflation on the company's earnings, and response measures

1. Impact on the Company's earnings

(1) Interest rate: Interest expenses accounted for 1.49% of net sales in 2019, hence interest rate changes do not have significant impact on the Company. If interest rate changes by 1%, the Company will incur additional interest expenses of NT\$69,034,000.

(2) Exchange rate: Gain on exchange and net gain on valuation of financial assets totaled NT\$184,646,000 in 2019, which accounted for 1.04% of net sales. If NTD strengthens against USD by 1%, the Company's gross profit margin will be affected by approximately 0.16%.

- (3) Inflation: A 1% rise in inflation rate will increase the Company's expenses by about NT\$32,247,000.
2. Future response measures:
 - (1) Interest rate: The Company maintains banking relationships with numerous financial institutions and has been able to secure borrowings at advantageous rates. The Company also has dedicated personnel assigned to interact closely with financial institutions.
 - (2) Exchange rate: The Company has dedicated personnel assigned to monitor exchange rate changes and assess how these changes affect the Company.
 - (3) Inflation: The Company constantly monitors market price changes and maintains sound interaction with suppliers and customers.
- (II) Policies on high-risk and highly leveraged investments, loans to external parties, endorsements / guarantees, and trading of derivatives; describe the main causes of profit or loss incurred and future response measures
1. The Company did not engage in any transaction in 2019 that was characterized as high risk, high leverage or external party lending. The Company did, however, trade derivatives for hedging purpose, and assigned dedicated personnel and implemented systems to monitor, manage and assess risks on a regular basis.
 2. The Company offered endorsements and guarantees mainly for subsidiaries in 2019, and all transactions were carried out according to "Lending, Endorsement and Guarantee Procedures." The Company may offer endorsements/guarantees up to a maximum of NT\$21,400,917,000, and outstanding balance at the end of 2019 amounted to NT\$1,102,407,000.
 3. For details on external party lending, endorsement, guarantee and derivative transactions conducted in 2019, please refer to the 2019 audited financial statements and footnote disclosures.
- (III) Future research and development plans and projected expenses
1. Future R&D plans
 - (1) With respect to energy saving products, the Company will be focusing toward products that offer distinctive features, and continue investing into the development of specialized LCD displays to capitalize on their increasingly diverse applications. Furthermore, the Company will be researching new technologies closely in line with the market's demands to enable more advanced solutions and broader display applications such as: irregular combination video wall image blending system, world's thinnest bezel display array, interactive conference display, curved gaming display, privacy display, automotive head-up display module and energy-efficient display. Furthermore, the Company will strive to enhance software development capabilities and incorporate creative software and applications into hardware design for optimal user experience and to provide customers with the ultimate one-stop service.

- (2) The Company will be developing core technologies primarily to address market demand and solve customers' pain points. In addition to creating a comprehensive lineup of display products featuring stationary light source (laser and LED), short throw design, 4K UHD and motion flow technology, products will also be enhanced with multimedia applications, touch controls and Internet connectivity as well as useful functions such as image recognition, AI, cloud-based service and smart software. In general, the Company aims to improve system integration capabilities to create convenient user environment and new interactive experience, and promote image projection as solution for a wide range of applications from business, home entertainment, education, commercial display, digital signage, public information display, smart retail to healthcare.
2. Expected R&D expenses: The Company incurred approximately NT\$1.8 billion of R&D expense in 2019, representing 10.04% of net sales. R&D expenses for 2020 are estimated at NT\$1.7 billion, less than the previous year.
- (IV) Financial impacts and response measures in the event of changes in local and foreign regulations: None.
- (V) Financial impacts and response measures in the event of technological or industrial changes

Demand for LCD panels is growing not only in volume, but also in terms of technology and application. Since 2017, new technologies such as AMOLED and Mini /Micro LED have emerged to pose direct competition to LCD in the future. Apart from strengthening relationship with panel manufacturers and brands and targeting applications such as laptop, TV, healthcare and vehicles, the Company will also invest into the development of new markets and products as the competitive landscape changes. Non-standardized display array, world's thinnest bezel display array, commercial peep-proof display, curved gaming monitor, in-car unit display, energy-saving blue light display, HDR (Local Dimming) display and LCM module are some examples of high-value adding and high entry barrier products that the Company has targeted as means to differentiate, expand and thrive in the competitive display market.

Rapid development of LCD and LED technologies have enabled large-size LCD displays to penetrate into market segments such as home entertainment, education and business, and LED displays to be widely used for advertisement, digital signboard and public information display. However, the Company still possesses several technological advantages such as laser light source, 4K display and MCLA™ (Multi Color Laser Architecture), which enable it to offer high resolution, high brightness and vivid display solutions that are more long-lasting, more stable, easier to install and more affordable at 80 inches and above. Furthermore, the Company is exploring entry into the LED display market through strategic alliance, merger and acquisition; the new technologies acquired will prove

useful in offering products needed by the market. As cloud computing and digital contents become popular, the Company is also investing into the development of a digital content exchange platform. Support of suitable digital contents and innovative business models could increase demand for the display industry.

(VI) Crisis management, impacts, and response measures in the event of a change in corporate image: None.

(VII) Expected benefits, risks and response measures in relation to mergers and acquisitions: None.

(VIII) Expected benefits and risks associated with plant expansions

After appropriate assessment, a new strategic production site was established in Taiwan in 2019 to satisfy customers' delivery requirements. In the future, the Company will continue introducing new technologies, enhancing production procedures, improving product quality and creating market differentiation in response to changes in market supply and demand.

(IX) Risks associated with concentrated sales or purchases

Purchases from the largest supplier accounted for 10.68% of total purchase for the Company and subsidiaries. The Company maintains strong and long-term relationship with its main suppliers, and therefore is not prone to risk of concentrated purchase. The Company and subsidiaries did not sell to any single customer that accounted for more than 10% of sales in 2019, hence there was no sales concentration.

(X) Impacts and risks associated with a major transfer of shareholding by directors or shareholders with more than 10% ownership interest: None.

(XI) Impacts and risks associated with a change of management: None.

(XII) Litigation and non-contentious cases

The Company did not encounter any litigation or non-contentious case in 2019 and up till the publication date of annual report that was material to shareholders' equity or security price, whether concluded or pending judgment.

(XIII) Other significant risks and response measures

The Company has long recognized and appreciated the importance of information security, and has adopted robust network and computer security systems that are supported with rigorous audit and training practices. Faced with increasing complexity of security threats, the Company not only protects itself using advanced information security equipment and software updates, but also assigns dedicated personnel to gather and analyze data and log entries on the use of common electronic equipment such as smartphones, IOT devices and the cloud service environment.

The Company has set sustainable goals to guide information security development. An Information Security Committee has been assembled within Coretronic Group to devise information security strategies and visions to accommodate practical requirements and development prospects for all levels of operation. Below is a description of the adopted strategies:

1. A secure and trusted information environment: Adopt digital transformation, AI and new technologies and arrange information security training as means to enhance information security protection within the organization.
2. Robust information security protection: Make ongoing improvements to infrastructure and environment, and thereby establish total security protection.
3. Risk-based security protection: Adopt and renew protection measures for critical information facilities in response to new security threats.

Develop an information environment that not only supports cloud-based service, big data and AI-powered factory, but is also capable of withstanding security challenges in the cloud era, and thereby assure security of Intranet and cloud environments while enabling growth of group operations.

VII. Other important disclosures: None.

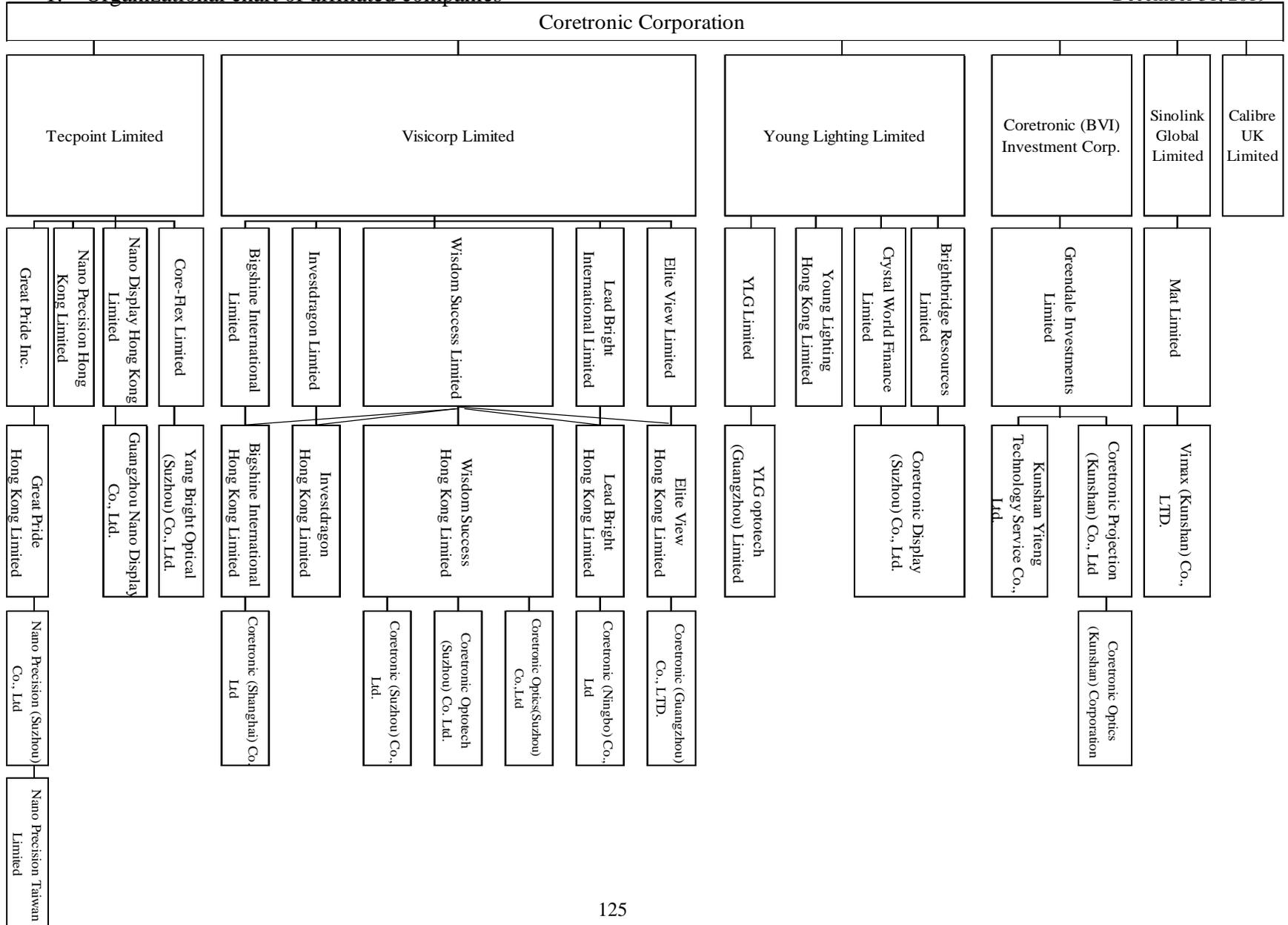
Eight.Special Disclosure

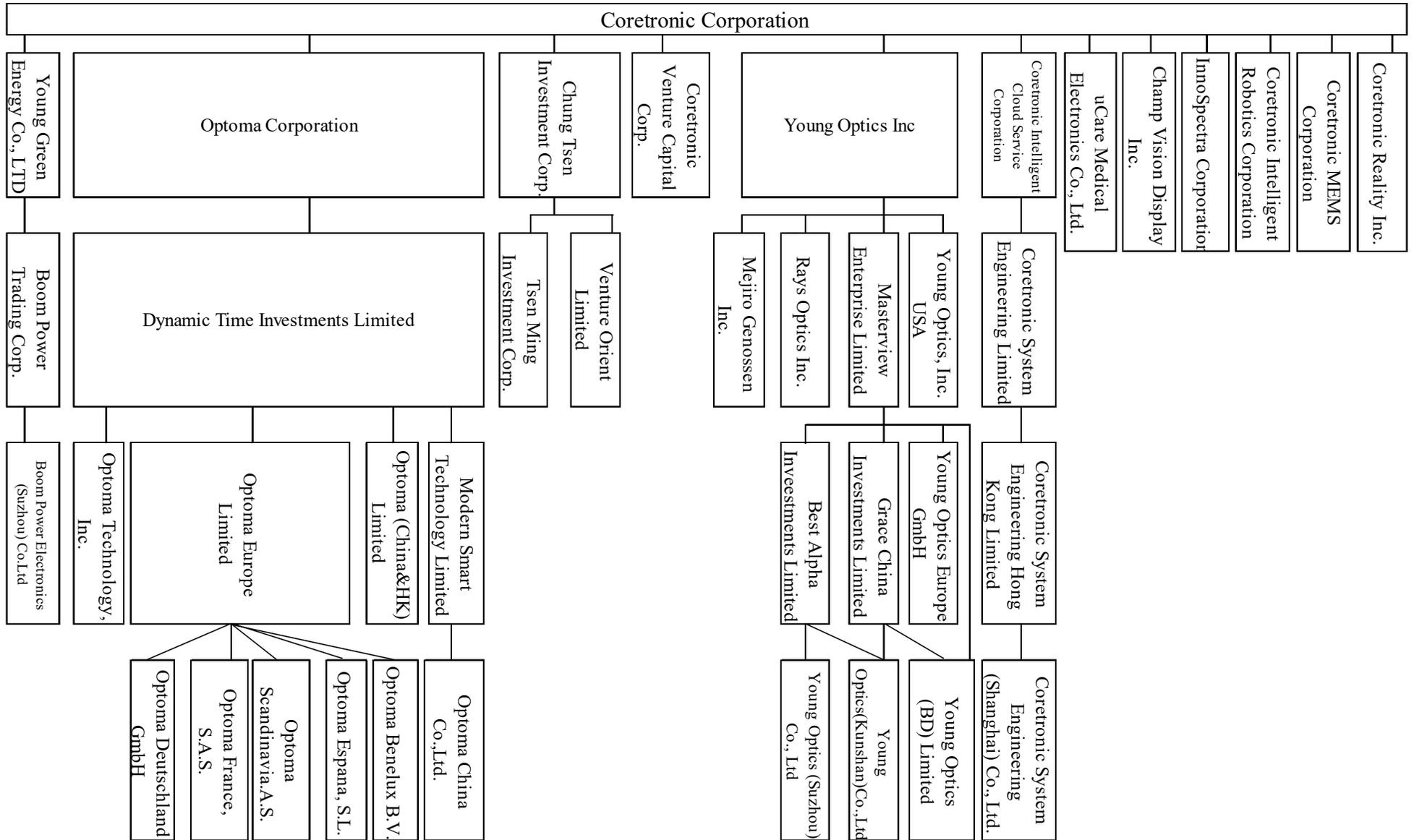
I. Information of affiliated companies

(I) Consolidated business report

1. Organizational chart of affiliated companies

December 31, 2019





Note: Consolidated shareholding in affiliated enterprises was entirely 100% except for Young Optics Inc. - 39.77%, Ray Optics Inc. - 92.50%, Mejiro Genossen Inc. - 99%, Young Optics Europe GmbH - 75%, Young Green Energy Co. - 99.91%, Core-Flex Limited - 99.36%, YLG Limited - 51%, Ucare Medical Electronics - 60.69%, Champ Vision Display Inc. - 80% and InnoSpectra Corporation - 80%.

2. Profile of affiliated enterprises

December 31, 2019

Company name	Date of establishment	Address	Paid-up capital	Main business activities or products
Tecpoint Limited	January 8, 2004	OMC Chambers, P.O. Box 3152, Road Town, Tortola, British Virgin Islands	US\$ 42,988,000	Holding company
Great Pride Inc.	October 28, 2003	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$ 11,800,000	Holding company
Great Pride Hong Kong Limited	December 15, 2008	Room 2702-03, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong	US\$ 11,000	Holding company
Nano Precision (Suzhou) Co., Ltd	March 1, 2004	No. 69, Qunxingsan Road, Suzhou Industrial Park, Suzhou	US\$ 13,300,000	Manufacturing and sale of acrylic sheets and light guides
Nano Precision Taiwan Limited	October 29, 2018	No. 5, Wenhua Road, Fengshan Village, Hukou Township, Hsinchu County	NT\$ 300,000,000	Research, development, manufacturing and sale of plastic components for precision electronics
Nano Precision Hong Kong Limited	May 2, 2008	1501 Capital Centre, 151 Gloucester Road, Wan Chai, Hong Kong	US\$ 6,800,000	Holding company
Nano Display Hong Kong Limited	April 11, 2008	1501 Capital Centre, 151 Gloucester Road, Wan Chai, Hong Kong	US\$ 7,800,000	Holding company
Guangzhou Nano Display Co., Ltd.	June 27, 2008	1F, Building 1, No. 2, Guoyuan 1st Road, East District North Section, Guangzhou Economic and Technological Development Zone	US\$ 7,800,000	Research, development, processing and manufacturing of light guides for LCD display; sale of products produced and offering of related services
Core-Flex Limited	May 24, 2006	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, 1205 Cayman Islands	US\$ 36,000,000	Holding company
Yang Bright Optical (Suzhou) Co., Ltd.	July 20, 2006	No. 69, Qunxingsan Road, Suzhou Industrial Park, Suzhou, Jiangsu	US\$ 36,000,000	Research, development, processing and manufacturing of optical films for backlight modules
Visicorp Limited	January 18, 2002	P.O. Box 3152, Road Town, Tortola, British Virgin Islands	US\$ 41,000	Holding company
Bigshine International Limited	September 22, 2004	Offshore Chambers, P.O. Box 217, Apia, Samoa	US\$ 3,000	Holding company
Bigshine International Hong Kong Limited	December 15, 2008	Room 2702-03, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong	US\$ 8,000	Holding company
Coretronic (Shanghai) Co., Ltd	May 30, 2005	Building E, No. 68, Rongjiang Road, Songjiang Export Processing Area	US\$ 8,000,000	Research, development and manufacturing of backlight modules and related parts; sale of self-produced products and offering of related after-sale and maintenance service
Investdragon Limited	April 18, 2005	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$ 212,000	Holding company

Company name	Date of establishment	Address	Paid-up capital	Main business activities or products
Investdragon Hong Kong Limited	December 15, 2008	Room 2702-03, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong	US\$ 5,000	Holding company
Wisdom Success Limited	January 2, 2002	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, 1205 Cayman Islands	US\$ 43,000	Holding company
Wisdom Success Hong Kong Limited	December 15, 2008	Room 2702-03, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong	US\$ 18,000	Holding company
Coretronic (Suzhou) Co., Ltd.	September 2, 2002	No. 68, Qunxingsan Road, Suzhou Industrial Park, Suzhou	US\$ 20,000,000	Research, development and manufacturing of backlight modules and related parts; sale of self-produced products and offering of related after-sale and maintenance service
Coretronic Optotech (Suzhou) Co. Ltd.	June 19, 2015	No. 688, Pangjin Road, Wujiang Economic and Technological Development Zone, Suzhou	US\$ 12,000,000	Research, development, production and processing of backlight modules, LCD modules, LCD TV new flat panel displays and optical components; sale of self-produced products and offering of related after-sale and maintenance service
Coretronic Optics(Suzhou) Co.,Ltd	November 23, 2017	No. 688, Pangjin Road, Wujiang Economic and Technological Development Zone, Suzhou	US\$ 10,000,000	Research, development and manufacturing of backlight modules and related parts; sale of self-produced products and offering of related after-sale and maintenance service
Lead Bright International Limited	August 8, 2005	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$ 5,000	Holding company
Lead Bright Hong Kong Limited	December 15, 2008	Room 2702-03, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong	US\$ 18,000	Holding company
Coretronic (Ningbo) Co., Ltd	January 11, 2006	No. 5, Guanshan Road, Export Processing Zone, Beilun District, Ningbo, Zhejiang	US\$ 20,000,000	Research, development and manufacturing of backlight modules and related parts; sale of self-produced products and offering of related after-sale and maintenance service
Elite View Limited	August 8, 2007	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$ 5,000	Holding company
Elite View Hong Kong Limited	December 15, 2008	Room 2702-03, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong	US\$ 13,000	Holding company
Coretronic (Guangzhou) Co., LTD.	November 27, 2007	Building 1, No. 2, Guoyuan 1st Road, East District, Guangzhou Economic and Technological Development Zone	US\$ 13,000,000	Research, development and manufacturing of backlight modules and related parts; sale of self-produced products and offering of related after-sale and maintenance service
Young Lighting Limited	March 8, 2010	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$ 3,907,000	Holding company
YLG Limited	October 29, 2010	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$ 6,000,000	Holding company

Company name	Date of establishment	Address	Paid-up capital	Main business activities or products
YLG Optotech (Guangzhou) Limited	January 24, 2011	2F, Unit A, No. 2, Guoyuan 1st Road, East District, Guangzhou Economic and Technological Development Zone	US\$ 6,000,000	Research, development, processing and manufacturing of display components; sale of self-produced products and offering of after-sale service
Young Lighting Hong Kong Limited	March 24, 2010	Room 2702-03, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong	US\$ 847,000	Holding company
Brightbridge Resources Limited	March 26, 2009	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$ 29,500,000	Holding company
Crystal World Finance Limited	September 21, 2001	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$ 22,258,000	Holding company
Coretronic Display (Suzhou) Co., Ltd.	February 22, 2002	No. 828, Pangjin Road, Wujiang Economic and Technological Development Zone, Suzhou	US\$ 51,758,000	Research, development and manufacturing of display modules and related parts; sale of self-produced products and offering of related after-sale and maintenance service
Coretronic (BVI) Investment Corp.	June 16, 2000	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	US\$ 47,220,000	Holding company
Greendale Investments Limited	February 2, 2005	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$ 46,000	Holding company
Kunshan Yiteng Technology Service Co., Ltd.	June 17, 2003	No. 20, Third Avenue, Kunshan Comprehensive Free Trade Zone, Kunshan, Jiangsu	US\$ 400,000	Maintenance and technical service of LCD monitors
Coretronic Projection (Kunshan) Co., Ltd	June 10, 2005	No. 20, Third Avenue, Kunshan Comprehensive Free Trade Zone, Kunshan, Jiangsu	US\$ 46,000,000	Research, development, processing and manufacturing of digital projectors, LCD monitors and related parts; sale of self-produced products and offering of after-sale and maintenance service
Coretronic Optics (Kunshan) Corporation	June 2, 2017	No. 18, Third Avenue, Kunshan Comprehensive Free Trade Zone, Kunshan, Jiangsu	RMB 42,000,000	Production and sale of projector modules products and spectrometers
Sinolink Global Limited	July 12, 2002	P.O. Box 3152, Road Town, Tortola, British Virgin Islands	US\$ 1,000	Holding company
Mat Limited	October 8, 2002	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$ 1,000	Holding company
Vimax (Kunshan) Co., LTD.	June 13, 2001	No. 388, Sanjia Road, Zhangpu Town, Kunshan City, Jiangsu Province, China	US\$ 1,800,000	Design, research, development and production of projectors; sale of self-produced products and offering of after-sale and maintenance service for self-produced and non-self produced products
Young Green Energy Co., LTD	December 14, 1999	No. 5, Wenhua Road, Fengshan Village, Hukou Township, Hsinchu County	NT\$ 188,500,000	Manufacturing, wholesaling and retailing of electronic components, battery, PC and accessories, and electronic materials

Company name	Date of establishment	Address	Paid-up capital	Main business activities or products
Boom Power Trading Corporation	June 9, 2000	P.O. Box 3152, Road Town, Tortola, British Virgin Islands	US\$ 1,000,000	Holding company
Boom Power Electronics (Suzhou) Co., Ltd.	December 19, 2000	No. 388, Sanjia Road, Zhangpu Town, Kunshan City, Jiangsu Province, China	US\$ 1,000,000	Research, development, production and sale of CCFL drivers and related products
Calibre UK Limited	October 18, 1990	Cornwall House, Cornwall Terrace, Bradford, West Yorkshire, BD8 7JS	GBP 100,000	Research, development, design, manufacturing and sale of image control products
Optoma Corporation	January 9, 2002	12F, No. 213, Section 3, Beixin Road, Xindian District, New Taipei City	NT\$ 584,620,000	Manufacturing, sale, design and international trading of data storage and processing equipment, electronic components, optical instruments, radio communication equipment and appliances.
Dynamic Time Investments Limited	January 2, 2002	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands	US\$ 15,000	Holding company
Optoma Technology, Inc.	May 31, 1995	47697 Westinghouse Drive Fremont, CA 94539, USA	US\$ 8,250,000	Marketing and after-sale service
Optoma Europe Limited	July 7, 1997	1 Bourne End Mills, Hemel Hempstead, England, HP1 2UJ	GBP 1,200,000	Marketing and after-sale service
Optoma Deutschland GmbH	October 7, 1997	WIESENSTRASSE 21, A1, D40549 Düsseldorf, Germany	EUR 958,000	Marketing and after-sale service
Optoma France, S.A.S.	July 1, 2002	Batiment E, 81-83 Avenue Edouard Vaillant, Boulogne Billancourt, France 92100	EUR 100,000	Marketing and after-sale service
Optoma Scandinavia AS	March 17, 2003	Kniveveien 29, Postboks 9515, 3036 Drammen, Norway	NOK 100,000	Marketing and after-sale service
Optoma Espana, S.L.	June 5, 2008	C/ José Hierro, 36 Of. 1C, Edificio Atrio, 28522 Rivas VaciaMadrid, Spain	EUR 103,000	Marketing and after-sale service
Optoma Benelux B.V.	October 15, 2009	Europalaan 770-D, 1363 BM in Almere, The Netherlands	EUR 18,000	Marketing and after-sale service
Optoma (China & H.K.) Limited	September 23, 1996	Unit A, 4/F., Reality Tower, 4 Sun On Street, Chai Wan, Hong Kong	HKD 2,400,000	Marketing and after-sale service
Modern Smart Technology Limited	February 12, 2002	Vistra Corporate Service Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	US\$ 1,200,000	Holding company
Optoma China Co.,Ltd.	June 6, 2002	Room 302, Xin Kang Building, No. 28, Jia Feng Road Wai Gao Qiao Free Trade Zone, Shanghai 200131	US\$ 1,200,000	Marketing and after-sale service

Company name	Date of establishment	Address	Paid-up capital	Main business activities or products
Chung Tsen Investment Corp.	December 11, 2002	12F, No. 225, Section 3, Beixin Road, Xindian District, New Taipei City	NT\$ 1,270,997,000	Strategic alliance and investment activities within group
Tsen Ming Investment Corp.	November 9, 2005	12F, No. 225, Section 3, Beixin Road, Xindian District, New Taipei City	NT\$ 324,432,000	Strategic alliance and investment activities within group
Venture Orient Limited	October 18, 2002	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$ 6,000	Holding company
Coretronic Venture Capital Corp.	March 2, 2011	12F, No. 225, Section 3, Beixin Road, Xindian District, New Taipei City	NT\$ 300,000,000	Investment activities relating to business expansion
Young Optics Inc.	February 18, 2002	No. 7, Xinan Road, Hsinchu Science Park, Hsinchu City	NT\$ 1,140,598,000	Research, design, manufacturing and sale of optical components, optical engines and key parts
Mejiro Genossen Inc.	June 24, 2016	2-10-12, Akatsuka Shinmachi, Itabashi-ku, Tokyo	JPY 65,000,000	Research, development, manufacturing and sale of optical machinery
Rays Optics Inc.	July 22, 2004	6F-1, No. 168, Section 2, Fuxing 3rd Road, Zhongxing Li, Zhubei City, Hsinchu County	NT\$ 100,000,000	Manufacturing and trading of optical instruments and electronic components
Best Alpha Investments Limited	January 8, 2003	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$ 1,000,000	Holding company
Young Optics (Suzhou) Co., Ltd	September 3, 2003	No. 68, Qunxingsan 3rd Road, Suzhou Industrial Park, Suzhou, Jiangsu	US\$ 1,000,000	Research, development and manufacturing of optical engines and optical/electronic instruments
Masterview Enterprises Limited	July 1, 2003	Clarence Thomas Building P.O. Box 4649 Road Town Tortola Virgin Islands, British	US\$ 6,000,000	Holding company
Grace China Investments Limited	February 2, 2001	P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman , KY-1205 Cayman Islands	US\$ 8,156,000	Holding company
Young Optics (Kunshan) Co., Ltd	April 26, 2001	No. 20, Third Avenue, Kunshan Comprehensive Free Trade Zone, Jiangsu	US\$ 22,200,000	Research, development and manufacturing of optical engines and optical/electronic instruments
Young Optics Inc. USA	October 31, 2005	20651 Golden Springs DR., #328, Diamond Bar, CA 91789, USA	US\$ 50,000	Maintenance service
Young Optics Europe GmbH	April 2, 2015	Heimstättenstr. 24, D-07749 Jena, Germany	EUR 25,000	Manufacturing and sale of 3D printers
Young Optics (BD) Limited	December 12, 2011	Plot#104, 105, 124 & 125, DEPZ (Extension Area) Ashulia, Savar-1349, Dhaka, Bangladesh	BDT 666,005,000	Manufacturing of optical components
Coretronic Intelligent Cloud Service Corporation	April 15, 2010	4F, No. 11, Lixing Road, Hsinchu Science Park, Hsinchu City	NT\$ 150,000,000	Platform development for cloud computing, IT, new media and smart applications

Company name	Date of establishment	Address	Paid-up capital	Main business activities or products
Coretronic System Engineering Limited	May 4, 2010	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	US\$ 1,500,000	Holding company
Coretronic System Engineering Hong Kong Limited	May 11, 2010	1501 Capital Centre, 151 Gloucenser Road, Wan Chai, Hong Kong	US\$ 1,500,000	Holding company
Coretronic System Engineering (Shanghai) Co., Ltd.	September 1, 2010	Room 502, 5F, Building 1, No. 1205, Kaixuan Road, Changning District, Shanghai	US\$ 1,500,000	Offering of smart construction service and supporting measures as a contractor
uCare Medical Electronics Co., Ltd.	June 9, 2017	3F, No. 2, Ke Bei 5th Road (Hsinchu Science Park), Chunan Township, Miaoli County	NT\$ 100,000,000	Research, development, design, manufacturing and sale of smart fitness/healthcare system, hardware and software
Champ Vision Display Inc.	July 11, 2017	3F, No. 2, Ke Bei 5th Road (Hsinchu Science Park), Chunan Township, Miaoli County	NT\$ 180,000,000	Research, development, design, manufacturing and sale of innovative smart displays and integrated software/hardware solutions
Coretronic Intelligent Robotics Corporation	November 10, 2017	4F, No. 11, Lixing Road, Hsinchu Science Park, Hsinchu City	NT\$ 150,000,000	Research, development, manufacturing and sale of commercial unmanned aircraft system and intelligent robots
InnoSpectra Corporation	December 1, 2017	4F, No. 11, Lixing Road, Hsinchu Science Park, Hsinchu City	NT\$ 60,000,000	Research, development and sale of spectrometers and related solutions
Coretronic MEMS Corporation	July 23, 2019	10F-6, No. 65, Gaotie 7th Road, Zhubei City, Hsinchu County	NT\$ 180,000,000	Research, development, design, manufacturing and sale of MEMS sensors, sensor modules and solutions
Coretronic Reality Inc.	November 12, 2019	No. 5, Wenhua Road, Fengshan Village, Hukou Township, Hsinchu County	NT\$ 100,000,000	Research, development, manufacturing and sale of wearable and embedded projector display, system solutions and related technologies and products

3. Common shareholders in controlling and controlled companies: None.

4. Businesses covered by affiliated enterprises

The Company and affiliated enterprises are primarily involved in the supply of "backlight modules" and "projectors", while some affiliated enterprises specialize in "investments" and "smart solutions". Together, they support each other in terms of technology, production capacity, marketing and service, creating the synergies needed to drive the Company forward toward maintaining leading position in global markets.

5. Directors, supervisors, and President of affiliated enterprises

December 31, 2019

Company name	Position	Name or name of representative	Shareholding	
			Shares	Shareholding percentage
Tecpoint Limited	Director	Wade Chang (representative of the Company)	33,556,599	78.06%
Great Pride Inc.	Director	Wade Chang (representative of Tecpoint Limited)	11,800,000	100.00%
Great Pride Hong Kong Limited	Director	Wade Chang (representative of Great Pride Inc)	11,800	100.00%
Nano Precision (Suzhou) Co., Ltd	Director	Ken Wang (Representative of Great Pride Hong Kong Limited)	—	100.00%
	Supervisor	Franck Ho (Representative of Great Pride Hong Kong Limited)	—	100.00%
Nano Precision Taiwan Limited	Director	Fleming Chuang (Representative of Nano Precision (Suzhou) Co., Ltd)	—	100.00%
	Director	Ken Wang (Representative of Nano Precision (Suzhou) Co., Ltd)	—	100.00%
	Director	Franck Ho (Representative of Nano Precision (Suzhou) Co., Ltd)	—	100.00%
	Supervisor	Daisy Lin (Representative of Nano Precision (Suzhou) Co., Ltd)	—	100.00%
Nano Precision Hong Kong Limited	Director	Sarah Lin (Representative of Tecpoint Limited)	6,800,000	100.00%
Nano Display Hong Kong Limited	Director	Sarah Lin (Representative of Tecpoint Limited)	7,800,000	100.00%
Guangzhou Nano Display Co., Ltd.	Director	Dino Wang (Representative of Nano Display Hong Kong Limited)	—	100.00%
	Supervisor	Franck Ho (Representative of Nano Display Hong Kong Limited)	—	100.00%
Core-Flex Limited	Director	Sarah Lin (Representative of Tecpoint Limited)	213,260,000	94.36%
Yang Bright Optical (Suzhou) Co., Ltd.	Director	Dino Wang (Representative of Core-Flex Limited)	—	100.00%
	Supervisor	Franck Ho (Representative of Core-Flex Limited)	—	100.00%
Visicorp Limited	Director	Wade Chang (representative of the Company)	40,781	100.00%
Bigshine International Limited	Director	Sarah Lin (Representative of Visicorp Limited)	3,000	100.00%
Bigshine International Hong Kong Limited	Director	Sarah Lin (Representative of Bigshine International Limited)	3,000	37.50%
Coretronic (Shanghai) Co., Ltd	Chairman	Sara Lin (Representative of Bigshine International Hong Kong Limited)	—	100.00%
	Supervisor	Franck Ho (Representative of Bigshine International Hong Kong Limited)	—	100.00%
Investdragon Limited	Director	Sarah Lin (Representative of Visicorp Limited)	212,000	100.00%
Investdragon Hong Kong Limited	Director	Sarah Lin (Representative of Investdragon Limited)	3,000	60.00%
Wisdom Success Limited	Director	Wade Chang (Representative of Visicorp Limited)	43,300	100.00%
Wisdom Success Hong Kong Limited	Director	Wade Chang (Representative of Wisdom Success Limited)	18,000	100.00%
Coretronic (Suzhou) Co. Ltd.	Director	Dino Wang (Representative of Wisdom Success Hong Kong Limited)	—	100.00%
	Supervisor	Franck Ho (Representative of Wisdom Success Hong Kong Limited)	—	100.00%
Coretronic Optotech (Suzhou) Co. Ltd.	Director	Dino Wang (Representative of Wisdom Success Hong Kong Limited)	—	100.00%
	Supervisor	Franck Ho (Representative of Wisdom Success Hong Kong Limited)	—	100.00%
Coretronic Optics(Suzhou) Co.,Ltd	Director	Dino Wang (Representative of Wisdom Success Hong Kong Limited)	—	100.00%
	Supervisor	Franck Ho (Representative of Wisdom Success Hong Kong Limited)	—	100.00%
Lead Bright International Limited	Director	Sarah Lin (Representative of Visicorp Limited)	4,700	100.00%
Lead Bright Hong Kong Limited	Director	Sarah Lin (Representative of Lead Bright International Limited)	4,700	26.11%

Company name	Position	Name or name of representative	Shareholding	
			Shares	Shareholding percentage
Coretronic (Ningbo) Co., Ltd	Director	Dino Wang (Representative of Lead Bright Hong Kong International Limited)	—	100.00%
	Supervisor	Franck Ho (Representative of Lead Bright Hong Kong International Limited)	—	100.00%
Elite View Limited	Director	Sarah Lin (Representative of Visicorp Limited)	5,000	100.00%
Elite View Hong Kong Limited	Director	Sarah Lin (Representative of Elite View Limited)	5,000	38.46%
Coretronic (Guangzhou) Co., LTD.	Director	Dino Wang (Representative of Elite View Hong Kong Limited)	—	100.00%
	Supervisor	Franck Ho (Representative of Elite View Hong Kong Limited)	—	100.00%
Young Lighting Limited	Director	Sarah Lin (Representative of Coretronic Corporation)	3,907,000	100.00%
YLG Limited	Director	Sarah Lin (Representative of Young Lighting Limited)	3,060,000	51.00%
	Director	Edward Lin (Representative of Young Lighting Limited)	3,060,000	51.00%
	Director	Franck Ho (Representative of Young Lighting Limited)	3,060,000	51.00%
YLG Optotech (Guangzhou) Limited	Director	Sarah Lin (Representative of YLG Limited)	—	100.00%
	Director	Edward Lin (Representative of YLG Limited)	—	100.00%
	Director	Franck Ho (Representative of YLG Limited)	—	100.00%
	Supervisor	Max Lee (Representative of YLG Limited)	—	100.00%
Young Lighting Hong Kong Limited	Director	Sarah Lin (Representative of Young Lighting Limited)	847	100.00%
Brightbridge Resources Limited	Director	Sarah Lin (Representative of Wisdom Success Limited)	29,500,000	100.00%
Crystal World Finance Limited	Director	Sarah Lin (Representative of Wisdom Success Limited)	22,258,000	100.00%
Coretronic Display (Suzhou) Co., Ltd.	Director	Dino Wang (Representative of Brightbridge Resources and Crystal World Finance)	—	100.00%
	Supervisor	Franck Ho (Representative of Brightbridge Resources and Crystal World Finance)	—	100.00%
Coretronic (BVI) investment Corp.	Director	Wade Chang (representative of the Company)	47,220,000	100.00%
Greendale Investments Limited	Director	Wade Chang (Representative of Coretronic (BVI) Investment Corp.)	46,400	100.00%
Kunshan Yiteng Technology Service Co., Ltd.	Director	Yunu Lin (Representative of Greendale Investments Limited)	—	100.00%
	Supervisor	Franck Ho (Representative of Greendale Investments Limited)	—	100.00%
Coretronic Projection (Kunshan) Co., Ltd	Director	CY Lin (Representative of Greendale Investments Limited)	—	100.00%
	Supervisor	Franck Ho (Representative of Greendale Investments Limited)	—	100.00%
Coretronic Optics (Kunshan) Corporation	Director	CY Lin (Representative of Coretronic Projection (Kunshan) Co., Ltd)	—	100.00%
	Supervisor	Franck Ho (Representative of Coretronic Projection (Kunshan) Co., Ltd)	—	100.00%
Sinolink Global Limited	Director	Wade Chang (representative of the Company)	980	100.00%
Mat Limited	Director	SY Chen (Representative of Sinolink Global Limited)	980	100.00%
Vimax (Kunshan) Co., LTD.	Director	Yunu Lin (Representative of Mat Limited)	—	100.00%
	Supervisor	Franck Ho (Representative of Mat Limited)	—	100.00%
Young Green Energy Co., LTD	Chairman	SY Chen (Representative of the Company)	18,833,220	99.91%
	Director	Wilson Hsu (Representative of the Company)	18,833,220	99.91%
	Director	Fred Huang (Representative of the Company)	18,833,220	99.91%

Company name	Position	Name or name of representative	Shareholding	
			Shares	Shareholding percentage
	Supervisor	Franck Ho	18,833,220	99.91%
Boom Power Trading Corporation	Director	SY Chen (Representative of Young Green Energy Co., LTD)	10,000	100.00%
Boom Power Electronics (Suzhou) Co., Ltd.	Director	Wilson Hsu (Representative of Boom Power Trading Corporation)	—	100.00%
	Supervisor	Franck Ho (Representative of Boom Power Trading Corporation)	—	100.00%
Calibre UK Ltd.	Director	Wen-Wei Tsai (Representative of the Company)	101,042	100.00%
	Director	Peter Fosh (Representative of the Company)	101,042	100.00%
Optoma Corporation	Chairman	SY Chen (Representative of the Company)	58,462,000	100.00%
	Director	Wade Chang (representative of the Company)	58,462,000	100.00%
	Director	Ann Wu (Representative of the Company)	58,462,000	100.00%
	Supervisor	Franck Ho (Representative of the Company)	58,462,000	100.00%
Dynamic Time Investments Limited	Director	Ann Wu (Representative of Optoma Corporation)	14,856	100.00%
Optoma Technology, Inc.	Executive Director	SY Chen (Representative of Dynamic Time Investments Ltd.)	825,000	100.00%
Optoma Europe Ltd.	Executive Director	Thierry Millet (Representative of Dynamic Time Investments Ltd.)	1,200,000	100.00%
	Director	Wade Chang (Representative of Dynamic Time Investments Ltd.)	1,200,000	100.00%
	Director	Ann Wu (Representative of Dynamic Time Investments Ltd.)	1,200,000	100.00%
	Director	SY Chen (Representative of Dynamic Time Investments Ltd.)	1,200,000	100.00%
Optoma Deutschland GmbH	Executive Director	SY Chen (Representative of Optoma Europe Limited)	—	100.00%
	Director	Thierry Millet (Representative of Optoma Europe Ltd.)	—	100.00%
Optoma France, S.A.S.	Executive Director	Thierry Millet (Representative of Optoma Europe Ltd.)	—	100.00%
Optoma Scandinavia AS	Executive Director	Thierry Millet (Representative of Optoma Europe Ltd.)	100	100.00%
	Director	Ann Wu (Representative of Optoma Europe Ltd.)	100	100.00%
Optoma Espana, S.L.	Executive Director	SY Chen (Representative of Optoma Europe Limited)	5,150,280	100.00%
	Director	Thierry Millet (Representative of Optoma Europe Limited)	5,150,280	100.00%
Optoma Benelux B.V.	Executive Director	Thierry Millet (Representative of Optoma Europe Ltd.)	18,000	100.00%
	Director	SY Chen (Representative of Optoma Europe Limited)	18,000	100.00%
Optoma (China & H.K.) Limited	Director	Ann Wu (Representative of Dynamic Time Investments Ltd.)	2,400,000	100.00%
Mordern Smart Technology Ltd.	Director	Ann Wu (Representative of Dynamic Time Investments Ltd.)	1,200,000	100.00%
Optoma China Co.,Ltd.	Director	Miranda Wang (Representative of Modern Smart Technology Ltd.)	—	100.00%
Chung Tsen Investment Corp.	Chairman	Fred Huang (Representative of the Company)	127,099,664	100.00%
	Director	Wade Chang (representative of the Company)	127,099,664	100.00%
	Director	SY Chen (Representative of the Company)	127,099,664	100.00%
	Supervisor	Franck Ho (Representative of the Company)	127,099,664	100.00%
	President	Robert Hsueh	—	—
Tsen Ming Investment Corp.	Chairman	SY Chen (Representative of Chung Tsen Investment Corp.)	32,443,180	100.00%
	Director	Sarah Lin (Representative of Chung Tsen Investment Corp.)	32,443,180	100.00%

Company name	Position	Name or name of representative	Shareholding	
			Shares	Shareholding percentage
	Director	Franck Ho (Representative of Chung Tsen Investment Corp.)	32,443,180	100.00%
	Supervisor	Max Lee (Representative of Chung Tsen Investment Corp.)	32,443,180	100.00%
Venture Orient Limited	Director	Franck Ho (Representative of Chung Tsen Investment Corp.)	5,550	100.00%
Coretronic Venture Capital Corp.	Chairman	Wade Chang (representative of the Company)	30,000,000	100.00%
	Director	SY Chen (Representative of the Company)	30,000,000	100.00%
	Director	Fred Huang (Representative of the Company)	30,000,000	100.00%
	Supervisor	Franck Ho (Representative of the Company)	30,000,000	100.00%
Young Optics Inc.	Chairman	Fred Huang	0	0%
	Director	Max Lee (Representative of the Company)	41,062,586	36.00%
	Director	Jeffrey Hsieh (Representative of Chan Ming Investment)	1,698,886	1.49%
	Director	Teddy Chuang (Representative of Chung Chan Investment)	2,596,317	2.28%
	Independent	Han-Ping Hsieh	0	0.00%
	Director			
	Independent	Frank Hong	0	0.00%
	Director			
Young Optics Inc.	Independent	Hsiang-hsun Wu	0	0.00%
	Director			
	President	Claude Hsu	362,135	0.32%
Mejiro Genossen Inc.	Chairperson	Sam Chen	30	0.60%
Rays Optics Inc.	Chairman	Claude Hsu (Representative of Young Optics Inc.)	9,250,000	92.50%
	Director	Fred Huang (Representative of Young Optics Inc.)	9,250,000	92.50%
	Director	Hsien Chi Chiu (Representative of Young Optics Inc.)	9,250,000	92.50%
	Supervisor	Cynthia Chang	6,000	0.06%
Best Alpha Investments Limited	Director	Fred Huang (Representative of Masterview Enterprises Limited)	1,000,000	100.00%
Young Optics (Suzhou) Co., Ltd	Director	Claude Hsu (Representative of Best Alpha Investments Limited)	—	100.00%
	Supervisor	Cynthia Chang	—	—
	President	Sam Tseng	—	—
Masterview Enterprises Limited	Director	Fred Huang (Representative of Young Optics Inc.)	6,000,000	100.00%
Grace China Investments Limited	Director	Fred Huang (Representative of Masterview Enterprises Limited)	8,156,458	100.00%
Young Optics (Kunshan) Co., Ltd	Executive Director	Claude Hsu (Representative of Grace China Investments Limited/ Representative of Best Alpha Investments Limited)	—	100.00%
	Supervisor	Cynthia Chang	—	—
	President	Sam Tseng	—	—
Young Optics Inc. USA (Note)	Director	Fred Huang (Representative of Young Optics Inc.)	50,000	100.00%
	Director	Claude Hsu (Representative of Young Optics Inc.)	50,000	100.00%

Company name	Position	Name or name of representative	Shareholding	
			Shares	Shareholding percentage
	Director	Cynthia Chang (Representative of Young Optics Inc.)	50,000	100.00%
Young Optics Europe GmbH	Executive Director	Uwe Carsten Brick	—	25.00%
Young Optics (BD) Limited	Director	Juice Liao (Representative of Masterview Enterprises Limited)	4,149,936	62.50%
	Executive Director	Sam Tseng (Representative of Grace China Investments Limited)	2,479,960	37.50%
Coretronic Intelligent Cloud Service Corporation	Chairman	SY Chen (Representative of the Company)	15,000,000	100.00%
	Director	Yunu Lin (Representative of the Company)	15,000,000	100.00%
	Director	Franck Ho (Representative of the Company)	15,000,000	100.00%
	Supervisor	Max Lee (Representative of the Company)	15,000,000	100.00%
	President	Yunu Lin	—	—
Coretronic System Engineering Limited	Director	Yunu Lin (Representative of Coretronic Intelligent Cloud Service Corporation)	1,500,000	100.00%
Coretronic System Engineering Hong Kong Limited	Director	Yunu Lin (Representative of Coretronic System Engineering Limited)	1,500,000	100.00%
Coretronic System Engineering (Shanghai) Co., Ltd.	Director	Yunu Lin (Representative of Coretronic System Engineering Hong Kong Limited)	—	100.00%
	Supervisor	Franck Ho (Representative of Coretronic System Engineering Hong Kong Limited)	—	100.00%
uCare Medical Electronics Co., Ltd.	Chairman	Sarah Lin	450,000	3.41%
	Director	Franck Ho (Representative of the Company)	8,000,000	60.69%
	Director	Tzu-Ruei Lien (Representative of Chi Hua Fitness Co., Ltd.)	2,273,000	17.24%
	Supervisor	Daisy Lin	—	—
Champ Vision Display Inc.	Chairman	Sarah Lin (Representative of the Company)	14,400,000	80.00%
	Director	Nick Lu (Representative of the Company)	14,400,000	80.00%
	Director	Franck Ho (Representative of the Company)	14,400,000	80.00%
	Supervisor	Max Lee (Representative of the Company)	—	—
Coretronic Intelligent Robotics Corporation	Chairman	Robert Hsueh (Representative of the Company)	15,000,000	100.00%
	Director	SY Chen (Representative of the Company)	15,000,000	100.00%
	Director	Franck Ho (Representative of the Company)	15,000,000	100.00%
	Supervisor	Max Lee (Representative of the Company)	15,000,000	100.00%
InnoSpectra Corporation	Chairman	Robert Hsueh (Representative of the Company)	4,800,000	80.00%
	Director	William Hsu (Representative of the Company)	4,800,000	80.00%
	Director	Franck Ho (Representative of the Company)	4,800,000	80.00%
	Supervisor	Max Lee (Representative of the Company)	—	—
Coretronic MEMS Corporation	Chairman	Sarah Lin (Representative of the Company)	18,000,000	100.00%
	Director	Robert Hsueh (Representative of the Company)	18,000,000	100.00%
	Director	Fleming Chuang (Representative of the Company)	18,000,000	100.00%

Company name	Position	Name or name of representative	Shareholding	
			Shares	Shareholding percentage
	Supervisor	Franck Ho (Representative of the Company)	18,000,000	100.00%
Coretronic Reality Inc.	Chairman	Fleming Chuang (Representative of the Company)	10,000,000	100.00%
	Director	SY Chen (Representative of the Company)	10,000,000	100.00%
	Director	Carol Wu (Representative of the Company)	10,000,000	100.00%
	Supervisor	Franck Ho (Representative of the Company)	10,000,000	100.00%

Note: Liquidation completed in February 2020.

(II) Performance of affiliated companies

1. Financial position and business performance of affiliated enterprises

December 31, 2019
Unit: NTD thousands

Company name	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Current net profit (loss)
Tecpoint Limited	1,288,777	3,407,474	209,846	3,197,628	0	0	204,450
Great Pride Inc.	353,764	2,511,681	0	2,511,681	0	0	186,636
Great Pride Hong Kong Limited	354	2,618,329	140,774	2,477,555	371,460	(55)	186,635
Nano Precision (Suzhou) Co., Ltd	398,734	2,816,010	436,958	2,379,052	1,532,883	241,022	173,378
Nano Precision Taiwan Limited	300,000	435,889	231,487	204,402	430,048	(106,117)	(95,336)
Nano Display(Suzhou) Co., Ltd. (Note 1)	83,944	0	0	0	43,788	(2,910)	3,746
Nano Precision Hong Kong Limited	203,864	209,846	0	209,846	0	(7)	(22,672)
Nano Precision (Nanjing) Co., Ltd. (Note 2)	203,864	0	0	0	0	(1,397)	(1,405)
Nano Display Hong Kong Limited	233,844	463,330	0	463,330	0	0	26,053
Guangzhou Nano Display Co., Ltd.	233,844	536,464	71,881	464,583	337,730	23,070	26,053
Core-Flex Limited	1,079,280	365,032	129,612	235,420	0	0	14,521
Yang Bright Optical (Suzhou) Co., Ltd.	1,079,280	362,959	(373)	363,332	25,565	1,106	14,561
Visicorp Limited	457	11,333,586	0	11,333,586	0	0	927,305
Bigshine International Limited	90	274,552	0	274,552	0	(20,149)	(22,659)
Bigshine International Hong Kong Limited	240	648,726	0	648,726	0	0	(21,177)
Coretronic (Shanghai) Co., Ltd	239,840	290,597	611	289,986	0	(4,633)	(22,594)
Investdragon Limited	6,356	71,431	70,880	551	0	0	660
Investdragon Hong Kong Limited	150	118,133	0	118,133	0	0	513
Wisdom Success Limited	1,298	9,378,273	104,588	9,273,685	5,503,662	0	834,664
Wisdom Success Hong Kong Limited	540	9,047,792	3,511,200	5,536,592	4,077,776	(5,557)	658,120
Coretronic (Suzhou) Co., Ltd	599,600	9,524,806	5,118,492	4,406,314	10,045,887	621,830	587,494
Coretronic Optotech (Suzhou) Co. Ltd.	359,760	1,802,298	978,834	823,464	1,611,683	80,736	72,150
Coretronic Optics(Suzhou) Co.,Ltd	1,551,705	5,592,528	5,640,631	(48,103)	6,802,725	237,272	249,791
Lead Bright International Limited	141	903,937	0	903,937	0	0	37,846
Lead Bright Hong Kong Limited	540	3,464,681	2,652	3,462,029	35,149	0	144,950
Coretronic (Ningbo) Co., Ltd	599,600	3,623,180	303,468	3,319,712	1,176,534	97,463	144,893
Elite View Limited	150	464,763	0	464,763	0	0	51,582
Elite View Hong Kong Limited	390	1,208,539	113	1,208,426	115	0	134,117
Coretronic (Guangzhou) Co., LTD.	389,740	1,405,125	193,727	1,211,398	678,896	94,092	134,117
Young Lighting Limited	117,132	294,388	292,701	1,687	0	0	288,864
YLG Limited	179,880	21,451	0	21,451	0	0	7,640
YLG Optotech (Guangzhou) Limited	179,880	570,390	548,971	21,419	1,476,166	14,970	7,640
Young Lighting Hong Kong Limited	25,393	7,204	0	7,204	0	0	184
Brightbridge Resources Limited	884,410	0	10,434	(10,433)	0	0	162,320
Crystal World Finance Limited	667,295	0	6,029	(6,029)	0	0	122,463
Coretronic Display (Suzhou) Co., Ltd.	1,551,705	5,592,528	5,640,631	(48,103)	6,802,725	237,272	249,791
Coretronic (BVI) Investment Corp.	14,157	4,871,754	12,832	4,858,922	0	0	242,163
Greendale Investments Limited	1,391	7,327,564	2,456,394	4,871,170	0	0	242,162
Kunshan Yiteng Technology Service Co., Ltd.	11,992	30,615	6,856	23,759	44,123	2,640	2,999
Coretronic Projection (Kunshan) Co., Ltd	1,379,080	7,815,109	2,985,236	4,829,873	14,502,091	235,838	236,724

Company name	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Current net profit (loss)
Coretronic Optics (Kunshan) Corporation	180,494	2,295,797	1,948,642	347,155	7,730,926	86,077	41,417
Sinolink Global Limited	29	1,218,879	0	1,218,879	0	0	45,142
Mat Limited	29	1,218,867	0	1,218,867	0	(7,093)	45,142
Vimax (Kunshan) Co., LTD.	53,964	1,287,320	82,093	1,205,227	64,782	13,615	51,939
Young Green Energy Co., LTD	188,500	259,267	29,683	229,584	65,638	9,597	24,443
Boom Power Trading Corp.	29,980	106,594	70	106,524	0	0	12,355
Boom Power Electronics (Suzhou) Co., Ltd.	29,980	113,720	7,216	106,504	49,536	13,152	12,355
Calibre UK Limited	3,940	125,772	164,780	(39,008)	51,677	(30,000)	(27,677)
Optoma Corporation	584,620	3,686,226	3,096,563	589,663	5,262,357	84,276	(18,560)
Dynamic Time Investments Limited	445	1,772,765	0	1,772,765	0	(5,092)	(108,420)
Optoma Technology, Inc.	247,335	1,445,483	1,438,453	7,030	2,247,265	(146,316)	(152,545)
Optoma Europe Ltd.	47,233	2,066,106	1,135,394	930,712	3,940,723	104,847	84,173
Optoma Deutschland GmbH	37,708	65,255	19,835	45,421	87,339	19,220	(25,027)
Optoma France, S.A.S.	3,936	67,722	51,425	16,296	81,032	10,838	5,088
Optoma Scandinavia.A.S.	325	9,008	4,782	4,226	19,168	(3,975)	(3,752)
Optoma Espana,S.L.	4,054	17,310	3,112	14,197	22,303	(1,866)	(1,889)
Optoma Benelux B.V.	708	23,086	10,383	12,703	28,829	(302)	(268)
Optoma (China & H.K.) Limited	9,239	20,663	10,158	10,505	35,670	(68)	50
Mordern Smart Technology Ltd.	35,976	94,180	0	94,180	0	(1)	(39,187)
Optoma China Co.,Ltd.	35,976	493,625	441,405	52,220	1,257,751	(54,559)	(39,532)
Chung Tsen Investment Corp.	1,270,997	1,671,150	8,348	1,662,801	0	(55)	12,024
Tsen Ming Investment Corp.	324,432	439,684	4,430	435,254	0	(45)	(2,059)
Venture Orient Limited	166	503,190	0	503,190	0	0	20,519
Coretronic Venture Capital Corp.	300,000	303,454	130	303,324	0	(44)	1,795
Young Optics Inc.	1,140,598	6,614,498	3,210,861	3,403,637	4,191,505	(17,810)	4,549
Mejiro Genossen Inc.	17,940	75,565	39,620	35,945	140,998	(4,430)	(2,307)
Rays Optics Inc.	100,000	176,073	69,890	106,183	362,388	15,443	15,219
Best Alpha Investments Limited	29,980	635,425	0	635,425	0	(1)	(117)
Young Optics (Suzhou) Co., Ltd	29,980	440,930	235,397	205,533	389,418	6,611	10,009
Masterview Enterprises Limited	179,880	1,793,679	0	1,793,679	0	(64)	(18,109)
Grace China Investments Limited	244,531	2,828,663	1,732,276	1,096,387	2,336,868	(89)	(7,476)
Young Optics (Kunshan) Co., Ltd	665,556	1,853,389	679,438	1,173,951	2,240,112	(469)	23,828
Young Optics Europe GmbH	984	3,933	838	3,095	21,162	(1,524)	(1,260)
Young Optics (BD) Limited	234,124	706,966	668,806	38,160	291,221	(21,150)	(35,219)
Young Optics Inc.USA	1,499	90	69	21	0	(142)	(191)
Coretronic Intelligent Cloud Service Corporation	150,000	256,645	114,043	142,603	196,380	(11,958)	(710)
Coretronic System Engineering Limited	44,970	17,101	0	17,101	0	0	8,325
Coretronic System Engineering Hong Kong Limited	44,970	17,101	0	17,101	0	0	8,325
Coretronic System Engineering (Shanghai) Co., Ltd.	44,970	84,104	67,002	17,102	45,335	7,903	8,325
uCare Medical Electronics Co., Ltd.	100,000	87,224	8,318	78,906	17,891	(19,863)	(19,381)
Champ Vision Display Inc.	180,000	698,255	486,972	211,283	2,279,882	54,569	44,462
Coretronic Intelligent Robotics Corporation	150,000	119,433	80,014	39,419	26,793	(77,372)	(70,195)
InnoSpectra Corporation	60,000	36,035	8,776	27,259	17,413	(16,988)	(16,089)
Coretronic MEMS Corporation	180,000	170,480	10,077	160,403	7,127	(19,719)	(19,597)

Company name	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Current net profit (loss)
Coretronic Reality Inc.	100,000	99,980	47	99,934	0	(72)	(66)

Note 1: Note 1: Nano Display(Suzhou) and Coretronic (Suzhou) were merged in August 2019, with Nano Display(Suzhou) being the dissolved company.

Note 2: Nano Precision (Nanjing) was liquidated in April 2019.

2. Declaration concerning consolidated financial statements of affiliated companies:
Please see page 143.

(III) Relationship report: Not applicable.

- II. Private placement of securities in the last year up till the publication date of annual report: None.
- III. Holding or disposal of the Company's shares by subsidiaries in the last financial year, up till the publication date of annual report: None.
- IV. Other supplementary information:
 - (I) Execution of 2019 shareholder meeting resolution:
 1. Passed 2018 business report and financial statements.
 2. Passed 2018 earnings appropriation proposal.
Progress: July 23, 2019 was set as the dividend baseline date, whereas August 9, 2019 was set as the payment date.
(To distribute cash dividends at NT\$2.0 per share)
 3. Passed distribution of capital reserve in cash.
Progress: July 23, 2019 was set as the cash distribution baseline date, whereas August 9, 2019 was set as the payment date.
(To distribute cash at NT\$1.5 per share)
 4. Passed amendments to the Company's "Articles of Incorporation."
Progress: Changes were approved by Hsinchu Science Park Administration, Ministry of Science and Technology, on June 24, 2019, and have since been published on the Company's website.
 5. Passed amendments to the Company's "Asset Acquisition and Disposal Procedures."
Progress: The amended procedures were published on Market Observation Post System and the Company's website on June 14, 2019, and have been enforced accordingly since then.
 6. Passed amendments to the Company's "External Party Lending, Guarantee and Endorsement Procedures."
Progress: The amended procedures were published on Market Observation Post System and the Company's website on June 14, 2019, and have been enforced accordingly since then.
 7. Election of the Company's 10th board of directors.
Elected directors: Wade Chang, Hsun Chieh Investment Co., Ltd., Ted Tu and Chual-Hsin Teng.
Elected independent directors: Houn-Gee Chen, Edward H.Chow and Yao Chien.
Progress: Changes were approved by Hsinchu Science Park Administration, Ministry of Science and Technology, on June 24, 2019, and have since been published on the Company's website.
 8. Passed removal of restrictions against involvements in competing business activities for newly elected directors.
Progress: Announcements were made over Market Observation Post System on

June 13, 2019 about the removal of restrictions on competing business involvement for Directors Hsun Chieh Investment Co., Ltd., Ted Tu and Chual-Hsin Teng and Independent Director Yao Chien.

(II) Unfulfilled TPEX commitments as of the publication of annual report: None.

Nine. Occurrences Significant to Shareholders' Equity or Securities Price, as Defined in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act, in the Last Year Up Till the Publication Date of Annual Report: None.

IV. Financial report for the most recent year

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Coretronic Corporation as of and for the year ended December 31, 2019, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Coretronic Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

CORETRONIC CORPORATION

By

Wade Chang
Chairman

February 17, 2020



安永聯合會計師事務所

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Independent Auditors' Report

To Coretronic Corporation

Opinion

We have audited the accompanying consolidated balance sheets of Coretronic Corporation and its subsidiaries (“the Group”) as of December 31, 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		<u>38,979,695</u>	<u>79.03</u>	<u>39,983,296</u>	<u>83.23</u>
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 assests	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		<u>10,343,425</u>	<u>20.97</u>	<u>8,053,909</u>	<u>16.77</u>
Total assets		<u>\$ 49,323,120</u>	<u>100.00</u>	<u>\$ 48,037,205</u>	<u>100.00</u>

(continued)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

CORETRONIC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 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 earning		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			Exchange differences on translation of foreign operations	Other equity			Total		
			Legal reserve	Special reserve	Unappropriated retained earnings		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			
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 retroactive 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	(23,662)	173,920
Changes in subsidiaries' ownership	-	14	-	-	-	-	-	-	-	14	-	14
Appropriation and distribution of 2017 earnings:												
Legal reserve	-	-	175,063	-	(175,063)	-	-	-	-	-	-	-
Special reserve	-	-	-	521,197	(521,197)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,086,058)	-	-	-	-	(1,086,058)	-	(1,086,058)
Cash dividends distributed from capital surplus	-	(217,211)	-	-	-	-	-	-	-	(217,211)	-	(217,211)
Net income for the year ended December 31, 2018	-	-	-	-	2,020,219	-	-	-	-	2,020,219	107,965	2,128,184
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	(10,082)	(299,534)	(65,351)	-	3,884	(371,083)	11,673	(359,410)
Total comprehensive income (loss)	-	-	-	-	2,010,137	(299,534)	(65,351)	-	3,884	1,649,136	119,638	1,768,774
Decrease of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(50,438)	(50,438)
Balance as of December 31, 2018	4,344,231	4,072,808	3,572,543	2,483,647	9,345,802	(1,487,746)	(125,341)	-	(731)	22,205,213	2,060,440	24,265,653
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)	(113,662)
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 AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

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

1. HISTORY AND ORGANIZATION

Coretronic Corporation (“CORE”) was incorporated at Hsinchu Science-based Industrial Park on June 30, 1992 and set up branch offices at Hsinchu Industrial Park and Tainan Science-based Industrial Park on October 17, 1997 and November 16, 2004, respectively. CORE mainly engages in the R&D, production, manufacturing and marketing of projectors, backlight, and FPD-related products. CORE’s ordinary shares were publicly listed on the Taipei Exchange on January 20, 1999.

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of CORE and its subsidiaries (“the Group”) were authorized for issue in accordance with the resolution of the Board of Directors’ meeting on February 17, 2020.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2019. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

IFRS 16 “Leases”

IFRS 16 “Leases” replaces IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases - Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

The Group follows the transition provision in IFRS 16 and the date of initial application was January 1, 2019. The impacts arising from the adoption of IFRS 16 are summarized as follows:

A. Please refer to Note 4 for the accounting policies before or after January 1, 2019.

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

- B. For the definition of a lease, the Group elected not to reassess whether a contract is, or contains, a lease on January 1, 2019. The Group is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. That is, for contracts entered into (or changed) on or after January 1, 2019, the Group needs to assess whether contracts are, or contain, leases applying IFRS 16. In comparing to IAS 17, IFRS 16 provides that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group assessed most of the contracts are, or contain, leases and have no significant impact arisen.
- C. The Group is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Group recognizes the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.
- (a) Leases previously classified as operating leases

For leases that were previously classified as operating leases applying IAS 17, the Group measured and recognized those leases as lease liability on January 1, 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. In addition, the Group chooses, on a lease-by-lease basis, to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payment relating to that lease recognized.

On January 1, 2019, the Group's right-of-use asset and lease liability increased by NT\$1,799,385 thousand and NT\$1,812,953 thousand, respectively.

Besides, on January 1, 2019, for leases that were previously classified as operating leases applying IAS 17 and whose rent had paid the rent in full, the Group reclassified the long-term rental prepayment of NT\$263,375 thousand to the right-of-use asset.

In accordance with the transition provision in IFRS 16, the Group used the following practical expedients on a lease-by-lease basis to leases previously classified as operating leases:

- i. Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
- ii. Rely on its assessment of whether leases are onerous immediately before January 1, 2019 as an alternative to performing an impairment review.
- iii. Elect to account in the same way as short-term leases to leases for which the lease term ends within 12 months of January 1, 2019.

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

iv. Exclude initial direct costs from the measurement of the right-of-use asset on January 1, 2019.

v. Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

(b) Leases previously classified as finance leases

For leases that were previously classified as finance leases applying IAS 17, the Group reclassified the lease asset of NT\$253 thousand and the lease payable of NT\$253 thousand as measured by IAS 17 to the right-of-use asset of NT\$253 thousand and the lease liability of NT\$253 thousand, respectively, on January 1, 2019.

(c) Please refer to Note 4 and Note 6 for additional disclosure of lessee and lessor which required by IFRS 16.

(d) As at January 1, 2019, the impacts arising from the adoption of IFRS 16 are summarized as follows:

i. The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the balance sheet on January 1, 2019 was 3.46%.

ii. An explanation of any difference between: 1) operating lease commitments disclosed applying IAS 17 as at December 31, 2018, discounted using the incremental borrowing rate on January 1, 2019; and 2) lease liabilities recognized in the balance sheet as at January 1, 2019.

Significant operating lease commitments disclosed applying IAS 17 as at December 31, 2018	\$572,890
Insignificant operating lease commitments disclosed applying IAS 17 as at December 31, 2018	486,562
Operating lease commitments disclosed applying IAS 17 as at December 31, 2018	<hr style="border: 0.5px solid black;"/> <u>\$1,059,452</u>

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

Discounted using the incremental borrowing rate on January 1, 2019	\$966,466
Add: the carrying value of lease payables as at December 31, 2018	253
Less: adjustment to leases that meet and elect to account in the same way as short-term leases	(68,099)
Less: adjustment to leases that meet and elect the underlying asset of low value	(4,093)
Add/(less): adjustments to the options to extend or terminate the lease that is reasonably certain to exercise	918,426
The carrying value of lease liabilities recognized as at January 1, 2019	\$1,812,953

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

- (2) Standards or interpretations issued by International Accounting Standards Board (“IASB”) and endorsed by FSC, but not yet adopted by the Group as at the end of reporting period are listed below:

Standards or Interpretations Numbers	New, Revised or Amended Standards and Interpretations	Effective Dates
IFRS 3	Amendment to Business Combinations-Definition of a Business	January 1, 2020
IAS 1 and IAS 8	Amendment to Disclosure Initiative- Definition of Material	January 1, 2020
IFRS 9, IAS 39, and IFRS 7	Amendment to Interest Rate Benchmark Reform	January 1, 2020

Definition of a Business (Amendments to IFRS 3)

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. IFRS 3 continues to adopt a market participant’s perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

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

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments include a number of exceptions, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is directly affected if the interest rate benchmark reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. Hence, the entity shall apply the exceptions to all hedging relationships directly affected by the interest rate benchmark reform.

The amendments include:

A. highly probable requirement

When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the interest rate benchmark reform.

B. prospective assessments

When performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

C. IAS 39 retrospective assessment

An entity is not required to undertake the IAS 39 retrospective assessment (i.e. the actual results of the hedge are within a range of 80–125%) for hedging relationships directly affected by the interest rate benchmark reform.

D. separately identifiable risk components

For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

The amendments also include the end of application of the exceptions requirements and the related disclosures requirements of the amendments.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC for annual periods beginning on or after January 1, 2020. As the Group is currently determining the potential impact of the standards and interpretations listed apart from the above items, the remaining standards and interpretations have no material impact on the Group.

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

- (3) Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below :

Standards or Interpretations Numbers	New, Revised or Amended Standards and Interpretations	Effective Dates
IFRS 10 and IAS 28	Amendment to “Consolidated Financial Statements” and “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
IFRS 17	Insurance Contracts	January 1, 2021
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	Current January 1, 2022

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

The abovementioned standards and interpretations issued by IASB have not yet been recognized by FSC, and the local effective dates are to be determined by FSC. All standards and interpretations have no material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

The consolidated financial statements of the Group for the years ended December 31, 2019 and 2018 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and standards, interpretations, and amendments issued, revised, or amended which are endorsed and became effective by FSC.

(2) Basis of Preparation

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

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

(3) General Description of Reporting Entity

Principles of consolidation

Control is achieved when CORE is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, CORE controls an investee if and only if CORE has:

- A. power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- B. exposure, or rights, to variable returns from its involvement with the investee; and
- C. the ability to use its power over the investee to affect its returns.

When CORE has less than a majority of the voting or similar rights of an investee, CORE considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- A. the contractual arrangement with the other vote holders of the investee;
- B. rights arising from other contractual arrangements;
- C. CORE's voting rights and potential voting rights.

CORE re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which CORE obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent group, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If loses control of a subsidiary, it:

- A. derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- B. derecognizes the carrying amount of any non-controlling interest;

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

- C. recognizes the fair value of the consideration received;
- D. recognizes the fair value of any investment retained;
- E. recognizes any surplus or deficit in profit or loss; and
- F. reclassifies the parent’s share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are as follows:

Subsidiary	Relationship	Business nature	Percentage of Ownership	
			December 31, 2019	December 31, 2018
Tecpoint Limited (“Tecpoint”) and its subsidiaries	Subsidiary	Tecpoint is a holding company and invests in Mainland China. Tecpoint’s joint ventures are the production, manufacturing, marketing and R&D of acrylic plate, light guide plate and backlight module. The joint ventures also provide the after sales services.	100.00%	100.00%
Visicorp Limited (“Visicorp”) and its subsidiaries	Subsidiary	Visicorp is a holding company and invests in Mainland China. Visicorp’s joint ventures are the R&D, production and marketing of backlight module and components. The joint ventures also provide after sales services.	100.00%	100.00%
Coretronic (BVI) Investment Corp. (“Coretronic BVI”) and its subsidiaries	Subsidiary	BVI is a holding company and invests in Mainland China. BVI’s joint ventures are the R&D, production, manufacturing and marketing of digital projector, LCD monitor and components. The joint ventures also provide after sales services.	100.00%	100.00%

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

Subsidiary	Relationship	Business nature	Percentage of Ownership	
			December 31, 2019	December 31, 2018
Sinolink Global Limited (“Sinolink”) and its subsidiaries	Subsidiary	Sinolink is a holding company and invests in Mainland China. Sinolink’s joint ventures are the design, R&D, production and marketing of projectors. The joint ventures also provide the after sales services for self-produced and non-self-produced products.	100.00%	100.00%
Young Green Energy Co. (“YGE”) and its subsidiaries	Subsidiary	YGE is engaged in the production, wholesale and retail trade of electronic components, battery, computer and peripheral devices, and electronic material. YGE’s joint ventures are the R&D, production and marketing of transformers, inductors and power supply related products.	99.91%	99.91%
Young Optics Inc. (“TYO”) and its subsidiaries	Subsidiary	TYO is engaged in the production, marketing and R&D of electronic components and optical engines and key components. TYO’s joint ventures are the R&D, the production and after sales services of electronic components, optical modules and components.	39.77%	44.11%

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

Subsidiary	Relationship	Business nature	Percentage of Ownership	
			December 31, 2019	December 31, 2018
Young Lighting Technology Inc. (“YLT”) and its subsidiaries(Note)	Subsidiary	YLT is engaged in the design, production and marketing of general lighting application, electronic components and optical devices. YLT’s joint ventures are the R&D, production, manufacturing and marketing of backlight module, touch module, LCD module, other optical components and lighting application. YLT’s joint ventures also provide after sales services.	-	-
Young Lighting Limited(YLL) and its subsidiaries(Note)	Subsidiary	YLL is a holding company and invests in Mainland China. YLL’s joint ventures are the R&D, production, manufacturing and marketing of backlight module, touch module, LCD module, other optical components and lighting application. YLL’s joint ventures also provide after sales services.	100.00%	100.00%
Optoma Corporation (“Optoma”) and its subsidiaries	Subsidiary	Optoma is engaged in the production and marketing of data storage and processing equipment, electronic components, optical devices, wireless communications equipment, electronic appliances. Optoma’s joint ventures are engaged in the marketing and after sales services of products of the brand Optoma in America, Canada, Europe, Hong Kong, and Mainland China.	100.00%	100.00%

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

Subsidiary	Relationship	Business nature	Percentage of Ownership	
			December 31, 2019	December 31, 2018
Chung Tsen Investment Corp. (“CGT”) and its subsidiaries	Subsidiary	CGT is an investment company for strategic purposes.	100.00%	100.00%
Coretronic Intelligent Cloud Service Corporation (“CICS”) and its subsidiaries	Subsidiary	CICS is engaged in intelligent cloud, IT information, intelligent applications of new media and platform development. CICS’s joint ventures are contractor in intelligent building engineering and provide services to customers from various domains.	100.00%	100.00%
Coretronic Venture Capital Co. (“CVC”)	Subsidiary	The investment activities of business expansion.	100.00%	100.00%
uCare Medical Electronics Co., Ltd. (“UCM”)	Subsidiary	UCM is engaged in R&D, design, production and marketing of intelligent exercise and medical care related software and hardware products.	60.69%	80.00%
Champ Vision Display Inc. (“CVD”)	Subsidiary	CVD is engaged in R&D, design, production and marketing of innovative intelligent display products and system integration solution.	80.00%	80.00%
Calibre UK Ltd.	Subsidiary	CAL is engaged in R&D, design, production and marketing of image processing products.	100.00%	100.00%

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

Subsidiary	Relationship	Business nature	Percentage of Ownership	
			December 31, 2019	December 31, 2018
InnoSpectra Corporation (“ISC”)	Subsidiary	ISC is engaged in R&D and marketing of near-infrared spectrum and corresponding solutions.	80.00%	80.00%
Coretronic Intelligent Robotics Corporation (“CIRC”)	Subsidiary	CIRC is engaged in R&D, production and marketing of unmanned aerial vehicle and intelligent robotics.	100.00%	100.00%
Coretronic MEMS Corporation (“CMC”)	Subsidiary	CMC is engaged in R&D, production and marketing of MEMS sensor, module and corresponding solutions.	100.00%	-
Coretronic Reality Inc. (“CRI”)	Subsidiary	CRI is engaged in R&D, and marketing of AR (Augmented reality) and MR (Mixed reality) wearable display solutions.	100.00%	-

Note: The Board of Directors adopted a resolution in October 2018 to merge 100% held subsidiary YLT with CORE and CORE acquired 100% shares of YLT’s subsidiary YLL.

A. Refer to Note 13 for intercompany transactions between consolidated entities. Subsidiaries are fully consolidated in accordance with the Regulations.

B. The significant changes of consolidated entities described as follows:

(a) CORE acquired 4,273 thousand outstanding shares and 2,072 thousand treasury shares of Optoma in September 2018. The ownership percentage of Optoma held by CORE increased to 100%.

(b) YLT dissolution and merger with CORE were approved by the Board of Director in October 2018 and the registration process of business merger had completed and approved by regulatory authority.

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

- (c) Nano Precision (Suzhou) Co., Ltd made an investment to establish 100% held subsidiary Nano Precision Taiwan Limited (“NPT”) and had completed registration of establishment in October 2018. NPT has been fully consolidated since the investment date.
- (d) uCare Medical Electronics Co., Ltd (“UCM”) increase the capital by cash to attract the strategic investor in February 2019. The ownership percentage of UCM held by CORE decreased to 60.69%.
- (e) As part of a business strategy, Great Pride (HK) transferred its shareholdings in Suzhou Nano Display to Coretronic (Suzhou) in June 2019. The ownership percentage of Suzhou Nano Display held by CORE remains at the same 100%.
- (f) CORE made an investment to establish 100% held subsidiary Coretronic MEMS Corporation (“CMC”) and had completed registration of establishment in September 2019. CMC has been fully consolidated since the investment date.
- (g) CORE made an investment to establish 100% held subsidiary Coretronic Reality Inc. (“CRI”) and had completed registration of establishment in November 2019. CRI has been fully consolidated since the investment date.

(4) Foreign Currency Transactions

The Group’s consolidated financial statements are presented in NT\$, which is also the parent group’s functional currency. Each entity in the Group determines its functional currency upon its primary economic environment and items included in the financial statements of each entity are measured using that functional currency.

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

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

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. Foreign currency items within the scope of IFRS 9 Financial Instruments (Before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement) are accounted for based on the accounting policy for financial instruments.

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income.

When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of Foreign Currency Financial Statements

The assets and liabilities of foreign operations are translated into New Taiwan Dollars at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. On the partial disposal of foreign operations that result in a loss of control, loss of significant influence or joint control but retain partial equity is considering as disposal.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and Non-Current Distinction

An asset is classified as current when:

A. The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

- B. The Group holds the asset primarily for the purpose of trading
- C. The Group expects to realize the asset within twelve months after the reporting period
- D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- A. The Group expects to settle the liability in its normal operating cycle
- B. The Group holds the liability primarily for the purpose of trading
- C. The liability is due to be settled within twelve months after the reporting period
- D. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and Cash Equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, including time deposits with original maturities of twelve months or less.

(8) Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments (Before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement) are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date. The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

- (a) the Group's business model for managing the financial assets and
- (b) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognise the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (b) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, at initial recognition, the Group makes an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Amounts presented in other comprehensive income are not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and should recorded as financial assets measured at fair value through other comprehensive income on balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were measured at amortized cost or measured at fair value through other comprehensive income only if they met particular conditions. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement are recognized in profit or loss which includes any dividend or interest received on such financial assets.

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Impairment of financial assets

The Group is recognized a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follow:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.
- (b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

Derecognition of financial assets

A financial asset is derecognized when:

- (a) The rights to receive cash flows from the asset have expired
- (b) The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- (c) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

B. Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

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

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

- (a) It is acquired or incurred principally for the purpose of selling or repurchasing it in short term.
- (b) On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.
- (c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

- (a) it eliminates or significantly reduces a measurement or recognition inconsistency or
- (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

When the Group and the creditors have a significant difference between the terms of the debt instruments to exchange, or make significant changes to all or part of the existing financial liabilities (no matter due to financial difficulties or not), deal with the way to exclude original liabilities and recognize new liabilities, when exclude the financial liabilities, the difference between book value and the total amount paid or payable (Including transferred non-cash assets or liabilities assumed) is recognized in profit or loss.

C. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Derivative Instrument and Hedging Accounting

The Group uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as assets or liabilities at fair value through profit or loss except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

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

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

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

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

(10) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

- A. In the principal market for the asset or liability; or
- B. In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques which are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(11) Inventories

Inventories are stated at acquisition cost, and the cost is measured by standard cost method. The Group considers the normal level of materials, labors, efficiency and equipment capacity when making regular reviews and adjustments according to the current situation.

Inventories are valued at lower of cost and net realizable item. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated cost necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 but not within the scoping of inventories.

(12) Property, Plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 "Property, plant and equipment". When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Name	Years
Buildings and facilities	2~50 years
Machinery and equipment	2~10 years
Transportation equipment	4~9 years
Furniture and fixtures	2~10 years
Leasing assets	2~5 years
Leasehold improvement	1~11 years
Miscellaneous equipment	3~15 years

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

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

(13) Investment Property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured using the cost model in accordance with the requirements of IAS 16 for that model, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Name	Years
Buildings	10~30 years

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Assets are transferred to or from investment properties when there is a change in use.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(14) Leases

The accounting policy from January 1, 2019 as follow:

For contracts entered on or after January 1, 2019, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

- A. the right to obtain substantially all of the economic benefits from use of the identified asset; and
- B. the right to direct the use of the identified asset.

The Group elected not to reassess whether a contract is, or contains, a lease on January 1, 2019. The Group is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

- A. fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- B. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- C. amounts expected to be payable by the lessee under residual value guarantees;
- D. the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- E. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which is increasing the carrying amount to reflect interest on the lease liability by using an effective interest method; and reducing the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- A. the amount of the initial measurement of the lease liability;
- B. any lease payments made at or before the commencement date, less any lease incentives received;
- C. any initial direct costs incurred by the lessee; and
- D. an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

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Except for leases that meet and elect short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and presents interest expense separately from the depreciation charge associate with those leases in the consolidated income statement.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

The accounting policy before January 1, 2019 as follow:

Group as a lessee

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

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

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Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

(15) Intangible Assets

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

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

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

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

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

Developing intangible assets - research and development costs

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Group can demonstrate:

- A. The technical feasibility of completing the intangible asset so that it will be available for use or sale
- B. Its intention to complete and its ability to use or sell the asset
- C. How the asset will generate future economic benefits

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D. The availability of resources to complete the asset

E. The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

Patent rights and trademark rights

The patent rights have been granted by the relevant enterprise for fifteen years; and the trademark rights have been granted the right to use between six and ten years.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (1 to 5 years).

(16) Impairment of Non-Financial Assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 “Impairment of Assets” may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (“CGU”) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset’s or cash-generating unit’s recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

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

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

(17) Provisions

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

Provision for decommissioning, restoration and rehabilitation costs

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

Maintenance warranties

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

Sales returns and allowances

Sales returns and allowances are accounted in accordance with IFRS 15.

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(18) Revenue Recognition

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

Sale of goods

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

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

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

Rendering of services

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

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

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

(19) Post-Employment Benefits

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

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

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

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

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

(20) Income Tax

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

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

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

Income tax on unappropriated earnings (excluding earnings from foreign consolidated subsidiaries) is expensed in the year the shareholders approved the appropriation of earnings which is the year subsequent to the year the earnings are generated.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- B. In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- A. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- B. In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(21) Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IFRS 9 Financial Instruments either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

Where the disposition consists of the cash generating unit of goodwill, the book value of this part includes goodwill relating to the disposal of the business. The amount of goodwill is measured on the basis of the relative recoverable amount of the disposition and the retained portion.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

(1) Judgement

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

A. Investment properties

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

B. Operating lease commitments – the Group for lessor

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

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(2) Estimates and Assumptions

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

A. Fair value of financial instruments

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

B. Valuation of inventory

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

Due to the rapid technological changes, the Group estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventories is mainly determined based on assumptions of future demand within a specific time period, therefore material adjustments may occur. Please refer to Note 6(7).

C. Impairment of nonfinancial assets

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

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

D. Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and future salary increases. Please refer to Note 6(15) for more details.

E. Maintenance warranties

The provision of maintenance warranties for goods sold is based on historical experience and the specific ratios determined by other known causes to estimate the possible product warranty and maintenance that may occur. The provision is recognized in the account of cost of goods sold when goods in the selling year. Management of the Group regularly examines the reasonableness of the estimates. Refer to Note 6(16) for more details.

F. Revenue recognition - sales returns and allowance

The Group estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, on the basis of highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Please refer to Note 6 for more details.

G. Income tax

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

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

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

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and Cash Equivalents

	December 31,	
	2019	2018
Cash on hand, savings and checking accounts	\$3,230,100	\$3,912,765
Time deposits	16,931,763	13,213,266
Cash equivalents	-	100,019
Total	\$20,161,863	\$17,226,050

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

	December 31,	
	2019	2018
Financial assets designated at fair value through profit or loss:		
Derivative not designated as hedging instruments		
Forward foreign exchange contracts	\$83,296	\$63,143
Forward cross currency contracts	1,025	107
Subtotal	84,321	63,250
Stocks	35,412	20,065
Total	\$119,733	\$83,315
Current	\$84,321	\$63,250
Noncurrent	35,412	20,065
Total	\$119,733	\$83,315

Financial assets at fair value through profit and loss were not pledged. Please refer to Note 12 for more details.

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

(3) Hedging Financial Assets

	December 31,	
	2019	2018
Hedging financial assets		
Forward foreign exchange contracts	\$4,207	\$11,613
Current	\$4,207	\$11,613
Noncurrent	-	-
Total	\$4,207	\$11,613

Hedging financial assets were not pledged. Please refer to Note 12 for more details.

(4) Financial Assets at Fair Value through Other Comprehensive Income

	December 31,	
	2019	2018
Equity instruments investments measured at fair value through other comprehensive income-noncurrent		
Unlisted companies stocks	\$447,469	\$359,859

Financial assets at fair value through other comprehensive income were not pledged.

(5) Notes Receivables

	December 31,	
	2019	2018
Notes receivable - arose from operating activities	\$41,467	\$256,793

Notes receivables were not pledged.

The Group adopted IFRS 9 for impairment assessment. Please refer to Note 6(19) for more details on accumulated impairment and refer to Note 12 for more details on credit risk disclosure.

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

(6) Trade Receivables and Trade Receivables-Related Parties

	December 31,	
	2019	2018
Trade receivable	\$11,728,918	\$13,540,426
Less: allowance for doubtful accounts	(41,307)	(181,700)
Subtotal	11,687,611	13,358,726
Trade receivables for related parties	201	1,912
Total	\$11,687,812	\$13,360,638

Trade receivables were not pledged.

Trade receivables are generally on 30-150 day terms. The total carrying amount as of December 31, 2019 and 2018, are NT\$11,770,586 thousand and NT\$13,799,131 thousand, respectively. Please refer to Note 6(19) for more details on impairment of trade receivables. Please refer to Note 12 for more details on credit risk management.

The Group entered into factoring contracts without recourse with a number of domestic banks. To wit, banks pay to the Group 100% of the accounts receivable factored as consideration. According to the arrangement, if the client of the trade receivables factoring delays the payment, the Group shall pay interests to the bank. Upon assignment of the factoring to the bank, the bank undertakes the associated credit risk. However, the Group still issues a promissory note to the bank. If the trade receivables cannot be collected as a result of trade disputes due to factors attributable to the Group, the Group should pay the promissory note in compensation for the bank. As of December 31, 2019 and 2018, the Group has no outstanding discounted trade receivables which were deducted from trade receivables. The credit line of factoring contracts provided by CTBC Bank and Taishin Bank are US\$40,000 thousand and US\$80,000 thousand, respectively.

CORETRONIC CORPORATION AND SUBSIDIARIES
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(7) Inventories

	December 31,	
	2019	2018
Raw materials and supplies	\$3,218,963	\$5,393,686
Work in process	131,651	255,027
Finished goods	2,712,142	2,233,646
Total	\$6,062,756	\$7,882,359

The cost of inventories recognized in expenses amounted to NT\$39,904,813 thousand and NT\$45,303,063 thousand for the years ended December 31, 2019 and 2018, including the write-down of inventories and obsolescence loss of NT\$251,665 thousand and NT\$263,303 thousand, respectively.

The allowance write-down of inventories amounts to NT\$670,061 thousand and NT\$608,995 thousand as of December 31, 2019 and 2018, respectively.

No inventories were pledged.

(8) Investments Accounted for Using Equity Method

Details of investments accounted for using equity method are as follows:

Investees	December 31, 2019	
	Carrying amount	Percentage of ownership (%)
Investments in associates:		
Eterge Opto-Electronics Co., LTD(“EOE”)	\$22,934	20.00%
Genejet Biotech Co., Ltd. (“Genejet”)	-	19.51%
	\$22,934	

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

In May 2019, the Group invested NT\$22,000 thousand in EOE and acquired 20% of the shareholdings. The Group accounted it for using the equity method. The investment of EOE is not significant to the Group.

The Group recognized share of gain of associates and joint ventures accounted for using equity method in the amount of NT\$783 thousand for the year ended December 31, 2019.

The abovementioned associates had no contingent liabilities or capital commitments as of December 31, 2019 and 2018, respectively. No investments accounted for using equity method held by the Group was pledged to others.

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

(9) Property, Plant and Equipment

A. Property, plant and equipment for own-use (after the application of IFRS 16)

	Land	Buildings	Machinery and equipment	Office fixtures	Transportation equipment	Lease assets	Leasehold improvement	Other equipment	Construction in progress and equipment awaiting inspection	Total
Cost:										
As of January 1, 2019	\$39,046	\$6,964,402	\$5,375,501	\$467,059	\$43,147	\$2,322	\$828,149	\$1,740,256	\$312,192	\$15,772,074
Effects of retrospective application and restatement	-	-	-	-	-	(2,322)	-	-	-	(2,322)
Additions	-	91,408	277,462	47,248	6,197	-	21,396	160,611	979,815	1,584,137
Disposals	-	(30,772)	(447,756)	(46,872)	(3,276)	-	(87,779)	(151,159)	(3,958)	(771,572)
Transfers	-	114,369	(80,700)	(2,198)	(283)	-	(19,319)	4,770	(378,832)	(362,193)
Exchange differences	146	(131,338)	(149,546)	(13,783)	(1,630)	-	(27,847)	(53,981)	(5,459)	(383,438)
As of December 31, 2019	<u>\$39,192</u>	<u>\$7,008,069</u>	<u>\$4,974,961</u>	<u>\$451,454</u>	<u>\$44,155</u>	<u>\$-</u>	<u>\$714,600</u>	<u>\$1,700,497</u>	<u>\$903,758</u>	<u>\$15,836,686</u>
Depreciation and Impairment:										
As of January 1, 2019	\$-	\$3,131,339	\$3,527,821	\$371,322	\$35,864	\$2,069	\$695,710	\$1,456,637	\$-	\$9,220,762
Effects of retrospective application and restatement	-	-	-	-	-	(2,069)	-	-	-	(2,069)
Depreciation	-	319,924	466,934	33,538	4,126	-	36,429	135,641	-	996,592
Disposals	-	(30,148)	(430,132)	(45,918)	(2,151)	-	(86,260)	(149,797)	-	(744,406)
Transfers	-	(178)	(257,107)	(5,770)	(702)	-	(20,083)	(22,831)	-	(306,671)
Exchange differences	-	(72,125)	(101,809)	(11,531)	(1,427)	-	(24,665)	(46,234)	-	(257,791)
As of December 31, 2019	<u>\$-</u>	<u>\$3,348,812</u>	<u>\$3,205,707</u>	<u>\$341,641</u>	<u>\$35,710</u>	<u>\$-</u>	<u>\$601,131</u>	<u>\$1,373,416</u>	<u>\$-</u>	<u>\$8,906,417</u>
Net carrying amounts as of:										
December 31, 2019	<u>\$39,192</u>	<u>\$3,659,257</u>	<u>\$1,769,254</u>	<u>\$109,813</u>	<u>\$8,445</u>	<u>\$-</u>	<u>\$113,469</u>	<u>\$327,081</u>	<u>\$903,758</u>	<u>\$6,930,269</u>

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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

B. Property, plant and equipment (prior to the application of IFRS 16)

	Land	Buildings	Machinery and equipment	Office fixtures	Transportation equipment	Lease assets	Leasehold improvement	Other equipment	Construction in progress and equipment awaiting inspection	Total
Cost:										
As of January 1, 2018	\$39,357	\$6,884,919	\$5,345,544	\$473,982	\$53,885	\$2,250	\$846,746	\$1,833,359	\$44,795	\$15,524,837
Additions	-	71,615	287,765	39,915	2,380	-	83,074	119,577	342,809	947,135
Disposals	-	(4,811)	(247,964)	(39,445)	(12,579)	-	(19,094)	(194,357)	-	(518,250)
Transfers	-	64,879	55,121	(1,744)	88	-	(69,054)	6,621	(75,816)	(19,905)
Exchange differences	(311)	(52,200)	(64,965)	(5,649)	(627)	72	(13,523)	(24,944)	404	(161,743)
As of December 31, 2018	<u>\$39,046</u>	<u>\$6,964,402</u>	<u>\$5,375,501</u>	<u>\$467,059</u>	<u>\$43,147</u>	<u>\$2,322</u>	<u>\$828,149</u>	<u>\$1,740,256</u>	<u>\$312,192</u>	<u>\$15,772,074</u>
Depreciation and Impairment:										
As of January 1, 2018	\$-	\$2,837,306	\$3,244,250	\$380,631	\$41,066	\$1,925	\$717,313	\$1,542,093	\$-	\$8,764,584
Depreciation	-	300,821	497,887	35,099	4,555	80	48,857	125,316	-	1,012,615
Disposals	-	(4,809)	(205,183)	(38,619)	(9,222)	-	(18,679)	(189,072)	-	(465,584)
Transfers	-	26,885	(713)	(1,541)	-	-	(43,830)	(96)	-	(19,295)
Impairment losses	-	-	40,104	-	-	-	-	-	-	40,104
Exchange differences	-	(28,864)	(48,524)	(4,248)	(535)	64	(7,951)	(21,604)	-	(111,662)
As of December 31, 2018	<u>\$-</u>	<u>\$3,131,339</u>	<u>\$3,527,821</u>	<u>\$371,322</u>	<u>\$35,864</u>	<u>\$2,069</u>	<u>\$695,710</u>	<u>\$1,456,637</u>	<u>\$-</u>	<u>\$9,220,762</u>
Net carrying amounts as of:										
December 31, 2018	<u>\$39,046</u>	<u>\$3,833,063</u>	<u>\$1,847,680</u>	<u>\$95,737</u>	<u>\$7,283</u>	<u>\$253</u>	<u>\$132,439</u>	<u>\$283,619</u>	<u>\$312,192</u>	<u>\$6,551,312</u>

The Group evaluated the economic benefits for property, plant and equipment was no impairment losses for the year ended December 31, 2019 and recognized impairment losses of NT\$40,104 thousand for the year ended December 31, 2018.

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

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(10) Investment Property

Investment property held by the group is for own-use. The Group signed the commercial property lease contracts with periods during 2 to 4 years, which include clauses to enable upward revision of the rental change on an annual base according to prevailing market conditions.

	Buildings
Cost:	
As of January 1, 2019	\$244,538
Additions from acquisitions	-
Additions from subsequent expenditure	-
Disposals	-
As of December 31, 2019	\$244,538
As of January 1, 2018	\$244,538
Additions from acquisitions	-
Additions from subsequent expenditure	-
Disposals	-
As of December 31, 2018	\$244,538
Depreciation and Impairment:	
As of January 1, 2019	\$68,079
Depreciation	8,053
As of December 31, 2019	\$76,132
As of January 1, 2018	\$60,027
Depreciation	8,052
As of December 31, 2018	\$68,079
Net carry amount as of:	
December 31, 2019	\$168,406
December 31, 2018	\$176,459

CORETRONIC CORPORATION AND SUBSIDIARIES

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	Years ended December 31,	
	2019	2018
Rental income from investment property	\$18,204	\$10,234
Less: Direct operating expenses from investment property generating rental income	(8,053)	(8,052)
Total	<u>\$10,151</u>	<u>\$2,182</u>

Information about the investment property that was pledged to others as collaterals is provided in Note 8.

Investment properties held by the Group are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized with Level 3. The fair value has been determined based on valuations performed by an independent appraiser. The valuation method used is discount cash-flow analysis method, and the inputs used are discount rates and growth rates:

	December 31,	
	2019	2018
Fair value of the investment property	<u>\$219,800</u>	<u>\$222,400</u>
Discount rates	<u>4.095%</u>	<u>4.095%</u>
Growth rates	<u>0.4%</u>	<u>0.4%</u>

(11) Intangible Assets

	Trade marks	Patents	Software	IPs	Goodwill	Other	Total
Cost:							
As of January 1, 2019	\$103,901	\$16,049	\$126,102	\$54,522	\$5,940	\$145,856	\$452,370
Additions	-	33,751	60,952	29,350	-	113,379	237,432
Disposals	-	-	(25,128)	-	-	(27,302)	(52,430)
Transfers	-	-	(1,075)	-	-	179	(896)
Exchange differences	(74)	(4)	(204)	-	-	806	524
As of December 31, 2019	<u>\$103,827</u>	<u>\$49,796</u>	<u>\$160,647</u>	<u>\$83,872</u>	<u>\$5,940</u>	<u>\$232,918</u>	<u>\$637,000</u>
As of January 1, 2018	\$103,805	\$16,023	\$137,169	\$57,882	\$5,940	\$86,109	\$406,928
Additions	-	-	32,824	-	-	69,945	102,769
Disposals	-	-	(34,804)	(3,360)	-	(7,139)	(45,303)
Transfers	-	-	(8,733)	-	-	(228)	(8,961)
Exchange differences	96	26	(354)	-	-	(2,831)	(3,063)
As of December 31, 2018	<u>\$103,901</u>	<u>\$16,049</u>	<u>\$126,102</u>	<u>\$54,522</u>	<u>\$5,940</u>	<u>\$145,856</u>	<u>\$452,370</u>

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

	Trade marks	Patents	Software	IPs	Goodwill	Other	Total
Amortization and Impairment:							
As of January 1, 2019	\$92,498	\$9,063	\$87,398	\$41,985	\$-	\$65,024	\$295,968
Amortization	5,742	3,408	28,342	10,761	-	59,013	107,266
Disposals	-	-	(20,358)	-	-	(27,304)	(47,662)
Exchange differences	(47)	(3)	(233)	-	-	37	(246)
As of December 31, 2019	<u>\$98,193</u>	<u>\$12,468</u>	<u>\$95,149</u>	<u>\$52,746</u>	<u>\$-</u>	<u>\$96,770</u>	<u>\$355,326</u>
As of January 1, 2018	\$88,714	\$7,902	\$95,877	\$27,230	\$-	\$15,477	\$235,200
Amortization	3,579	1,155	26,340	18,115	-	57,679	107,048
Disposals	-	-	(34,497)	(3,360)	-	(7,139)	(44,996)
Exchange differences	25	6	(322)	-	-	(993)	(1,284)
As of December 31, 2018	<u>\$92,498</u>	<u>\$9,063</u>	<u>\$87,398</u>	<u>\$41,985</u>	<u>\$-</u>	<u>\$65,024</u>	<u>\$295,968</u>
Net carrying amount as of:							
December 31, 2019	<u>\$5,634</u>	<u>\$37,328</u>	<u>\$65,498</u>	<u>\$31,126</u>	<u>\$5,940</u>	<u>\$136,148</u>	<u>\$281,674</u>
December 31, 2018	<u>\$11,403</u>	<u>\$6,986</u>	<u>\$38,704</u>	<u>\$12,537</u>	<u>\$5,940</u>	<u>\$80,832</u>	<u>\$156,402</u>

Amortization expense of intangible assets:

	Years ended December 31,	
	2019	2018
Operating Cost	\$35,282	\$41,147
Selling expenses	12,676	6,872
General and administrative expense	16,300	23,834
Research and development expenses	43,008	35,195
Total	<u>\$107,266</u>	<u>\$107,048</u>

(12) Short-Term Borrowings

	December 31,	
	2019	2018
Unsecured bank loans	<u>\$8,521,341</u>	<u>\$6,414,641</u>
Interest rates (%)	<u>0.86%~2.74%</u>	<u>0.93%~3.65%</u>

The Group's unused short-term lines of credits amounted to NT\$33,685,409 thousand and NT\$30,877,601 thousand as of December 31, 2019 and 2018, respectively.

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

(13) Derivative Financial Liabilities

Financial liabilities at fair value through profit or loss :

	December 31,	
	2019	2018
Derivatives not designated as hedging instruments - current		
Forward exchange contracts	\$145,980	\$21,115
Forward cross currency contracts	7,127	2,360
Total	\$153,107	\$23,475

Hedging financial liabilities:

	December 31,	
	2019	2018
Forward exchange contracts	\$-	\$2,402
	\$-	\$2,402

(14) Long-Term Borrowings

Details of long-term borrowings are as follows:

Lenders	December 31, 2019	Interest Rate (%)	Maturity date and terms of repayment
Secured long-term borrowings from First bank	\$58,333	1.35%	Effective from April 27, 2021. Principle is repaid in 2 quarterly payments.
Secured long-term borrowings from First bank	100	1.35%	Effective from December 20, 2020. Principle is repaid in 16 quarterly payments.
Secured long-term borrowings from Hua Nan Commercial bank	5,000	1.30%	Effective from July 25, 2021. Principle is repaid in 14 monthly payments.
Secured long-term borrowings from Hua Nan Commercial bank	120,000	1.30%	Effective from July 25, 2021. Principle is repaid in 14 monthly payments.
Less: current portion	(6)		
Total	\$183,427		

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

The Group's unused long-term lines of credits amounted to NT\$1,216,567 thousand and NT\$300,000 thousand as of December 31, 2019 and 2018, respectively.

(15) Post-Employment Benefits

Defined contribution plan

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

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

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

Pension expenses under the defined contribution plan for the years ended December 31, 2019 and 2018 were NT\$378,616 thousand and NT\$393,003 thousand, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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Defined benefits plan

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

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Group does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT\$11,637 thousand to its defined benefit plan during the 12 months beginning after December 31, 2019.

The weighted average duration of the defined benefits plan obligation was 14.22 to 16.71 years and 13.73 to 17.43 years as of December 31, 2019 and 2018, respectively.

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

Pension costs recognized in profit or loss are as follows:

	Years ended December 31,	
	2019	2018
Current service costs	\$788	\$1,007
Net interest on the net defined benefit liabilities (assets)	7,716	9,486
Expect return on plan assets	(4,974)	(6,032)
Settlement profit	(5,158)	-
Total	<u>\$(1,628)</u>	<u>\$4,461</u>

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

	December 31,		January 1,
	2019	2018	2018
Present value of defined benefit obligation	\$573,127	\$545,893	\$541,301
Plan assets at fair value	(388,839)	(363,846)	(366,031)
Net defined benefit Liabilities (assets)	<u>\$184,288</u>	<u>\$182,047</u>	<u>\$175,270</u>
Other non-current liabilities			
— Carrying amount on the net defined benefit liabilities	<u>\$196,891</u>	<u>\$192,723</u>	<u>\$185,387</u>
Other non-current assets			
— Carrying amount on the net defined benefit assets	<u>\$(12,603)</u>	<u>\$(10,676)</u>	<u>\$(10,117)</u>

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

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
As of January 1, 2018	\$541,301	\$366,031	\$175,270
Current service cost	1,007	-	1,007
Interest expense (revenue)	9,486	6,032	3,454
Subtotal	551,794	372,063	179,731

Remeasurements of the defined benefit liability (asset):

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

As of January 1, 2019	\$545,893	\$363,846	\$182,047
Current service cost	788	-	788
Interest expense (revenue)	7,716	4,974	2,742
Settlement profit or loss	(5,158)	-	(5,158)
Subtotal	549,239	368,820	180,419

Remeasurements of the defined benefit liability (asset):

Actuarial gains and losses arising from changes in financial assumptions	18,815	-	18,815
Experience adjustments	11,838	13,789	(1,951)
Subtotal	30,653	13,789	16,864
Paid pension	(6,765)	(5,921)	(844)
Contributions by employer	-	12,102	(12,102)
Other	-	49	(49)
As of December 31, 2019	\$573,127	\$388,839	\$184,288

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

	December 31,	
	2019	2018
Discount rate	1.125%	1.125%-1.375%
Expected rate of salary increases	1.00%~4.00%	1.00%~4.00%

Sensitivity analysis of significant assumptions is as follows:

	Years ended December 31,			
	2019		2018	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.25%	\$-	\$18,789	\$-	\$19,030
Discount rate decrease by 0.25%	19,612	-	19,894	-
Future salary increase by 0.25%	18,718	-	19,060	-
Future salary decrease by 0.25%	-	16,107	-	18,349

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

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

(16) Provisions

	<u>Warranties</u>
As of January 1, 2019	\$826,791
Arising during the period (reversed)	164,850
Utilized during the period	(214,910)
Exchange differences	(9,381)
As of December 31, 2019	<u>\$767,350</u>
Current	\$767,350
Non-current	-
As of December 31, 2019	<u>\$767,350</u>

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

	Warranties
As of January 1, 2018	\$742,629
Arising during the period (reversed)	84,589
Utilized during the period	(191,834)
Exchange differences	(8,593)
As of December 31, 2018	\$826,791
Current	\$826,791
Non-current	-
As of December 31, 2018	\$826,791

Warranties

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

(17) Equities

A. Common stock

CORE's authorized capital was NT\$10,000,000 thousand as of December 31, 2019 and 2018, respectively (including NT\$700,000 thousand reserved for exercise of share warrant, preferred shares with warrants and corporate bonds with warrants), each at a par value of NT\$10. CORE's issued capital was NT\$4,344,231 thousand divided into 434,423 thousand shares. Each share has one voting right and a right to receive dividends.

B. Capital surplus

	December 31,	
	2019	2018
Additional paid-in capital	\$2,917,366	\$3,569,001
Treasury stock transactions	116,614	116,614
The differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	594,554	297,948
Changes in ownership interests in subsidiaries	98,791	89,245
Changes from investments in associates and joint ventures accounted for using the equity method	150	-
Total	\$3,727,475	\$4,072,808

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

C. Retained earnings and dividend policies:

According to the Articles of Incorporation, current year's earnings shall be distributed in the following order:

- (a) Payment of all taxes and dues;
- (b) Offset accumulated losses in previous years, if any;
- (c) Legal reserve, which is 10% of leftover profits. However, this restriction does not apply in the event that the amount of the accumulated legal reserve equals or exceeds CORE's total capital stock;
- (d) Allocation or reverse of special reserve as required by law or government authorities;
- (e) The remaining net profits and the retained earnings from previous years will be allocated as shareholders' dividend. The Board of Directors will prepare a distribution proposal and submit the same to the shareholders' meeting for review and approval by a resolution.

According to the Company Act and CORE's Article of Incorporation, the policy of the dividend distribution should reflect factors such as the capital and financial structures, operating, earnings, the industrial features and cycles etc. The dividend could be paid in the form of shares or cash. In the consideration of the factors such as financial, sales and operating conditions, if the distribution of cash dividends is determined, the cash dividends should account for at least 10% of the total distribution based on the CORE's Article of Incorporation. If CORE incurs no earning or considers the factors such as financial conditions, sales and operations, the dividend could be paid by whole or partial legal reserve in accordance with the Company Act and CORE's Article of Incorporation.

According to Company Act, CORE needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to offset the deficit of CORE. If CORE incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Following the adoption of TIFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

Once upon a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

The special reserve of the first adoption of the TIFRS was reversed to unappropriated retained earnings because of the disposal of related assets for the year ended December 31, 2019.

The details are as follows:

	Years ended December 31,	
	2019	2018
Beginning balance	\$1,290,820	\$1,290,820
Disposal of subsidiaries	(14,210)	-
Ending balance	<u>\$1,276,610</u>	<u>\$1,290,820</u>

Details of the 2018 and 2017 earning distribution and dividends per share as resolved by shareholders' meeting on June 13, 2019 and June 14, 2018 are as follows :

	Appropriation of earnings		Dividends per share (NT\$)	
	2018	2017	2018	2017
Legal reserve	\$202,021	\$175,063		
Special reserve	-	521,197		
Common stock -cash dividend	868,846	1,086,058	\$2	\$2.5

In addition, shareholders' meeting resolved to distribute the paid-in capital in excess of par-common stock by cash in the amount of NT\$651,635 thousand, NT\$1.5 per share and NT\$217,211 thousand, NT\$0.5 per share in 2019 and 2018, respectively.

Please refer to Note 6(21) for further details on employees' compensation and remuneration to directors and supervisors.

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

D. Non-controlling interests:

	Years ended December 31,	
	2019	2018
Beginning balance	\$2,060,440	\$2,014,560
Profit attributable to non-controlling interests	5,237	107,965
Other comprehensive income (loss) attributable to non-controlling interests, net of tax:		
Exchange differences on translation of foreign operations	(39,379)	12,459
Effect of tax rate changes on defined benefit plans	-	(185)
Remeasurements of defined benefit plans	(534)	(539)
Unrealized gain from financial assets at fair value through other comprehensive income	-	280
Cash dividends	(36,063)	(50,438)
Acquisition or disposal of the interest of subsidiaries	154,208	(23,662)
Changes in subsidiaries' ownership	25,456	-
Ending balance	<u>\$2,169,365</u>	<u>\$2,060,440</u>

(18) Operating Income

	Years ended December 31,	
	2019	2018
Contract revenue from customers		
Sale of goods	\$47,252,436	\$54,094,798
Revenue arising from rendering of services	1,042,656	964,157
Other operating revenues	416,167	613,978
Total	<u>\$48,711,259</u>	<u>\$55,672,933</u>

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Analysis of contracts revenue from customers during the periods is as follows:

A. Revenue of Segments

For the year ended December 31, 2019

	Energy – saving products segment	Image products and brand segment	Optical component segment	Other segment	Elimination	Total
Sale of goods	\$23,181,622	\$17,096,491	\$4,671,516	\$3,678,018	\$(1,375,211)	\$47,252,436
Revenue arising from rendering of services	888,822	72,471	24,294	217,950	(160,881)	1,042,656
Other operating revenues	115,215	156,536	124,091	22,140	(1,815)	416,167
Total	\$24,185,659	\$17,325,498	\$4,819,901	\$3,918,108	\$(1,537,907)	\$48,711,259

The timing of revenue
recognition:

At a point in time	\$24,185,659	\$17,325,498	\$4,819,901	\$3,918,108	\$(1,537,907)	\$48,711,259
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For the year ended December 31, 2018

	Energy – saving products segment	Image products and brand segment	Optical component segment	Other segment	Elimination	Total
Sale of goods	\$24,195,684	\$21,464,438	\$6,100,579	\$4,206,208	\$(1,872,111)	\$54,094,798
Revenue arising from rendering of services	796,909	52,831	19,985	131,725	(37,293)	964,157
Other operating revenues	186,713	253,274	141,681	35,823	(3,513)	613,978
Total	\$25,179,306	\$21,770,543	\$6,262,245	\$4,373,756	\$(1,912,917)	\$55,672,933

The timing of revenue
recognition:

At a point in time	\$25,179,306	\$21,770,543	\$6,262,245	\$4,373,756	\$(1,912,917)	\$55,672,933
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CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

B. Contract balance

Contract liabilities-current

	December 31,		January 1,
	2019	2018	2018
Sale of goods	\$196,044	\$241,829	\$263,047
Revenue arising from rendering of services	904	675	434
Other operating revenues	97,204	111,024	124,941
Total	<u>\$294,152</u>	<u>\$353,528</u>	<u>\$388,422</u>

Contract liabilities significantly decreased as additional performance obligations have not been satisfied, NT\$353,528 thousand and NT\$388,422 thousand included in the contract liability at the beginning of the period was recognized as revenue during the years ended December 31, 2019 and 2018, respectively.

C. Transaction price allocated to unsatisfied performance obligations

As of December 31, 2019, there is no need to provide relevant information of the unsatisfied performance obligations as the contracts with customers about the sales of goods are all within one year.

D. Cost of Assets from acquire or performance of customer contracts.

None.

(19) Expected credit (gain) losses

	Years ended	
	December 31,	
	2019	2018
Operating expenses – Expected credit (gain) losses		
Trade receivables	<u>\$(80,347)</u>	<u>\$60,772</u>

The Group measures trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of December 31, 2019 and 2018 is as follows:

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

The Group needs to consider the grouping of trade receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details as below:

As of December 31, 2019

	Neither past due (Note)	Past due					Total
		1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	More than 121 days	
Gross carrying amount	\$11,124,945	\$530,593	\$36,962	\$17,895	\$12,360	\$47,831	\$11,770,586
Loss ratio	0%	0-2%	5%	30%	50%	100%	
Expected credit losses	-	(796)	(1,796)	(2,241)	(2,593)	(33,881)	(41,307)
Subtotal	\$11,124,945	\$529,797	\$35,166	\$15,654	\$9,767	\$13,950	\$11,729,279

As of December 31, 2018

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

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

The movement of contract asset, note receivables and provision for impairment of trade receivables during the period is as follows:

	Trade receivables
As of January 1, 2019 (IFRS 9)	\$181,700
Reversal for the current period	(80,347)
Write off	(57,178)
Exchange differences	(2,868)
As of December 31, 2019	\$41,307

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	Trade receivables
As of January 1, 2018 (IAS 39)	\$129,607
Beginning adjusted retained earnings	-
As of January 1, 2018 (IFRS 9)	129,607
Charge for the current period	60,772
Write off	(6,419)
Exchange differences	(2,260)
As of December 31, 2018	\$181,700

(20) Leases

A. Group as lessee (after the application of IFRS 16)

The Group leases various property (land and buildings), machinery, equipment, and transportation equipment. These leases have terms of between one and fifty years.

The effects that leases have on the financial position, financial performance and cash flows of the Group are as follow:

(a) Amounts recognized in the balance sheet

i. Right-of-use asset

The carrying amount of right-of-use assets

	December 31,	
	2019	2018 (Note)
Land	\$1,327,891	
Buildings	606,821	
Machinery and equipment	233	
Transportation equipment	41,340	
Office fixtures	604	
Other equipment	167	
Total	\$1,977,056	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

During the year ended December 31, 2019, the additions to right-of-use assets of the Group amounted to NT\$299,756 thousand.

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

ii. Lease liability

	December 31,	
	2019	2018 (Note)
Lease liability		
Current	\$335,921	
Non-current	1,439,424	
Total	\$1,775,345	

Please refer to Note 6(22)C. for the interest on lease liability recognized during the year ended December 31, 2019 and refer to Note 12(5) for the maturity analysis for lease liabilities on December 31, 2019.

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(b) Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	Years ended December 31,	
	2019	2018(Note)
Land	\$44,246	
Buildings	268,041	
Machinery and equipment	243	
Transportation equipment	21,461	
Office fixtures	246	
Other equipment	83	
Total	\$334,320	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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

(c)Income and costs relating to leasing activities

	Years ended December 31,	
	2019	2018(Note)
The expense relating to short-term leases	\$51,839	
The expense relating to leases of low-value assets (Not including the expense relating to short-term leases of low-value assets)	7,463	
The expense relating to variable lease payments not included in the measurement of lease liabilities	23,229	
Total	\$82,531	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(d)Cash outflow relating to leasing activities

During the years periods ended December 31, 2019, the Group's total cash outflow for leases amounted to NT\$442,035 thousand.

(e)Other information relating to leasing activities

i. Variable lease payments

Some of the Group's building lease agreements contain variable payment terms that are linked to actual usage condition. The amount links to certain percentage of actual usage of underlying asset. The changes in variable lease payments are linked to actual usage and it is very common for entering contract with variable lease payments in the industry of the Group. As such variable lease payments do not meet the definition of lease payments, and those payments are not included in the measurement of the assets and liabilities.

ii. Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group's property rental agreement. In determining the lease term, the non-cancellable period for which the Group has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The Group would reassess the lease term when significant issue or change occur.

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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iii. Residual value guarantees

To optimize lease costs during the contract period, the Group doesn't provide residual value guarantees in relation to rental agreement. Residual value guarantees without counting in lease liability.

B. Operating lease commitments - Group as lessee (applicable to the disclosure of IAS 17)

The Group's land for its Science Park plant is leased from the Science Industry Park Bureau, and as follows:

Location	Current annual rent (Note)	Lease period
Hsinchu Science Industrial Park	\$7,103	2017.07.01-2036.12.31
Jhunan Science Park	3,916	2001.07.01-2020.12.31
Tainan Science Industrial Park	8,951	2003.11.01-2022.12.31

The future aggregate minimum rentals payable under non-cancelable operating leases are as follows:

	December 31, 2019 (Note)	December 31, 2018
Not later than one year		\$85,800
Later than one year but not later than five years		256,255
Later than five years		230,835
Total		<u>\$572,890</u>

Operating lease expense as follows:

	Years ended December 31, 2019 (Note)	2018
Minimum lease payments		<u>\$353,884</u>

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

C. The Group as lessor (applicable to the disclosure requirement in IFRS 16)

Please refer to Note 6(10) for details on the Group's owned investment properties and investment properties held by the Group as right-of-use assets. Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

None of the financing lease contracts were signed.

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

	Years ended December 31,	
	2019	2018 (Note)
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	\$36,856	
Income relating to variable lease payments that do not depend on an index or a rate	-	
Total	\$36,856	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

Please refer to Note 6(10) for relevant disclosure of investment properties for operating leases which required by IFRS 16. For operating leases entered by the Group, the undiscounted lease payments to be received and a total of the amounts for the remaining periods as on December 31, 2019 are as follow:

	December 31,	
	2019	2018 (Note)
Not later than one year	\$28,358	
Later than one year but not later than two years	8,164	
Later than two years but not later than three years	492	
Later than three years but not later than four years	-	
Total	\$37,014	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

D. Operating lease commitments - Group as lessor (applicable to the disclosure of IAS 17)

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

Future minimum rentals receivable under non-cancellable operating leases as of December 31, 2019 and 2018, are as follows:

	December 31,	
	2019 (Note)	2018
Not later than one year		\$28,178
Later than one year but not later than five years		35,899
Total		\$64,077

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

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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

	Years ended December 31					
	2019			2018		
	Operating Cost	Operating expenses	Total amount	Operating Cost	Operating expenses	Total amount
Employee benefits expense	\$3,453,868	\$4,887,105	\$8,340,973	\$3,683,059	\$5,001,852	\$8,684,911
Salaries	2,889,546	4,209,692	7,099,238	3,124,642	4,351,725	7,476,367
Labor and health insurance	130,571	319,652	450,223	138,331	306,557	444,888
Pension	179,245	197,743	376,988	204,795	192,669	397,464
Other employee benefits expense	254,506	160,018	414,524	215,291	150,901	366,192
Depreciation	933,236	376,397	1,309,633	755,886	234,835	990,721
Amortization	36,020	72,243	108,263	36,021	76,705	112,726

According to the Articles of Incorporation of the Company, 10% to 20% of profit of the current year is distributable as employees' compensation. However, the company's accumulated losses shall have been covered. CORE may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and thereto a report of such distribution is submitted to the shareholders' meeting. The Articles of Incorporation are to be amended in the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

CORE accrued employees' compensation based on a specific rate of profit for the years ended December 31, 2019 and 2018. 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. If the Board of Directors resolved to distribute employees' compensation in the form of stocks, the number of stocks distributed was calculated based on the closing price one day earlier than the date of resolution. If the estimated amounts differ from the actual distribution resolved by the Board of Directors, CORE will recognize the change as an adjustment to next year income.

A resolution was approved at a Board of Directors' meeting held on February 17, 2020 to distribute NT\$175,700 thousand in cash as employees' compensation. No material differences exist between the resolution and the estimated amount for the year ended December 31, 2019.

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

No material differences exist between the estimated amount and the actual distribution of the employee bonuses for the year ended December 31, 2018.

(22) Non-Operating Income and Expenses

A. Other income

	Years ended December 31	
	2019	2018
Interest income		
Financial assets measured at amortized cost	\$466,602	\$404,389
Rental income	36,856	24,851
Cash dividends	-	7,712
Other	195,129	161,921
Total	<u>\$698,587</u>	<u>\$598,873</u>

B. Other gains and losses

	Years ended December 31	
	2019	2018
Gain (loss) on disposal of property, plant and equipment	\$7,971	\$(7,695)
Foreign exchange gain (loss), net	218,105	(78,986)
Gain (loss) on financial assets at fair value through profit or loss (Note)	(17,962)	383,018
Gain on lease modification	212	-
Loss on disposal of investments	(24,564)	(5,157)
Impairment losses	-	(40,104)
Other loss	(34,687)	(39,247)
Total	<u>\$149,075</u>	<u>\$211,829</u>

Note: Balances were arising from financial assets mandatorily measured at fair value through profit or loss.

C. Finance cost

	Years ended December 31	
	2019	2018
Interest on borrowings from bank	\$287,433	\$244,994
Interest on lease liabilities	60,203	(Note)
Interest on obligations under finance leases	(Note)	6
Total	<u>\$347,636</u>	<u>\$245,000</u>

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(23) Components of Other Comprehensive Income

For the year ended December 31, 2019

	Arising during the period	Income tax income (expense)	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:			
Remeasurements of defined benefit plans	\$(16,864)	\$3,373	\$(13,491)
Unrealized gains from equity instruments investments measured at fair value through other comprehensive income	89,230	(712)	88,518
To be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	(876,580)	-	(876,580)
Gains from hedging instruments	913	(182)	731
Total of other comprehensive income	<u>\$(803,301)</u>	<u>\$2,479</u>	<u>\$(800,822)</u>

For the years ended December 31, 2018

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

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(24) Income Tax

Based on the amendments to the Income Tax Act announced on February 7, 2018, CORE's applicable corporate income tax rate for 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

The major components of income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

	<u>Years ends December 31</u>	
	<u>2019</u>	<u>2018</u>
Current income tax expense (income)	\$551,933	\$800,570
Deferred tax expense (income)	(8,328)	(61,433)
Total income tax expense	<u>\$543,605</u>	<u>\$739,137</u>

Income tax relating to components of other comprehensive income

	<u>Years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Deferred income tax income (expense):		
Gains on hedging instruments	\$(182)	\$(3,939)
Remeasurements of defined benefit plans	3,373	4,520
Unrealized (gain) loss from equity instruments investments measured at fair value through other comprehensive income	<u>(712)</u>	<u>285</u>
Total	<u>\$2,479</u>	<u>\$866</u>

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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Reconciliation of income tax expense and the accounting profit multiplied by applicable tax rates is as follows:

	Years ended December 31,	
	2019	2018
Accounting profit before tax from continuing operations	\$1,701,912	\$2,867,321
Tax at the domestic rates applicable to profits in the country concerned	\$699,287	\$1,222,318
Tax effect of expenses not deductible for tax purposes	(173,314)	(434,296)
Tax effect of deferred tax assets/liabilities	(42,434)	29,726
Surtax on undistributed retained earnings	60,383	4,487
Operating loss carry forward	32,098	(23,519)
Investment tax credits	(32,415)	(30,134)
Other	-	2,627
Impact of change in tax rate	-	(32,072)
Total income tax expense recognized in profit or loss	\$543,605	\$739,137

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

Deferred tax assets (liabilities) related to the following:

For the year ended December 31, 2019

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Ending balance
Temporary differences					
Unrealized allowance for inventory					
obsolescence	\$35,914	\$14,687	\$-	\$(378)	\$50,223
Depreciation difference for tax purpose	562	108	-	(128)	542
Unrealized intragroup profits and losses	69,962	(11,401)	-	(2)	58,559
Net unrealized exchange gains or losses	1,901	10,287	-	(11)	12,177
Provisions - maintenance warranties	27,263	(884)	-	(335)	26,044
Provision-sales returns and allowances	41,381	(15,319)	-	(131)	25,931
Impairment on property, plant and					
equipment	6,241	-	-	-	6,241
Defined benefit liabilities-noncurrent	33,862	(4,209)	3,373	2	33,028
Investments accounted for using the					
equity method	(17,411)	22	-	-	(17,389)
Accrued expense of tax differences	50,163	2,058	-	(310)	51,911
Allowance for bad debts	1,569	1,059	-	(64)	2,564
Cash flow hedges	182	-	(182)	-	-
Others	(3,505)	3,035	(712)	(46)	(1,228)
Unused tax losses	8,536	-	-	-	8,536
Foreign unused tax losses	13,307	8,674	-	(613)	21,368
Deferred tax (expense) income		<u>\$8,117</u>	<u>\$2,479</u>	<u>\$(2,016)</u>	
Net deferred tax assets (liabilities)	<u>\$269,927</u>				<u>\$278,507</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$302,673</u>				<u>\$303,144</u>
Deferred tax liabilities	<u>\$(32,746)</u>				<u>\$(24,637)</u>

CORETRONIC CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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For the year ended December 31, 2018

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

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

December 31, 2019

Accumulated loss	Unutilized accumulated loss	Expiration Year
\$12,925	\$10,327	2020
19,035	19,035	2021
187,854	18,929	2022
4,114	4,114	2023
1,443	1,443	2024
136,328	1,125	2025
289,722	97,893	2026
63,833	38,259	2027
69,752	69,752	2028
120,069	120,069	2029(Expected)
<u>\$905,075</u>	<u>\$380,946</u>	

December 31, 2018

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

Unrecognized deferred tax assets

As of December 31, 2019 and 2018, deferred tax assets that have not been recognized amount to NT\$213,242 thousand and NT\$489,279 thousand, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Group did not recognize deferred tax liabilities associated with tax payable for unremitted earnings of the Group's overseas subsidiaries, as the Group has determined that not all distributed profits of its subsidiaries will be distributed in the foreseeable future. As of December 31, 2019 and 2018, the amount of taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities were NT\$18,800,991 thousand and NT\$17,557,678 thousand, respectively.

Unappropriated retained earnings:

	December 31,	
	2019	2018
Earnings generated in and before 1997	\$43,393	\$43,393
Earnings generated in and after 1998	9,385,865	9,302,409
Total	<u>\$9,429,258</u>	<u>\$9,345,802</u>

The assessment of income tax returns

As of December 31, 2019, the assessment of the income tax returns of the Group and its subsidiaries is as follows:

	<u>The assessment of income tax returns</u>
CORE	Assessed and approved up to 2016
TYO	Assessed and approved up to 2017
Optoma	Assessed and approved up to 2017
CGT	Assessed and approved up to 2017
Tsen Ming Investment Corp.	Assessed and approved up to 2017
YGE	Assessed and approved up to 2017
YLT	Assessed and approved up to 2017
Aptek Optical Corp.	Assessed and approved up to 2017
CICS	Assessed and approved up to 2017
CVC	Assessed and approved up to 2017
UCM	Assessed and approved up to 2017
ISC	Assessed and approved up to 2017
CVD	Assessed and approved up to 2017
CIRC	Assessed and approved up to 2017
CRI	Established in 2019 and undeclared
CMC	Established in 2019 and undeclared

(25) Earnings Per Share

Basic earnings per share amounts are calculated by dividing net income for the period attributable to ordinary equity holders of the parent company by the weighted-average number of ordinary shares outstanding during the year.

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	<u>Years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
A. Basic earnings per share		
Profit attributable to ordinary shareholders of the parent (in thousand NT\$)	<u>\$1,153,070</u>	<u>\$2,020,219</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>434,423</u>	<u>434,423</u>
Basic earnings per share (NT\$)	<u>\$2.65</u>	<u>\$4.65</u>
B. Diluted earnings per share		
Profit attributable to ordinary shareholders of the parent after dilution (in thousand NT\$)	<u>\$1,153,070</u>	<u>\$2,020,219</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	434,423	434,423
Effect of dilution:		
Employee Bonus—stock (in thousand)	<u>5,944</u>	<u>8,992</u>
Weighted average number of ordinary shares outstanding after dilution (in thousand)	<u>440,367</u>	<u>443,415</u>
Diluted earnings per share (NT\$)	<u>\$2.62</u>	<u>\$4.56</u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

(26) Subsidiaries that have Material Non-Controlling Interests

Financial information of subsidiaries that have material non-controlling interests is provided below:

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Percentage of equity interest held by non-controlling interests:

Subsidiary	Country of incorporation and operation	December 31,	
		2019	2018
Young Optics Inc.	Taiwan	60.23%	55.89%

	December 31,	
	2019	2018
Accumulated balance of material non-controlling interests		
Young Optics, Inc.	<u>\$2,059,303</u>	<u>\$1,977,334</u>

	Years ended December 31	
	2019	2018
Profit allocated to material non-controlling interest		
Young Optics, Inc.	<u>\$2,799</u>	<u>\$99,475</u>

The summarized financial information of these subsidiaries is provided below. This information is based on the amount before inter-company transactions.

Summarized information of profit or loss for the years ended December 31, 2019:

	<u>Young Optics Inc.</u>
Operating revenue	\$4,819,901
Gain for the period from continuing operations	5,359
Total comprehensive income for the period	(61,323)

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

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

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Summarized information of financial position as of December 31, 2019:

	<u>Young Optics Inc.</u>
Current assets	\$2,983,426
Non-current assets	3,200,759
Current liabilities	2,125,429
Non-current liabilities	645,939

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

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

Summarized cash flow information for the years ended December 31, 2019:

	<u>Young Optics Inc.</u>
Operating activities	\$545,240
Investing activities	(499,151)
Financing activities	(23,338)
Net increase in cash and cash equivalents	(20,313)

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

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

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7. Related Party Transactions

(1) Related Party Name and Categories

Related Party Name	Related Party Categories
Gunze Limited (“Gunze”)	Joint Venture
DongGuan Guan Zhi Electronics Ltd. (“DongGuan Guan Zhi”)	Associate of Joint Venture
Etergo Opto-Electronics Co., LTD (“EOE”)	Associate
Chi Hua Fitness Co., LTD. (“CHI HUA”)	Substantive related party

(2) Significant transactions with related parties

A. Sales

	Years ended December 31	
	2019	2018
DongGuan Guan Zhi	\$10,870	\$15,202
CHI HUA	384	-
Total	<u>\$11,254</u>	<u>\$15,202</u>

The sales price to the above related parties was determined through mutual agreement based on the market rates. The payment terms are not significantly different between related parties and third-party customers. The receivables-related parties were not pledged, bearing no interest and were paid in cash. The receivables-related parties also were not guaranteed.

B. Purchases

	Years ended December 31	
	2019	2018
Gunze	\$189,432	\$229,499
EOE	27,072	-
DongGuan Guan Zhi	202	1,151
Total	<u>\$216,706</u>	<u>\$230,650</u>

The purchase price to the above related parties was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers are comparable with third party suppliers and are between 60-90 days.

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

C. Accounts Receivable from Related Parties

	December 31,	
	2019	2018
DongGuan Guan Zhi	\$201	\$1,912

D. Accounts Payable to Related Parties

	December 31,	
	2019	2018
Gunze	\$14,386	\$40,356
EOE	9,041	-
DongGuan Guan Zhi	18	66
Total	\$23,445	\$40,422

E. Other Payable to Related Parties

	December 31,	
	2019	2018
EOE	\$8,378	\$-

F. Others

For years ended December 31, 2019, the Group purchased molds from EOE amounted to NT\$18,213 thousand.

G. Key Management Personnel Compensation

	Years ended December 31	
	2019	2018
Short-term employee benefits	\$259,246	\$268,459
Post-employment benefits	6,158	6,168
Total	\$265,404	\$274,627

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

8. Assets Pledged As Collateral

The following assets of the Group pledged as collateral:

Assets pledged as collateral	Carrying amount		Purpose of pledge
	December 31, 2019	December 31, 2018	
Land	\$13,249	\$13,086	Collateral for long-term borrowings
Buildings (including investment property)	879,427	765,918	Collateral for long-term borrowings
Time deposits (shown as "Other receivables")	30,170	22,511	Lease execution deposits
Time deposits (shown as "Other receivables")	2,066	33,825	Customs import guarantee
Bank deposits (shown as "Other receivables")	8,994	59,215	Derivative execution deposits
Bank deposits (shown as "Other receivables")	851	2,027	Export tax guarantee
Time deposits (shown as "Other receivables")	-	1,472	Subsidy performance guarantee
Time deposits (shown as "Other noncurrent assets")	20,773	20,769	Lease execution deposits
Time deposits (shown as "Other noncurrent assets")	1,075	1,066	Customs import guarantee
Total	<u>\$956,605</u>	<u>\$919,889</u>	

9. Commitments and Contingencies

Amounts available under unused letters of credit as of December 31, 2019 are NT\$19,587 thousand.

10. Losses due to Major Disasters

None.

11. Significant Subsequent Events

None.

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

12. Others

(1) Categories of Financial Instruments

<u>Financial assets</u>	December 31, 2019	December 31, 2018
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	\$119,733	\$83,315
Financial assets at fair value through other comprehensive income	447,469	359,859
Financial assets measured at amortized cost (Note A)	32,139,214	31,348,949
Hedging financial assets	4,207	11,613
Total	<u>\$32,710,623</u>	<u>\$31,803,736</u>
<u>Financial liabilities</u>	December 31, 2019	December 31, 2018
Financial liabilities at amortized cost:		
Short-term borrowings	\$8,521,341	\$6,414,641
Accounts payables (including related parties)	8,465,142	9,312,548
Other payables	4,092,358	4,627,935
Lease liability (including current and noncurrent)	1,775,345	(Note b)
Long-term borrowings (including current portion)	183,433	452,299
Subtotal	<u>23,037,619</u>	<u>20,807,423</u>
Financial liabilities at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss-current	153,107	23,475
Hedging financial liabilities-current	-	2,402
Total	<u>\$23,190,726</u>	<u>\$20,833,300</u>

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Note:

- A. Including cash and cash equivalents (exclude cash on hand), notes receivables, trade receivables, and other receivables.
- B. The Group adopted IFRS16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS16.

(2) Financial Risk Management Objectives and Policies

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

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk.

In practice, it is rarely the case that a single risk variable will change independently from other risk variables; there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

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

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD. The information of the sensitivity analysis is as follows:

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

When NTD appreciates or depreciates against USD by 1%, the profit for the years ended December 31, 2019 and 2018 is decreased/increased by NT\$90,064 thousand and NT\$75,967 thousand, while equity is decreased/increased by NT\$241,473 thousand and NT\$245,572 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and receivables at variable interest rates, bank borrowings with fixed and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period, including investments and bank borrowings with variable interest rate swaps. At the reporting date, an increase/decrease of 1% of interest rate in a reporting period could cause the profit for the years ended December 31, 2019 and 2018 to decreased/increased by NT\$76,133 thousand and NT\$61,346 thousand, respectively.

Equity price risk

The fair value of the Group's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed equity securities are classified under held for trading financial assets or available-for-sale financial assets. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

For the years ended December 31, 2019 and 2018, an increase/decrease of 1% in the price of the listed equity securities classified as equity instrument at fair value through profit or loss could have an impact of NT\$354 thousand and NT\$201 thousand on income attributable to the Group.

For the years ended December 31, 2019 and 2018, an increase/decrease of 1% in the price of the listed equity securities classified as equity instrument at fair value through other comprehensive income could have an impact of NT\$4,475 thousand and NT\$3,599 thousand on the equity attributable to the Group.

(4) Credit Risk Management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for trade receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

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

As of December 31, 2019 and 2018, receivables from top ten customers represented 58% and 59% of the total trade receivables of the Group, respectively. The credit concentration risk of other accounts receivables was insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity Risk Management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments and bank borrowings. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
As of December 31, 2019					
Borrowings	\$8,540,858	\$115,050	\$72,363	\$-	\$8,728,271
Accounts payables					
(including related parties)	8,465,142	-	-	-	8,465,142
Other payables	4,092,358	-	-	-	4,092,358
Lease liability	353,002	350,621	204,781	1,308,061	2,216,465
As of December 31, 2018					
Borrowings	\$6,599,493	\$290,838	\$-	\$-	\$6,890,331
Accounts payables					
(including related parties)	9,312,548	-	-	-	9,312,548
Other payables	4,627,935	-	-	-	4,627,935

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

Derivative financial liabilities

	Less than 1 year	1 to 3 years	Total
As of December 31, 2019			
Inflows	\$-	\$-	\$-
Outflows	153,107	-	153,107
Net	<u>\$153,107</u>	<u>\$-</u>	<u>\$153,107</u>
As of December 31, 2018			
Inflows	\$-	\$-	\$-
Outflows	25,877	-	25,877
Net	<u>\$25,877</u>	<u>\$-</u>	<u>\$25,877</u>

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

(6) Reconciliation of Liabilities Arising from Financing Activities:

Reconciliation of liabilities for the year ended December 31, 2019:

	Short-term borrowings	Long-term borrowings	Leases liabilities	Guarantee deposits received	Other liabilities- noncurrent	Total liabilities from financing activities
As of January 1, 2019	\$6,414,641	\$452,299	\$1,812,953	\$38,069	\$24,702	\$8,742,664
Cash flows	2,106,700	(268,866)	(299,301)	(1,611)	(7,430)	1,529,492
Additional leases	-	-	285,195	-	-	285,195
Exchange differences	-	-	(23,502)	-	-	(23,502)
As of December 31, 2019	<u>\$8,521,341</u>	<u>\$183,433</u>	<u>\$1,775,345</u>	<u>\$36,458</u>	<u>\$17,272</u>	<u>\$10,533,849</u>

Reconciliation of liabilities for the year ended December 31, 2018:

	Short-term borrowings	Long-term borrowings	Guarantee deposits received	Other liabilities- noncurrent	Total liabilities from financing activities
As of January 1, 2018	\$8,176,659	\$508,275	\$20,529	\$25,495	\$8,730,958
Cash flows	(1,762,018)	(55,976)	17,540	(620)	(1,801,074)
As of December 31, 2018	<u>\$6,414,641</u>	<u>\$452,299</u>	<u>\$38,069</u>	<u>\$24,875</u>	<u>\$6,929,884</u>

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

(7) Fair Value of Financial Instruments

A. The methods and assumptions applied in determining the fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

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

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measured at amortized cost approximate their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

(8) Derivative Instruments

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

Forward currency contracts and cross currency contracts

The Group entered into forward currency and cross currency contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward currency and forward cross currency contracts:

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

Item (by contract)	Notional Amount	Contract Period
As of December 31, 2019		
Forward currency contract		
Selling forward currency contracts	USD 401,000 thousand	From January 2020 to September 2020
Buying forward currency contracts	USD 452,000 thousand	From January 2020 to February 2020
Selling forward currency contracts	CAD 2,100 thousand	From January 2020 to May 2020
Forward cross currency contract	USD 30,500 thousand	From January 2020 to February 2020
As of December 31, 2018		
Forward currency contract		
Selling forward currency contracts	USD 322,000 thousand	From January 2019 to April 2019
Buying forward currency contracts	USD 360,500 thousand	From January 2019 to April 2019
Selling forward currency contracts	EUR 15,500 thousand	From January 2019 to February 2019
Selling forward currency contracts	CAD 2,500 thousand	From January 2019 to April 2019
Forward cross currency contract	USD 30,500 thousand	From January 2019 to March 2019

Hedging forward currency contracts

The currency of sales, costs of goods sold and trade on behalf of the purchase were in US Dollars or British Pounds. The Group entered into forward currency contracts to manage its exposure to financial risk, but these contracts are designated as hedging instruments. The table below lists the information related to forward currency contracts:

Item (by contract)	Notional Amount	Contract Period
As of December 31, 2019		
Forward currency contract		
Selling forward currency contracts	GBP 5,500 thousand	January 2020
As of December 31, 2018		
Forward currency contract		
Selling forward currency contracts	USD 20,000 thousand	February 2019
Buying forward currency contracts	USD 20,000 thousand	February 2019
Selling forward currency contracts	GBP 5,500 thousand	January 2019

(9) Fair Value Measurement Hierarchy

A. Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

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Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Group’s assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group’s assets and liabilities measured at fair value on a recurring basis is as follows:

	December 31, 2019			Total
	Level 1	Level 2	Level 3	
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Forward currency contract	\$-	\$83,296	\$-	\$83,296
Forward cross currency contract	-	1,025	-	1,025
Stock	-	-	35,412	35,412
Hedging financial assets-current	-	4,207	-	4,207
Equity instrument measured at fair value through other comprehensive income				
	-	-	447,469	447,469
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Forward currency contract	-	145,980	-	145,980
Forward cross currency contract	-	7,127	-	7,127

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	December 31, 2018			Total
	Level 1	Level 2	Level 3	
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Forward currency contract	\$-	\$63,143	\$-	\$63,143
Forward cross currency contract	-	107	-	107
Stock	-	-	20,065	20,065
Hedging financial assets-current	-	11,613	-	11,613
Equity instrument measured at fair value through other comprehensive income	-	-	359,859	359,859
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Forward currency contract	-	21,115	-	21,115
Forward cross currency contract	-	2,360	-	2,360
Hedging financial liabilities-current	-	2,402	-	2,402

Transfers between the Level 1 and Level 2 during the period

During the years ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

Change in reconciliation for fair value measurements in Level 3

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows :

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	Assets		
	At fair value through profit or loss	At fair value through other comprehensive income	Total
	Stock and convertible bonds	Stock	
As of January 1, 2019:	\$20,065	\$359,859	\$379,924
Total gains and losses recognized for the years ended December 31, 2019:			
Amount recognized in profit or loss (presented in “other profit or loss”)	(68)	-	(68)
Amount recognized in OCI (presented in “unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income”)	-	88,518	88,518
Acquisition	15,415	-	15,415
Tax effect	-	712	712
Exchange differences	-	(1,620)	(1,620)
As of December 31, 2019	<u>\$35,412</u>	<u>\$447,469</u>	<u>\$482,881</u>

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

Total gains and losses recognized in profit or loss for the years ended December 31, 2019 and 2018 in the amount of NT\$(68) thousand and NT\$(936) thousand, respectively.

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Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2019

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets :					
At fair value					
through profit					
or loss					
Stock	Income Approach	Lack of marketability	27.2%	The higher the discount for lack of marketability, the lower the fair value estimated	10% increase (decrease) in the discount for lack of marketability would result in decrease/increase in profit or loss by NT\$732 thousand /NT\$747 thousand.
Financial assets					
at fair value					
through other					
comprehensive					
income					
Stock	Asset-Based Approach	Not Applicable	-	-	-
	Market Approach	P/E ratio of similar entities	1.17	The higher the P/E ratio of similar entities, the higher the fair value estimated	10% increase (decrease) in the P/E ratio of similar entities would result in increase /decrease in equity by NT\$3,079 thousand/ NT\$3,332 thousand.

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

As of December 31, 2018

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets :					
At fair value					
through profit					
or loss					
Stock	Income Approach	Lack of marketability	27.2%	The higher the discount for lack of marketability, the lower the fair value estimated.	10% increase (decrease) in the discount for lack of marketability would result in decrease / increase in profit or loss by NT\$734 thousand /NT\$735 thousand.
Financial assets					
at fair value					
through other					
comprehensive					
income					
Stock	Asset-Based Approach	Not Applicable	-	-	-
	Market Approach	P/E ratio of similar entities	1.03	The higher the P/E ratio of similar entities, the higher the fair value estimated.	10% increase (decrease) in the P/E ratio of similar entities would result in increase /decrease in equity by NT\$1,842 thousand/ NT\$3,772 thousand.

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

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's Assets Management Center (AMC) is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. AMC analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

- C. Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (please refer to Note 6(10))	\$-	\$-	\$219,800	\$219,800

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (please refer to Note 6(10))	\$-	\$-	\$222,400	\$222,400

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

(10) Significant Assets and Liabilities Denominated in Foreign Currencies

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

	December 31, 2019		
	Foreign currencies	Exchange rate	NTD thousand
<u>Financial assets</u>			
Monetary item:			
USD	\$960,264	29.98	\$28,788,715
JPY	257,661	0.276	71,114
GBP	345	39.36	13,579
EUR	226	33.59	7,591
CHF	36	30.9	1,113
Non-Monetary items:			
USD	\$2,548	29.98	\$76,389
<u>Financial liabilities</u>			
Monetary items:			
USD	\$659,850	29.98	\$19,782,303
JPY	120,664	0.276	33,303
GBP	3,501	39.36	137,802
December 31, 2018			
	Foreign currencies	Exchange rate	NTD thousand
<u>Financial assets</u>			
Monetary item:			
USD	\$876,864	30.715	\$26,932,878
JPY	160,598	0.2782	44,678
RMB	3,822	4.4753	17,105
GBP	112	38.88	4,354
EUR	355	35.2	12,496
Non-Monetary items:			
USD	\$2,200	30.715	\$67,573
<u>Financial liabilities</u>			
Monetary items:			
USD	\$629,534	30.715	\$19,336,137
JPY	97,179	0.2782	27,035
GBP	2,149	38.88	83,551

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

The Group's entities functional currency are various, and hence is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies. The foreign exchange gain (loss) was NT\$218,105 thousand and NT\$(78,986) thousand for the years ended December 31, 2019 and 2018, respectively.

(11) Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Additional Disclosures

(1) The following are additional disclosures for the Group and its affiliates:

- A. Financing provided to others for the years ended December 31, 2019: None.
- B. Endorsement/Guarantee provided to others for the years ended December 31, 2019: Please refer to Attachment 1.
- C. Securities held as of years ended December 31, 2019 (excluding subsidiaries, associates and joint venture): Please refer to Attachment 2.
- D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the years ended December 31, 2019: None.
- E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the years ended December 31, 2019: Please refer to Attachment 3.
- F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the years ended December 31, 2019: None.
- G. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the years ended December 31, 2019: Please refer to Attachment 4.
- H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of years ended December 31, 2019: Please refer to Attachment 5.
- I. The business relationship between the parent and the subsidiaries and significant transactions between them: Please refer to Attachment 6.

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

J. Financial instruments and derivative transactions: Please refer to Note 6(2), Note 6(3), Note 6(13), Note 12(1), Note 12(8) and Attachment 9.

(2) Information on Investees

A. Relevant information on investees when the investees have significant influence or direct or indirect control. Please refer to Attachments 7, 7-1, 7-2, and 7-3.

B. When the investees have significant influence or direct or indirect control, the above items from A to I shall be disclosed. Please refer to Attachments 1-1, 1-2, 2-1, 4-1, 5-1 and 10.

C. Financial instruments and derivative transactions: Please refer to Attachment 9.

(3) Investment in Mainland China

A. Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, percentage of ownership, investment income (loss), carrying amount of investments, cumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 8, 8-1 and 8-2.

B. Directly or indirectly significant transactions with the investees in Mainland China, please refer to Attachment 6.

14. Segment information

(1) General Information

A. The Group's reportable segments are organized into business units based on their products and services, and that they will be available for managing units to earn revenues and incur expense. Every unit needs unique technologies and marketing strategies, and the Group's chief operating decision maker manages every unit individually. The Group determined its reportable segments based on the Group's internal reports.

B. The Group has three reportable segments:

(a) Energy-saving products segments: mainly engaged in the R&D design, manufacturing and marketing of backlighting, panel modules, medical displays and energy-efficient lighting equipment.

(b) Image products and brand segments: mainly engaged in the R&D design, manufacturing and marketing of projector and brand management.

(c) Optical components segments: mainly engaged in the R&D, production and marketing of projection-related applications of optics related components.

No operating segments have been aggregated to form the above reportable operating segments.

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements. However, financial cost, income and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segment are on an arm's length basis in a manner similar to transactions with third parties.

(2) Segment Income, Assets and Liabilities Information

	For the years ended December 31, 2019						
	Energy - saving products segment	Image products and brand segment	Optical components segment	Subtotal	Other segment (Note A)	Adjustment and elimination (Note B)	Total
Revenue							
Net revenue from external customers	\$23,968,822	\$17,289,447	\$4,426,742	\$45,685,011	\$3,026,248	\$-	\$48,711,259
Net revenue from sales among intersegments	216,837	36,051	393,159	646,047	891,860	(1,537,907)	-
Total revenue	<u>\$24,185,659</u>	<u>\$17,325,498</u>	<u>\$4,819,901</u>	<u>\$46,331,058</u>	<u>\$3,918,108</u>	<u>\$(1,537,907)</u>	<u>\$48,711,259</u>
Segment income	<u>\$1,142,773</u>	<u>\$658,533</u>	<u>\$5,149</u>	<u>\$1,806,455</u>	<u>\$79,927</u>	<u>\$(184,470)</u>	<u>\$1,701,912</u>
Segment Assets (Note C)	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$49,323,120</u>	<u>\$49,323,120</u>

	For the years ended December 31, 2018						
	Energy - saving products segment	Image products and brand segment	Optical components segment	Subtotal	Other segment (Note A)	Adjustment and elimination (Note B)	Total
Revenue							
Net revenue from external customers	\$24,793,483	\$21,674,154	\$5,662,082	\$52,129,719	\$3,543,214	\$-	\$55,672,933
Net revenue from sales among intersegments	385,823	96,389	600,163	1,082,375	830,542	(1,912,917)	-
Total revenue	<u>\$25,179,306</u>	<u>\$21,770,543</u>	<u>\$6,262,245</u>	<u>\$53,212,094</u>	<u>\$4,373,756</u>	<u>\$(1,912,917)</u>	<u>\$55,672,933</u>
Segment income	<u>\$1,129,119</u>	<u>\$1,671,744</u>	<u>\$193,164</u>	<u>\$2,994,027</u>	<u>\$60,396</u>	<u>\$(187,102)</u>	<u>\$2,867,321</u>
Segment Assets (Note C)	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$48,037,205</u>	<u>\$48,037,205</u>

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

Note A: Eight operating segments did not meet the quantitative thresholds for reportable segments for the years ended December 31, 2019 and 2018, respectively. They have been combined into other segments.

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

Note C: If the measurements of the asset were not provided to the decision makers, the amount of the assets to be disclosed by every segment may be expressed as zero and listed as group asset.

	Years ended December 31	
	2019	2018
Net income of reportable segment	\$1,806,455	\$2,994,027
Income of other segment	79,927	60,396
Unallocated amount:		
Interest income	466,602	404,389
Interest expense	(347,636)	(245,000)
Financial assets (liabilities) at fair value through profit or loss	(17,962)	383,018
Exchange loss	218,105	(78,986)
Others	(503,579)	(650,523)
Income before income tax	<u>\$1,701,912</u>	<u>\$2,867,321</u>

(3) Geographical information

A. Sales to other than consolidated entities

	Years ended December 31,	
	2019	2018
Mainland China (including Hong Kong)	\$24,261,200	\$24,413,940
Taiwan	9,775,792	11,700,488
Japan	4,300,525	3,773,502
United Kingdom	3,796,642	4,480,226
United States	3,717,171	5,320,428
South Korea	414,368	478,067
Malaysia	220,347	1,753,638
Switzerland	48,474	1,497,367
Others	2,176,740	2,255,277
Total	<u>\$48,711,259</u>	<u>\$55,672,933</u>

Sales are presented by customers' country.

CORETRONIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

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

B. Non-current assets

	December 31,	
	2019	2018
Taiwan	\$5,009,804	\$3,398,251
Mainland China (including Hong Kong)	3,503,979	3,272,912
Bangladesh	487,122	347,537
Europe	239,796	129,081
United States	139,219	59,875
Total	<u>\$9,379,920</u>	<u>\$7,207,656</u>

(4) Major customers information

2019 and 2018 for a single customer sales accounted for more than 10% of net sales are listed below:None.

ATTACHMENT 1 (Endorsement/Guarantee provided to others for the years ended December 31, 2019)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Endorsor/Guarantor	Receiving party		Limit of guarantee/endorsement amount for receiving party	Maximum balance for the period	Ending balance	Actual amount provided	Amount of Endorsement/ Guarantee collateralized by properties	Percentage of accumulated guarantee amount to net worth from the latest financial statement	Limit of total guarantee/endorsement amount	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiary in Mainland China
		Company name	Relationship										
0	Coretronic Corporation	Coretronic Intelligent Cloud Service Corp.	Subsidiary	10,700,458 (Note)	\$ 1,775	\$ -	\$ -	-	0.00%	\$21,400,917 (Note)	Yes	No	No
0	Coretronic Corporation	Nano Precision Taiwan Limited	Associate	10,700,458 (Note)	300,000	300,000	111,074	-	1.40%	21,400,917 (Note)	Yes	No	No
0	Coretronic Corporation	Coretronic Intelligent Robotics Corporation	Subsidiary	10,700,458 (Note)	272,250	272,250	12,250	-	1.27%	21,400,917 (Note)	Yes	No	No
0	Coretronic Corporation	Coretronic Display (Suzhou)	Associate	10,700,458 (Note)	195,241 (RMB45,000 thousands)	193,387 (RMB45,000 thousands)	193,387	-	0.90%	21,400,917 (Note)	Yes	No	Yes
0	Coretronic Corporation	YLG Optotech	Associate	10,700,458 (Note)	145,044 (USD4,590 thousands)	137,608 (USD4,590 thousands)	61,159	-	0.64%	21,400,917 (Note)	Yes	No	Yes
0	Coretronic Corporation	Calibre UK Ltd.	Subsidiary	10,700,458 (Note)	201,945 (GBP5,060 thousands)	199,162 (GBP5,060 thousands)	120,170	-	0.93%	21,400,917 (Note)	Yes	No	No
	Total				<u>\$ 1,116,255</u>	<u>\$ 1,102,407</u>							

Note : Based on the procedures of endorsement/guarantee provided to others, the amount of endorsements/guarantees for any single entity shall not exceed 50% of the Company's net worth from the latest financial statement.
Based on the procedures of endorsement/guarantee provided to others, the total amount of endorsements/guarantees shall not exceed 100% of the Company's net worth from the latest financial statement.

ATTACHMENT 1-1 (Financing provided to others for the years ended December 31, 2019)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Lender	Counter-party	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing	Amount of sales to (purchases from) counter-party	Reason for financing	Allowance for expected credit losses	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount
													Item	Value		
1	Young Green Energy	Calibre UK Ltd	Accounts receivables - related parties	Yes	\$ 20,185	\$ 7,872	\$ 7,872	1.45%	The need for short-term financing	-	Business turnover	-	None	-	\$ 90,054	\$ 90,054
1	Young Green Energy	Coretronic Intelligent Robotics Corporation	Accounts receivables - related parties	Yes	30,000	30,000	30,000	0.63%	The need for short-term financing	-	Business turnover	-	None	-	90,054	90,054
2	Coretronic (Ningbo)	Coretronic Display (Suzhou)	Accounts receivables - related parties	Yes	1,008,832	-	-	-	The need for short-term financing	-	Business turnover	-	None	-	3,180,641	3,180,641
2	Coretronic (Ningbo)	YLG Optotech	Accounts receivables - related parties	Yes	282,015	236,362	236,362	0.5%	The need for short-term financing	-	Business turnover	-	None	-	3,180,641	3,180,641
3	Coretronic (Suzhou)	Coretronic Corporation	Accounts receivables - related parties	Yes	141,255	134,910	134,910	2.332%	The need for short-term financing	-	Business turnover	-	None	-	1,285,592	1,285,592
3	Coretronic (Suzhou)	Coretronic Display (Suzhou)	Accounts receivables - related parties	Yes	1,062,979	1,052,882	1,052,882	0.5%	The need for short-term financing	-	Business turnover	-	None	-	4,285,307	4,285,307
3	Coretronic (Suzhou)	Coretronic System Engineering (Shanghai)	Accounts receivables - related parties	Yes	36,795	17,190	17,190	0.5%	The need for short-term financing	-	Business turnover	-	None	-	4,285,307	4,285,307
4	Bigshine (HK)	Core-Flex Limited	Accounts receivables - related parties	Yes	136,070	129,094	129,094	0.5%	The need for short-term financing	-	Business turnover	-	None	-	269,577	269,577
4	Bigshine (HK)	Coretronic Corporation	Accounts receivables - related parties	Yes	252,800	209,860	209,860	-	The need for short-term financing	-	Business turnover	-	None	-	673,943	673,943
5	Venture Orient	Coretronic Corporation	Accounts receivables - related parties	Yes	94,170	89,940	89,940	-	The need for short-term financing	-	Business turnover	-	None	-	474,628	474,628
6	Great Pride	Coretronic Corporation	Accounts receivables - related parties	Yes	34,760	32,978	32,978	-	The need for short-term financing	-	Business turnover	-	None	-	2,360,546	2,360,546
7	Lead Bright (HK)	Coretronic Corporation	Accounts receivables - related parties	Yes	154,840	146,902	146,902	-	The need for short-term financing	-	Business turnover	-	None	-	3,375,189	3,375,189
8	Investdragon (HK)	Coretronic Corporation	Accounts receivables - related parties	Yes	123,240	-	-	-	The need for short-term financing	-	Business turnover	-	None	-	117,635	117,635
9	Wisdom Success (HK)	Coretronic Corporation	Accounts receivables - related parties	Yes	44,240	-	-	-	The need for short-term financing	-	Business turnover	-	None	-	5,313,538	5,313,538
10	Greendale	Coretronic Corporation	Accounts receivables - related parties	Yes	464,836	19,187	19,187	-	The need for short-term financing	-	Business turnover	-	None	-	5,131,724	5,131,724
11	Bigshine	Coretronic Corporation	Accounts receivables - related parties	Yes	47,400	14,990	14,990	-	The need for short-term financing	-	Business turnover	-	None	-	328,275	328,275
11	Bigshine	Brightbridge	Accounts receivables - related parties	Yes	2,781	2,653	2,653	0.5%	The need for short-term financing	-	Business turnover	-	None	-	328,275	328,275
12	Nano Precision	Coretronic Corporation	Accounts receivables - related parties	Yes	211,720	-	-	-	The need for short-term financing	-	Business turnover	-	None	-	203,686	203,686
13	Great Pride(HK)	Coretronic Corporation	Accounts receivables - related parties	Yes	106,726	101,932	101,932	-	The need for short-term financing	-	Business turnover	-	None	-	2,342,239	2,342,239
14	Tecpoint	Coretronic Corporation	Accounts receivables - related parties	Yes	103,587	5,996	5,996	-	The need for short-term financing	-	Business turnover	-	None	-	3,222,696	3,222,696
15	Coretronic Projection (Kunshan)	Coretronic Optics (Kunshan)	Accounts receivables - related parties	Yes	151,854	150,412	150,412	0.5%	The need for short-term financing	-	Business turnover	-	None	-	4,840,162	4,840,162
16	Dynamic Time	Optoma Corporation	Accounts receivables - related parties	Yes	537,200	509,660	509,660	-	The need for short-term financing	-	Business turnover	-	None	-	741,558	741,558
16	Dynamic Time	Optoma USA	Accounts receivables - related parties	Yes	173,800	164,890	164,890	2.37%-2.55%	The need for short-term financing	-	Business turnover	-	None	-	1,853,896	1,853,896
17	Modern Smart	Optoma Corporation	Accounts receivables - related parties	Yes	20,540	19,487	19,487	-	The need for short-term financing	-	Business turnover	-	None	-	53,362	53,362
17	Modern Smart	Optoma USA	Accounts receivables - related parties	Yes	20,540	19,487	19,487	2.55%	The need for short-term financing	-	Business turnover	-	None	-	133,404	133,404
18	Masterview	Young Optics (BD)	Other receivables - related parties	Yes	126,400	-	-	2.50%	The need for short-term financing	-	Business turnover	-	None	-	1,398,654	1,398,654
19	Grace China	Young Optics (BD)	Other receivables - related parties	Yes	88,480	-	-	3.00%	The need for short-term financing	-	Business turnover	-	None	-	1,104,803	1,104,803

Note A : Limit of financing amount for individual counter-party and total financing amount should not exceed 100% of lender's net worth from the latest financial statement, including Bigshine (HK) Limited · Bigshine International Limited · GREAT PRIDE INC. (Samoa) · Great Pride Hong Kong Limited · Greendale Investments Limited · Lead Bright (HK) Limited · TEC POINT LIMITED (BVI) · Venture Orient Limited.

The above restriction only applies to the foreign subsidiaries whose shares are 100% owned, by the Company.

Note B : Limit of financing amount for individual counter-party and total financing amount should not exceed 100% of lender's net worth from the latest financial statement, including Dynamic Time Investments Limited · Modern Smart Ltd. · Bigshine International Limited · Coretronic (Ningbo) · Coretronic (Suzhou) · Coretronic Projection (Kunshan).

The above restriction only applies to the foreign subsidiaries whose shares are 100% owned, directly or indirectly, by the Company.

Note C : Limit of total financing amount for individual counter-party should not exceed 40% of lender's net worth from the latest financial statement, and limit of total financing amount should not exceed 100% of the latest financial statements of lender, including Dynamic Time Investments Limited · Modern Smart Ltd. · Bigshine (HK) Limited · Young Green Energy Co., LTD.

Note D : For the outside-of-Taiwan loans of Coretronic (Suzhou), the total limit of financing amount should not exceed 30% of the Company's net worth in the latest audited financial statement.

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

ATTACHMENT 1-2 (Endorsement/Guarantee provided to others for the years ended December 31, 2019)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Endorsor/ guarantor	Receiving party		Limit of guarantee/endors ement amount for receiving party	Maximum balance for the period	Ending balance	Actual amount provided	Amount of Endorsement/ Guarantee collateralized by properties	Percentage of accumulated guarantee amount to net worth from the latest financial statement	Limit of total guarantee/ endorsement amount	Guarantee Provided by Parent Company	Guarantee Provided by a Subsidiary	Guarantee Provided to Subsidiary in Mainland China
		Company name	Relationship										
1	Coretronic (Suzhou)	Coretronic Display (Suzhou)	Associate	\$ 2,142,654 (Note)	\$ 769,848	\$ 769,848	\$ 426,049	-	17.96%	\$ 4,285,307 (Note)	No	No	Yes
2	Coretronic Optotech (Suzhou)	Coretronic Display (Suzhou)	Associate	376,981 (Note)	206,971	193,387	193,387	-	25.65%	753,962 (Note)	No	No	Yes
3	Optoma Corporation	Optoma USA	Associate	309,318 (Note)	9,480	-	-	-	0.00%	618,635 (Note)	No	No	No
	Total				<u>\$ 986,299</u>	<u>\$ 963,235</u>							

Note : Based on the procedures of endorsement/guarantee provided to others, the amount of endorsements/guarantees for any single entity shall not exceed 50% of the Company's net worth from the latest financial statement.
Based on the procedures of endorsement/guarantee provided to others, the total amount of endorsements/guarantees shall not exceed 100% of the Company's net worth from the latest financial statement.

ATTACHMENT 2 (Securities held as of December 31, 2019)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2019				Note
				Shares/Units	Carrying amount	Percentage of ownership (%)	Fair value(Note)	
Coretronic Corporation	Maxima Venture I, Inc.	-	Financial assets at fair value through other comprehensive income-noncurrent	29,400	\$ 628	5.26%	\$ 628	
Coretronic Corporation	Nightingale Intelligent Systems, Inc.	-	Financial assets at fair value through profit or loss-noncurrent	1,148,617	33,058	3.72%	33,058	
Coretronic Corporation	GLO AB	-	Financial assets at fair value through profit or loss-noncurrent	50,000	2,354	0.24%	2,354	
Coretronic Corporation	Etergo Opto-Electronics Co., LTD	-	Investments accounted for using the equity method- noncurrent	1,000,000	22,934	20.00%	-	

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

ATTACHMENT 2-1 (Securities held as of December 31, 2019)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2019				Note
				Shares/Units	Carrying amount	Percentage of ownership (%)	Fair value(Note A)	
Chung Tsen Investment Corp.	Shieh Yong Investment	-	Financial assets at fair value through other comprehensive income-noncurrent	34,107,900	\$ 338,814	4.47%	\$ 338,814	
Venture Orient	Unitech Capital	-	Financial assets at fair value through other comprehensive income-noncurrent	2,500,000	USD 2,547,750	5.00%	USD 2,547,750	
Optoma Corporation	LIULIGONGFANG	-	Financial assets at fair value through other comprehensive income-noncurrent	242,094	3,876	3.06%	3,876	
	Excel Global	-	Financial assets at fair value through other comprehensive income-noncurrent	812,506	27,769	19.90%	27,769	
Coretronic Venture Capital	GeneJet Biotech	-	Investments accounted for using the equity method- noncurrent	1,575,000	- (Note B)	19.51%	-	

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

Note B : The impairment loss was recognized as the difference between the recoverable amount of the security and its carrying value.

ATTACHMENT 3 (Acquisition of individual real estate with cost exceeding NT\$300 million or 20 percent of capital stock for the years ended December 31, 2019)

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

Company Name	Types of property	Transaction date	Transaction amount	Payment term	Counter-party	Relationship	Prior transaction of related counter-party				Price reference	Purpose of acquisition and usage	Other terms
							Owner	Relationship	Transfer date	Amount			
Coretronic Corporation	Buildings	April, 2019	\$ 450,000	Settlement by the construction and progress and acceptance dealt in the contracts	TAYIH KENMOS AUTO PARTS CO., LTD	None	-	-	-	-	Real estate valuation report	Business purpose	-

ATTACHMENT 4 (Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of capital stock for the years ended December 31, 2019)

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

Company Name	Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Unit price	Term	Balance	Percentage of total receivables (payable)	
Coretronic Corporation	Optoma Corporation	Subsidiary	Sales	\$ 4,366,572	24.48%	90 days	-	-	\$ 1,786,541	33.69%	

ATTACHMENT 4-1 (Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock for the year ended December 31, 2019)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Unit price	Term	Balance	Percentage of total receivables (payable)	
Young Optics	Grace China	Associate	Sales	\$ 227,631	5.43%	60 days	-	-	\$ 444,656	34.52 %	
Young Optics	Grace China	Associate	Purchases	1,939,647	70.26%	60 days	-	-	(991,171)	(72.23%)	
Young Optics	Aptek Optical	Subsidiary	Sales	287,296	6.85%	60 days	-	-	55,597	4.32 %	
Young Optics (Kunshan)	Grace China	Associate	Sales	1,699,966	75.34 %	60 days	-	-	811,502	85.56 %	
Young Optics (Kunshan)	Grace China	Associate	Purchases	236,215	12.74 %	30 days	-	-	(250,487)	(57.02%)	
Young Optics (Kunshan)	Young Optics (Suzhou)	Associate	Sales	126,351	5.77 %	60 days	-	-	33,330	3.51 %	
Young Optics (Kunshan)	Coretronic Optics (Kunshan)	Associate	Sales	383,568	17.53 %	90 days	-	-	101,124	10.66 %	
Young Optics (Suzhou)	Grace China	Associate	Sales	120,042	30.81 %	60 days	-	-	21,882	36.02 %	
Young Optics (Suzhou)	Grace China	Associate	Purchases	141,207	44.36 %	60 days	-	-	(61,505)	(55.22%)	
Young Optics(BD)	Grace China	Associate	Sales	291,025	99.93 %	60 days	-	-	129,517	100.00 %	
Young Optics(BD)	Grace China	Associate	Purchases	17,663	26.55 %	60 days	-	-	(422,538)	(99.77%)	
Optoma Corporation	Optoma Europe	Associate	Sales	2,815,250	53.50%	90 days	-	-	543,542	36.76 %	
Optoma Corporation	Optoma USA	Associate	Sales	1,693,925	32.19%	120 days	-	-	857,969	58.02 %	
Optoma China	Coretronic Projection (Kunshan)	Associate	Purchases	871,793	94.20%	90 days	-	-	(373,316)	(99.35%)	
Nano Precision (Suzhou)	Coretronic (Suzhou)	Associate	Sales	345,646	22.55%	60 days	-	-	88,112	16.43%	
Nano Precision (Suzhou)	Great Pride (HK)	Associate	Sales	371,757	24.25%	60 days	-	-	140,774	26.26%	
Nano Precision (Suzhou)	Coretronic Optotech (Suzhou)	Associate	Sales	110,546	7.21%	60 days	-	-	23,595	4.40 %	
Nano Precision Taiwan Limited	Nano Precision (Suzhou)	Associate	Sales	309,050	71.86%	60 days	-	-	100,163	74.48%	
Coretronic Projection (Kunshan)	Coretronic Optics (Kunshan)	Associate	Sales	676,059	4.66%	60 days	-	-	170,511	6.92%	
Coretronic Optics (Kunshan)	Coretronic Projection (Kunshan)	Associate	Sales	7,714,987	99.79%	60 days	-	-	1,269,484	99.71%	
Coretronic Projection (Kunshan)	Champ Vision Display	Associate	Sales	1,024,635	7.07%	60 days	-	-	159,985	6.50%	
Champ Vision Display	Coretronic Projection (Kunshan)	Associate	Sales	486,947	21.36%	60 days	-	-	73,885	21.74%	

ATTACHMENT 5 (Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2019)

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

Company Name	Counter-party	Relationship	Accounts receivables - related parties	Turnover rate (times)	Overdue receivables		Amount received in subsequent period	Allowance for expected credit losses
					Amount	Collection status		
Accounts receivable : Coretronic Corporation	Optoma Corporation	Subsidiary	\$ 1,786,541	2.16	\$ -	-	\$ -	\$ -

ATTACHMENT 5-1 (Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2019)

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

Company Name	Counter-party	Relationship	Accounts receivables - related parties Balance	Turnover rate (times)	Overdue receivables		Amount received in subsequent period	Allowance for expected credit losses
					Amount	Collection status		
Accounts receivable :								
Optoma Corporation	Optoma USA	Associate	\$ 857,969	1.81	\$ -	-	\$ -	\$ -
Optoma Corporation	Optoma Europe	Associate	543,542	4.12	-	-	-	-
Young Optics	Grace China	Associate	444,656	0.80	-	-	-	-
Young Optics (Kunshan)	Coretronic Optics (Kunshan)	Associate	101,124	3.44	-	-	-	-
Young Optics (Kunshan)	Grace China	Associate	811,502	2.37	-	-	-	-
Grace China	Young Optics	Associate	991,171	2.56	-	-	-	-
Grace China	Young Optics (Kunshan)	Associate	250,487	1.21	-	-	-	-
Grace China	Young Optics (BD)	Associate	422,538	0.06	-	-	-	-
Young Optics (BD)	Grace China	Associate	129,517	2.20	-	-	-	-
Nano Precision (Suzhou)	Great Pride (HK)	Associate	140,774	2.75	-	-	-	-
Coretronic Projection (Kunshan)	Champ Vision Display	Associate	159,985	4.59	-	-	-	-
Coretronic Projection (Kunshan)	Optoma China	Associate	373,316	1.54	-	-	-	-
Coretronic Projection (Kunshan)	Coretronic Optics (Kunshan)	Associate	170,511	3.58	-	-	-	-
Coretronic Optics (Kunshan)	Coretronic Projection (Kunshan)	Associate	1,269,484	5.48	-	-	-	-
Other receivables :								
Dynamic Time	Optoma Corporation	Associate	509,660	-	-	-	-	-
Dynamic Time	Optoma USA	Associate	166,882	-	-	-	-	-
Young Optics	Grace China	Associate	323,822	-	-	-	-	-
Grace China	Young Optics (BD)	Associate	194,427	-	-	-	-	-

ATTACHMENT 6 (significant intercompany transactions between consolidated entities)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No. (Note A)	Related party	Counter-party	Relationship with Coretronic Corporation (Note B)	Transactions			
				Accounts	Amount	Collection periods (Note C)	Percentage of consolidated operating revenues or consolidated total assets (Note D)
0	Coretronic Corporation	Optoma Corporation	1	Accounts receivables	1,786,541	—	3.62%
			1	Sales	4,366,572	—	8.96%
		Optoma Europe	1	Sales	43,123	—	0.09%
		Coretronic(Suzhou)	1	Sales	1,107,113	—	2.27%
		Greendale	1	Accounts receivables	1,260,515	—	2.56%
			1	Sales	5,265,508	—	10.81%
		Coretronic Projection (Kunshan)	1	Accounts receivables	50,242	—	0.10%
			1	Sales	94,553	—	0.19%
		Wisdom Success (HK)	1	Sales	96,803	—	0.20%
		YLG Optotech	1	Accounts receivables	67,470	—	0.14%
			1	Sales	619,920	—	1.27%
		Coretronic Display (Suzhou)	1	Accounts receivables	1,998,117	—	4.05%
1	Sales		5,506,431	—	11.30%		
Coretronic Optotech (Suzhou)	1	Accounts receivables	695,513	—	1.41%		
	1	Sales	3,519,643	—	7.23%		
1	Optoma Corporation	Optoma Technology	3	Accounts receivables	857,969	—	1.74%
			3	Sales	1,693,925	—	3.48%
		Optoma Europe	3	Accounts receivables	543,542	—	1.10%
			3	Sales	2,815,250	—	5.78%
2	Young Optics	Grace China	3	Other receivables	323,822	—	0.66%
			3	Accounts receivables	444,656	—	0.90%
			3	Sales	1,478,998	—	3.04%
		Aptek Optical	3	Accounts receivables	55,597	—	0.11%
			3	Sales	287,296	—	0.59%
3	Grace China	Young Optics	3	Accounts receivables	991,170	—	2.01%
			3	Sales	3,191,444	—	6.55%
		Young Optics(Kunshan)	3	Accounts receivables	257,943	—	0.52%
			3	Sales	1,392,156	—	2.86%
		Young Optics (SuZhou)	3	Accounts receivables	61,504	—	0.12%
			3	Sales	141,144	—	0.29%
		Young Optics (BD)	3	Other receivables	278,478	—	0.56%
			3	Accounts receivables	347,756	—	0.71%
			3	Sales	113,625	—	0.23%

No. (Note A)	Related party	Counter-party	Relationship with Coretronic Corporation (Note B)	Transactions			Percentage of consolidated operating revenues or consolidated total assets (Note D)
				Accounts	Amount	Collection periods (Note C)	
4	Young Optics(Kunshan)	Grace China	3	Accounts receivables	811,502	—	1.65%
			3	Sales	2,854,361	—	5.86%
		Young Optics (SuZhou)	3	Accounts receivables	33,330	—	0.07%
			3	Sales	126,351	—	0.26%
		Coretronic Optics (Kunshan)	3	Accounts receivables	101,124	—	0.21%
			3	Sales	383,568	—	0.79%
5	Dynamic Time	Optoma Corporation	3	Other receivables	509,660	—	1.03%
		Optoma Technology	3	Other receivables	166,882	—	0.34%
6	Wisdom Success	Coretronic(Suzhou)	3	Sales	3,814,328	—	7.83%
7	Coretronic(Suzhou)	Coretronic Corporation	2	Other receivables	136,020	—	0.28%
			2	Sales	396,793	—	0.81%
		Wisdom Success	3	Sales	1,650,972	—	3.39%
			3	Accounts receivables	3,288,358	—	6.67%
		Wisdom Success (HK)	3	Sales	1,007,513	—	2.07%
			3	Other receivables	1,056,532	—	2.14%
		Coretronic Display (Suzhou)	3	Sales	76,385	—	0.16%
8	Venture Orient	Coretronic Corporation	2	Other receivables	89,940	—	0.18%
9	Technology Service (Kunshan)	Coretronic Corporation	2	Sales	35,588	—	0.07%
10	Best Alpha	Young Optics (SuZhou)	3	Other receivables	110,551	—	0.22%
11	Young Optics (SuZhou)	Grace China	3	Sales	120,042	—	0.25%
12	Great Pride	Coretronic Corporation	2	Other receivables	32,978	—	0.07%
13	Nano Precision (Suzhou)	Coretronic(Suzhou)	3	Accounts receivables	88,112	—	0.18%
			3	Sales	345,646	—	0.71%
		Great Pride (HK)	3	Accounts receivables	140,774	—	0.29%
			3	Sales	371,757	—	0.76%
		Coretronic Display (Suzhou)	3	Sales	85,993	—	0.18%
		Coretronic Optotech (Suzhou)	3	Sales	110,546	—	0.23%
14	Greendale	Coretronic Corporation	2	Other receivables	1,208,550	—	2.45%
		Coretronic Optics (Kunshan)	3	Other receivables	1,246,350	—	2.53%

No. (Note A)	Related party	Counter-party	Relationship with Coretronic Corporation (Note B)	Transactions			Percentage of consolidated operating revenues or consolidated total assets (Note D)
				Accounts	Amount	Collection periods (Note C)	
15	Coretronic Projection (Kunshan)	Optoma China	3	Accounts receivables	373,316	—	0.76%
			3	Sales	873,307	—	1.79%
		Vimax(Kunshan)	3	Sales	32,204	—	0.07%
			3	Accounts receivables	1,185,817	—	2.40%
		Young Green Energy	3	Sales	8,058,117	—	16.54%
			3	Sales	44,981	—	0.09%
		Champ Vision Display	3	Accounts receivables	159,985	—	0.32%
			3	Sales	1,024,635	—	2.10%
		Coretronic Optics (Kunshan)	3	Other receivables	153,798	—	0.31%
3	Accounts receivables		170,511	—	0.35%		
			3	Sales	676,059	—	1.39%
16	Young Green Energy	Coretronic Intelligent Robotics	3	Other receivables	30,113	—	0.06%
17	Boom Power Electronics (SuZhou)	Coretronic Projection (Kunshan)	3	Sales	49,536	—	0.10%
18	Coretronic (Ningbo)	YLG Optotech	3	Other receivables	236,898	—	0.48%
19	Nano Display (Guangzhou)	Coretronic (Guangzhou)	3	Sales	55,211	—	0.11%
20	Great Pride (HK)	Coretronic Corporation	2	Other receivables	101,932	—	0.21%
21	Wisdom Success (HK)	Coretronic(Suzhou)	3	Accounts receivables	2,494,477	—	5.06%
			3	Sales	3,055,098	—	6.27%
22	Bigshine (HK)	Coretronic Corporation	2	Other receivables	209,860	—	0.43%
			3	Other receivables	129,094	—	0.26%
23	Lead Bright (HK)	Coretronic Corporation	2	Other receivables	149,199	—	0.30%
24	CORETRONIC INTELLIGENT CLOUD SERVICE CORPORATION	Coretronic Corporation	2	Accounts receivables	59,366	—	0.12%
			2	Sales	129,758	—	0.27%
25	YLG Optotech	Coretronic Corporation	2	Accounts receivables	211,266	—	0.43%
			2	Sales	1,282,280	—	2.63%
		3	Sales	165,005	—	0.34%	
26	Young Optics (BD)	Grace China	3	Accounts receivables	129,517	—	0.26%
			3	Sales	386,974	—	0.79%
27	Coretronic Display (Suzhou)	Coretronic Corporation	2	Accounts receivables	1,195,345	—	2.42%
			2	Sales	2,917,685	—	5.99%
		YLG Optotech	3	Accounts receivables	30,294	—	0.06%
			3	Sales	157,569	—	0.32%

No. (Note A)	Related party	Counter-party	Relationship with Coretronic Corporation (Note B)	Transactions			
				Accounts	Amount	Collection periods (Note C)	Percentage of consolidated operating revenues or consolidated total assets (Note D)
28	Coretronic Optotech (Suzhou)	Coretronic Corporation	2	Accounts receivables	559,847	—	1.14%
			2	Sales	1,308,006	—	2.69%
		Coretronic Display (Suzhou)	3	Accounts receivables	129,595	—	0.26%
			3	Sales	223,675	—	0.46%
29	Champ Vision Display	Coretronic Corporation	2	Other receivables	32,916	—	0.07%
			3	Accounts receivables	73,885	—	0.15%
		Coretronic Projection (Kunshan)	3	Sales	486,947	—	1.00%
			3	Sales	84,420	—	0.17%
30	Coretronic Optics (Kunshan)	Coretronic Projection (Kunshan)	3	Accounts receivables	1,269,484	—	2.57%
			3	Sales	7,714,987	—	15.84%
31	Nano Precision Taiwan	Nano Precision (Suzhou)	3	Accounts receivables	100,163	—	0.20%
			3	Sales	309,050	—	0.63%
		Coretronic (Ningbo)	3	Sales	41,296	—	0.08%
		Coretronic Display (Suzhou)	3	Sales	38,209	—	0.08%

Note A: Coretronic Corporation and its subsidiaries are coded as follows:

1. Coretronic Corporation is coded "0"
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note B: Transactions are categorized as follows:

1. The holding company to subsidiary.
2. The subsidiary to holding company.

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

Note D: The percentage with respect to the consolidated asset/liability for transactions of balance sheet items are based on each item's balance at period-end.

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

ATTACHMENT 7 : (Names, locations and related information of investee companies as of December 31, 2019) (Not including investment in Mainland China)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2019			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Carrying amount			
Coretronic Corporation	Coretronic (BVI) Investment Corp.	B.V.I.	Holding company	\$1,566,475	\$1,566,475	47,220,000	100.00%	\$4,858,922	\$242,163	\$242,163	Subsidiary
Coretronic Corporation	Optoma Corporation	New Taipei City, Taiwan	Engaged in the production and marketing of data storage and processing equipment, electronic components, optical devices, wireless communications equipment and electronic appliances	518,465	518,465	58,462,000	100.00%	589,663	(18,560)	(18,560)	Subsidiary
Coretronic Corporation	Young Optics Inc	Hsinchu City, Taiwan	Engaged in the production, marketing and R&D of electronic components and optics.	547,842	574,658	41,062,586	36.00%	1,225,340	4,549	4,109	Subsidiary
Coretronic Corporation	Viscorp Limited	B.V.I.	Holding company	467,241	614,303	40,781	100.00%	11,333,597	927,305	927,305	Subsidiary
Coretronic Corporation	Sinolink Global Limited	B.V.I.	Holding company	34,100	34,100	980	100.00%	1,218,879	45,142	45,142	Subsidiary
Coretronic Corporation	Chung Tsen Investment Corp.	Miaoli County, Taiwan	Investing company for strategic purposes	692,696	692,696	127,099,664	100.00%	1,662,801	12,024	12,024	Subsidiary
Coretronic Corporation	Tecpoint Limited	B.V.I.	Holding company	1,064,802	1,156,668	33,556,599	78.06%	2,496,088	204,450	159,595	Subsidiary
Coretronic Corporation	Young Green Energy Co., LTD	Hsinchu County, Taiwan	Engaged in the production, wholesale and retail trade of electronic components, battery, computer and its peripheral devices, and electronic material	214,620	214,620	18,833,220	99.91%	236,548	24,443	24,421	Subsidiary
Coretronic Corporation	Young Lighting Limited	Samoa	Holding company	118,134	118,134	3,907,000	100.00%	1,687	288,864	288,864	Subsidiary
Coretronic Corporation	Coretronic Intelligent Cloud Service Corp.	Hsinchu County, Taiwan	Engaged in intelligent cloud, IT information, intelligent applications and platform development related business of new media.	254,990	254,990	15,000,000	100.00%	142,603	(710)	(710)	Subsidiary
Coretronic Corporation	Coretronic Venture Capital Corp.	Miaoli County, Taiwan	The investment activities of company's business expansion	300,000	300,000	30,000,000	100.00%	303,324	1,795	1,795	Subsidiary
Coretronic Corporation	Champ Vision Display Inc.	Miaoli County, Taiwan	Engaged in R&D, design, production and marketing of innovative intelligent display products and system integration solution.	144,000	144,000	14,400,000	80.00%	169,027	44,462	71,115	Subsidiary
Coretronic Corporation	uCare Medical Electronics Co., Ltd.	Miaoli County, Taiwan	Engaged in the R&D, design, production and marketing of intelligent movement and medical care related software and hardware products.	80,000	80,000	8,000,000	60.69%	47,888	(19,381)	11,221	Subsidiary
Coretronic Corporation	Calibre UK Limited	UK	Engaged in R&D, design, production and marketing of image processing products.	44,088	44,088	101,042	100.00%	(39,008)	(27,677)	(27,677)	Subsidiary
Coretronic Corporation	Coretronic Intelligent Robotics Corporation	Hsinchu City, Taiwan	Engaged in R&D, production and marketing of unmanned aerial vehicle and intelligent robotics.	150,000	60,000	15,000,000	100.00%	39,419	(70,195)	(70,195)	Subsidiary
Coretronic Corporation	InnoSpectra Corporation	Hsinchu City, Taiwan	Engaged in R&D and marketing of near-infrared spectrum and corresponding solutions.	48,000	48,000	4,800,000	80.00%	21,808	(16,089)	(9,103)	Subsidiary
Coretronic Corporation	Coretronic MEMS Corporation	Hsinchu County, Taiwan	Engaged in R&D, production and marketing of MEMS sensor, module and corresponding solutions.	180,000	-	18,000,000	100.00%	160,403	(19,597)	(19,597)	Subsidiary
Coretronic Corporation	Coretronic Reality Inc.	Hsinchu County, Taiwan	Engaged in R&D, production and marketing of wearable and embedded projector, system, and display solutions.	100,000	-	10,000,000	100.00%	99,934	(66)	(66)	Subsidiary

ATTACHMENT 7 - 1 : (Names, locations and related information of investee companies as of December 31, 2019) (Not including investment in Mainland China)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2019			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Carrying amount			
Coretronic BVI	Greendale	Samoa	Holding company	USD 46,400,000	USD 46,400,000	46,400	100.00 %	USD 162,480,674	USD 7,812,417	(Note)	Associate
Visicorp	Wisdom Success	Cayman Islands	Holding company	USD 10,176,000	USD 11,750,000	43,300	100.00 %	USD 309,329,061	USD 26,958,786	(Note)	Associate
Visicorp	Bigshine	Samoa	Holding company	USD 3,000,000	USD 3,000,000	3,000	100.00 %	USD 9,157,826	(USD 733,480)	(Note)	Associate
Visicorp	Investdragon	Samoa	Holding company	USD 636,000	USD 3,000,000	212,000	100.00 %	USD 18,368	USD 21,278	(Note)	Associate
Visicorp	Lead Bright	Samoa	Holding company	USD 4,700,000	USD 4,700,000	4,700	100.00 %	USD 30,151,344	USD 1,220,737	(Note)	Associate
Visicorp	Elite View	Samoa	Holding company	USD 5,000,400	USD 5,000,400	5,000	100.00 %	USD 15,502,448	USD 1,662,331	(Note)	Associate
Visicorp	Tecpoint	B.V.I.	Holding company	USD 5,204,902	USD 5,665,000	5,204,902	12.11 %	USD 12,914,023	USD 6,614,386	(Note)	Associate
Wisdom Success	Wisdom Success (HK)	HK	Holding company	USD 18,000,000	USD 18,000,000	18,000	100.00 %	USD 184,676,180	USD 21,268,046	(Note)	Associate
Wisdom Success	Lead Bright (HK)	HK	Holding company	USD 13,300,000	USD 13,300,000	13,300	73.89 %	USD 85,326,651	USD 4,675,364	(Note)	Associate
Wisdom Success	Investdragon (HK)	HK	Holding company	USD 2,000,000	USD 2,000,000	2,000	40.00 %	USD 1,576,163	USD 16,637	(Note)	Associate
Wisdom Success	Elite View (HK)	HK	Holding company	USD 7,999,600	USD 7,999,600	8,000	61.54 %	USD 24,805,376	USD 4,322,233	(Note)	Associate
Wisdom Success	Bigshine (HK)	HK	Holding company	USD 5,000,000	USD 5,000,000	5,000	62.50 %	USD 13,524,133	(USD 685,122)	(Note)	Associate
Bigshine	Bigshine (HK)	HK	Holding company	USD 3,000,000	USD 3,000,000	3,000	37.50 %	USD 8,114,480	(USD 685,122)	(Note)	Associate
Investdragon	Investdragon (HK)	HK	Holding company	USD 3,000,000	USD 3,000,000	3,000	60.00 %	USD 2,364,245	USD 16,637	(Note)	Associate
Lead Bright	Lead Bright (HK)	HK	Holding company	USD 4,700,000	USD 4,700,000	4,700	26.11 %	USD 30,151,291	USD 4,675,364	(Note)	Associate
Elite View	Elite View (HK)	HK	Holding company	USD 5,000,400	USD 5,000,400	5,000	38.46 %	USD 15,502,353	USD 4,322,233	(Note)	Associate
Sinolink	Mat Limited	Samoa	Holding company	USD 980,000	USD 980,000	980	100.00 %	USD 40,656,014	USD 1,459,021	(Note)	Associate
Tecpoint	Great Pride	Samoa	Holding company	USD 11,800,000	USD 11,800,000	11,800,000	100.00 %	USD 83,778,556	USD 6,045,696	(Note)	Associate
Tecpoint	Core-Flex	Cayman Islands	Holding company	USD 23,260,000	USD 23,260,000	213,260,000	94.36 %	USD 7,153,992	USD 468,438	(Note)	Associate
Tecpoint	Nano Precision	HK	Holding company	USD 6,800,000	USD 6,800,000	6,800,000	100.00 %	USD 6,999,523	(USD 819,609)	(Note)	Associate
Tecpoint	Nano Display	HK	Holding company	USD 7,800,000	USD 7,800,000	7,800,000	100.00 %	USD 15,454,636	USD 838,387	(Note)	Associate
Great Pride	Great Pride (HK)	HK	Holding company	USD 11,800,000	USD 11,800,000	11,800	100.00 %	USD 82,640,251	USD 6,045,660	(Note)	Associate
Nano Precision (Suzhou)	Nano Precision Taiwan Limited	Taiwan	Engaged in the design, production and marketing of general lighting application, electronic components and optical devices	300,000	300,000	30,000,000	100.00 %	RMB 47,562,984	(RMB 21,196,570)	(Note)	Associate

Note : The share of profit/loss of associates were recognized by the holding company.

ATTACHMENT 7 -2 : (Names, locations and related information of investee companies as of December 31, 2019) (Not including investment in Mainland China)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2019			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Carrying amount			
Chung Tsen Investment Corp.	Venture Orient	Samoa	Holding company	USD 5,550,000	USD 5,550,000	5,550	100.00 %	\$503,190	\$20,519	(Note)	Associate
Chung Tsen Investment Corp.	Young Optics	Hsinchu City, Taiwan	Engaged in the production, marketing and R&D of electronic components and optics	35,471	61,867	2,596,317	2.28 %	77,477	4,549	(Note)	Subsidiary
Chung Tsen Investment Corp.	Tsen Ming Investment	New Taipei City, Taiwan	Investing company for strategic purposes	102,000	102,000	32,443,180	100.00 %	435,254	(2,059)	(Note)	Associate
Chung Tsen Investment Corp.	Core-Flex	Cayman Islands	Holding company	USD 3,130,000	USD 3,130,000	3,130,000	1.39 %	3,268	14,521	(Note)	Associate
Venture Orient	Tecpoint	B.V.I.	Holding company	USD 4,226,399	USD 4,600,000	4,226,399	9.83 %	USD 10,486,258	USD 6,614,385	(Note)	Subsidiary
Tsen Ming Investment	Young Optics	Hsinchu City, Taiwan	Engaged in the production, marketing and R&D of electronic components and optics	31,921	50,859	1,698,886	1.49 %	51,645	4,549	(Note)	Subsidiary
Tsen Ming Investment	Core-Flex	Cayman Islands	Holding company	USD 1,718,289	USD 1,718,289	8,170,000	3.61 %	14,199	14,521	(Note)	Associate
Young Green Energy	Boom Power	B.V.I.	Holding company	USD 1,000,000	USD 1,000,000	10,000	100.00 %	106,524	12,355	(Note)	Associate
Young Optics	Masterview	B.V.I.	Holding company	USD 6,000,000	USD 6,000,000	6,000,000	100.00 %	1,793,679	(18,109)	(Note)	Associate
Young Optics	Young Optics Inc.	USA	Operating maintenance services business	USD 50,000	USD 50,000	50,000	100.00 %	21	(191)	(Note)	Associate
Young Optics	Aptek Optical	Hsinchu County, Taiwan	Manufacturing and selling of optics instruments and electronic components	298,140	298,140	9,250,000	92.50 %	98,219	15,219	(Note)	Associate
Young Optics	Mejiro Genossen Inc.	Japan	Researching, developing, manufacturing and selling of optics machines	JPY 161,200,908	JPY 161,200,908	4,950	99.00 %	43,811	(2,307)	(Note)	Associate
Masterview	Best Alpha	Samoa	Holding company	USD 1,000,000	USD 1,000,000	1,000,000	100.00 %	USD 21,194,949	(USD 1,425)	(Note)	Associate
Masterview	Grace China	Cayman Islands	Holding company	USD 8,156,458	USD 8,156,458	8,156,458	100.00 %	USD 36,954,663	(USD 240,344)	(Note)	Associate
Masterview	Young Optics (BD) LTD.	Bengal	Manufacturing of optics components	USD 5,000,000	USD 1,000,000	4,149,936	62.50 %	USD 795,536	(USD 1,129,302)	(Note)	Associate
Masterview	Young Optics Europe GmbH	Germany	Manufacturing and selling of 3D printer	EUR 18,750	EUR 18,750	-	75.00 %	USD 77,416	(USD 39,061)	(Note)	Associate
Grace China	Young Optics (BD) LTD.	Bengal	Manufacturing of optics components	USD 3,000,000	USD 1,000,000	2,479,960	37.50 %	USD 477,321	(USD 1,129,302)	(Note)	Associate
Optoma Corporation	Dynamic Time	Cayman Islands	Holding company	USD 14,122,230	USD 14,122,230	14,856	100.00 %	1,744,631	(USD 3,569,855)	(Note)	Associate

Note : The share of profit/loss of associates were recognized by the holding company.

ATTACHMENT 7-3 (Names, locations and related information of investee companies as of December 31, 2019) (Not including investment in Mainland China)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2019			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Carrying amount			
Dynamic Time	Optoma Europe	U.K.	Marketing and after sales service of Optoma in European region	USD 2,451,350	USD 2,451,350	1,200,000	100.00 %	USD 31,044,297	GBP 2,151,500	(Note)	Associate
Dynamic Time	Optoma USA	USA	Marketing and after sales service of Optoma in Americas region	USD 8,821,889	USD 8,821,889	825,000	100.00 %	USD 234,423	(USD 4,953,425)	(Note)	Associate
Dynamic Time	Modern Smart	B.V.I.	Holding company	USD 1,200,000	USD 1,200,000	1,200,000	100.00 %	USD 3,138,057	(USD 1,281,936)	(Note)	Associate
Dynamic Time	Optoma (China&HK) Ltd.	HK	Marketing and after sales service of Optoma in Hong Kong and the Asia-Pacific region	USD 309,546	USD 309,546	2,400,000	100.00 %	USD 349,188	HKD 11,636	(Note)	Associate
Optoma Europe	Optoma Deutschland GmbH	Germany	Marketing and after sales service of Optoma in European region	EUR 958,000	EUR 958,000	-	100.00 %	GBP 1,153,959	(EUR 722,888)	(Note)	Associate
Optoma Europe	Optoma France	France	Marketing and after sales service of Optoma in European region	GBP 67,376	GBP 67,376	-	100.00 %	GBP 414,023	EUR 146,977	(Note)	Associate
Optoma Europe	Optoma Scandinavia. A.S.	Norway	Marketing and after sales service of Optoma in European region	GBP 8,260	GBP 8,260	100	100.00 %	GBP 107,374	(NOK 1,129,909)	(Note)	Associate
Optoma Europe	Optoma Espana, S.L.	Spain	Marketing and after sales service of Optoma in European region	EUR 103,006	EUR 103,006	5,150,280	100.00 %	GBP 360,699	(EUR 54,568)	(Note)	Associate
Optoma Europe	Optoma Benelux B.V.	Netherlands	Marketing and after sales service of Optoma in European region	EUR 18,000	EUR 18,000	18,000	100.00 %	GBP 322,745	(EUR 7,743)	(Note)	Associate
Young Lighting Limited	Young Lighting (HK)	HK	Holding company	USD 847,000	USD 847,000	847	100.00 %	USD 240,286	USD 5,945	(Note)	Associate
Young Lighting Limited	YLG Limited	Samoa	Holding company	USD 3,060,000	USD 3,060,000	3,060,000	51.00 %	USD 364,907	USD 244,640	(Note)	Associate
Young Lighting Limited	Brightbridge	Samoa	Holding company	USD 1	USD 1	29,500,000	100.00 %	(USD 348,007)	USD 5,260,249	(Note)	Associate
Young Lighting Limited	Crystal Word	Samoa	Holding company	USD 1	USD 1	22,258,000	100.00 %	(USD 201,086)	USD 3,968,607	(Note)	Associate
Coretronic Intelligent Cloud Service Corp.	Coretronic System Engineering Limited	Samoa	Holding company	USD 1,500,000	USD 1,500,000	1,500,000	100.00 %	17,101	8,325	(Note)	Associate
Coretronic System Engineering Limited	Coretronic System Engineering (HK)	HK	Holding company	USD 1,500,000	USD 1,500,000	1,500,000	100.00 %	USD 570,422	USD 269,854	(Note)	Associate

Note : The share of profit/loss of associates were recognized by the holding company.

ATTACHMENT 8 : (Investment in Mainland China as of December 31, 2019)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee company	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (loss) of investee company	Percentage of ownership	Investment income (loss) recognized	Carrying value as of December 31, 2019	Accumulated inward remittance of earnings as of December 31, 2019
					Outflow	Inflow						
Coretronic Projection (Kunshan)	Digital projectors, LCD monitors and related components of the research and development, processing, manufacturing and sales of the company's products and engaged in after-sales maintenance services	\$ 1,525,064 (USD46,000,000)	Indirect investment from the third region (Greendale)	\$ 1,525,064 (USD46,000,000)	-	-	\$ 1,525,064 (USD46,000,000)	236,724	100.00%	236,724	\$ 4,834,064	428,855 (USD14,065,436) (Note A and Note C)
Technology Service (Kunshan)	LCD monitor maintenance and technical services	13,259 (USD400,000)	Indirect investment from the third region (Greendale)	13,259 (USD400,000)	-	-	13,259 (USD400,000)	2,999	100.00%	2,999	23,758	-
Coretronic Optics (Kunshan)	Production and sales of projector module products and spectrometer	RMB42,000,000	Indirect investment from the Mainland China subsidiary (CPC)	-	-	-	-	41,417	100.00%	41,417	347,155	-
Vimax (Kunshan)	Design, research and development and production of projectors, sales of the company's own products and provide after sales maintenance services for self-produced and non-self-produced products	62,252 (USD1,800,000)	Indirect investment from the third region (Mat Limited)	62,252 (USD1,800,000)	-	-	62,252 (USD1,800,000)	51,939	100.00%	51,939	1,201,805	-
Coretronic (Suzhou)	Research and development, manufacturing backlight module and related components, sales of the company's own products and provide after-sales	660,657 (USD20,000,000)	Indirect investment from the third region (Wisdom Success HK)	271,297 (USD8,000,000)	-	-	271,297 (USD8,000,000)	588,160	100.00%	588,160	4,374,144	-
Coretronic Optics (Suzhou)	Research and development, manufacturing backlight module and related components, sales of the company's own products and provide after-sales	USD10,000,000	Indirect investment from the third region (Wisdom Success HK)	-	-	-	-	3,046	100.00%	3,046	294,025	-
Coretronic Optotech (Suzhou)	Research and development, manufacturing backlight module and related components, sales of the company's own products and provide after-sales maintenance services	390,000 (USD 12,000,000)	Indirect investment from the third region (Wisdom Success HK)	-	-	-	-	72,150	100.00%	72,150	823,463	-
Coretronic (Shanghai)	Research and development, manufacturing backlight module and related components, sales of the company's own products and provide after-sales maintenance services	257,829 (USD8,000,000)	Indirect investment from the third region (Bigshine HK)	95,254 (USD3,000,000)	-	-	95,254 (USD3,000,000)	(22,594)	100.00%	(22,594)	278,820	30,490 (USD1,000,000) (Note A and Note D)
Coretronic Display (Suzhou)	Research and development, manufacturing panel modules and related components of the business, sales of the company's own products and provide related after-sales maintenance services	1,547,564 (USD51,758,000)	Indirect investment from the third region (Brightbridge and Crystal World)	88,972 (USD2,967,283)	-	-	88,972 (USD2,967,283)	249,791	100.00%	249,791	(13,903)	-
Coretronic (Ningbo)	Research and development, manufacturing backlight module and related components, sales of the company's own products and provide after-sales maintenance services	650,050 (USD20,000,000)	Indirect investment from the third region (Lead Bright HK)	151,490 (USD4,700,000)	-	-	151,490 (USD4,700,000)	144,893	100.00%	144,893	3,314,962	-
Young Bright Optical (Suzhou)	Research and development, processing, manufacturing backlight optical film products	1,178,240 (USD36,000,000)	Indirect investment from the third region (Core-Flex)	759,827 (USD23,260,000)	-	-	759,827 (USD23,260,000)	15,195	100.00%	15,195	365,019	-
Nano Precision (Suzhou)	Manufacture and sales of acrylic panels and light guide plate	426,839 (USD13,300,000)	Indirect investment from the third region (Great Pride HK)	330,478 (USD10,392,880)	-	-	330,478 (USD10,392,880)	182,170	100.00%	182,170	2,375,220	85,228 (USD2,795,270) (Note A and Note E)
Nano Display (Suzhou)	Research and development, manufacturing backlight module and related components, sales of the company's own products and provide after-sales maintenance services	92,088 (USD2,800,000)	Indirect investment from the third region (Great Pride HK)	-	-	-	-	8,000	100.00%	8,000	-	99,026 (USD3,215,142) (Note A · Note F and Note H)
Coretronic (Guangzhou)	Research and development, manufacturing backlight module and related components, sales of the company's own products and provide after-sales maintenance services	417,580 (USD13,000,000)	Indirect investment from the third region (Elite View HK)	29,020 (USD1,000,000)	-	-	29,020 (USD1,000,000)	134,117	100.00%	134,117	1,208,411	-
Nano Precision (Nanjing)	Manufacture and sales of acrylic panels and light guide plate	217,659 (USD6,800,000)	Indirect investment from the third region (Nano Precision)	119,025 (USD3,700,000)	-	91,866 (USD2,966,301)	27,159 (USD733,699)	(1,405)	100.00%	(1,405)	-	63,605 (USD2,065,438) (Note A · Note G and Note I)
Nano Display (Guangzhou)	Research and development, processing, manufacture of liquid crystal display light guide plate, sales of the company's products and provide related services	238,740 (USD7,800,000)	Indirect investment from the third region (Nano Display)	9,820 (USD308,797)	-	-	9,820 (USD308,797)	26,053	100.00%	26,053	463,310	-
YLG Optotech	Research and development, processing, manufacturing display components, sales of the company's products and provide related services	USD 6,000,000	Indirect investment from the third region (YLG Limited)	USD 3,060,000	-	-	USD 3,060,000	7,640	51.00%	3,896	10,924	-
Coretronic System Engineering (Shanghai)	Contractor in intelligent building engineering and provide related services	USD 1,500,000	Indirect investment from the third region (Coretronic System Engineering HK)	USD 1,500,000	-	-	USD 1,500,000	8,325	100.00%	8,325	17,101	-
Boom Power Electronics (Suzhou)	Research and development, production and sales of cold cathode tube drive and related products	USD 1,000,000	Indirect investment from the third region (Boom Power)	USD 1,000,000	-	-	USD 1,000,000	12,355	100.00%	12,355	11,976	-

Accumulated investment in Mainland China as of December 31, 2019 (Note A, B)	Investment amounts authorized by Investment Commission, MOEA (Note B ~ Note I)	Upper limit on investment
\$2,611,653 (USD 81,513,914)	\$2,443,787 (USD 81,513,914)	\$12,829,917

Note A : To use historical currency rates.

Note B : Include the liquidation of investment from Flying Success in December, 2012 and Coretronic (Nanjing) in June 2018. Since the investment amounts has been not remitted to Coretronic Corporation, related cancellation processes for Investment Commission, MOEA were not applicable.

Note C : Greendale Investments Limited received cash dividends amounted to USD 14,065,436.4 for distribution profits from Coretronic Projection (Kunshan) from 2006 to 2007 and had remitted it back to Coretronic Corporation.

Note D : Bigshine (HK) Limited received cash dividends amounted to USD 8,735,525.72 for distribution profits from Coretronic (Shanghai) in 2006 and had remitted it back USD 1,000,000 to Coretronic Corporation.

Note E : Tecpoint received USD 2,795,270 in 2019 from Nano Precision (Suzhou), which was from the liquidation of Nano Precision (Nanjing) in 2006. Tecpoint had remitted it back to Coretronic Corporation.

Note F : Great Pride (HK) Investments Limited received cash dividends amounted to USD 3,565,645 for distribution profits from Nano Display (Suzhou) in 2018 and had remitted USD 3,215,142 back to Coretronic Corporation.

Note G : Nano Precision Investments Limited received cash dividends amounted to USD 2,290,604 for distribution profits from Nano Precision (Nanjing) in 2018 and had remitted USD 2,065,438 back to Coretronic Corporation.

Note H : Dissolution of Nano Display (Suzhou) and merger with Coretronic (Suzhou) were approved by regulatory authority in August, 2019.

Note I : Include the investment amount USD2,966,301 of Nano Precision (Nanjing) which company's registration was cancelled in April, 2019. The investment amount cancellation was approved by MOEA.

Note J : To use the currency rate 1 USD =29.98 NTD as of December 31, 2019.

ATTACHMENT 8-1 (Investment in Mainland China as of December 31, 2019)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee company	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (loss) of investee company	Percentage of ownership	Investment income (loss) recognized(Note A)	Carrying value as of December 31, 2019(Note A)	Accumulated inward remittance of earnings as of December 31, 2019
					Outflow	Inflow						
Young Optics (Kunshan)	Research and development, manufacturing of optics engine and related optics electronic equipment	\$727,119 (USD 22,200,000) (Note D and Note E)	Indirect investment from the third region (Best Alpha and Grace China)	\$164,450 (USD 5,000,000)	\$-	\$-	\$164,450 (USD 5,000,000)	\$23,828 (USD 761,046)	100.00%	\$23,705 (USD 757,130)	\$1,173,951 (USD 39,157,817)	\$74,505 (USD 2,457,289) (Note B and Note J~Note K)
Young Optics (Suzhou)	Research and development, manufacturing of optics engine and related optics electronic equipment	33,951 (USD 1,000,000)	Indirect investment from the third region (Best Alpha)	33,951 (USD 1,000,000)	-	-	33,951 (USD 1,000,000)	10,009 (USD 321,191)	100.00%	10,000 (USD 320,901)	205,533 (USD 6,855,680)	1,328,957 (USD 31,295,415 and RMB 80,635,502) (Note B · Note F~Note I and Note L)

Accumulated investment in Mainland China as of December 31, 2019 (Note B)	Investment amounts authorized by Investment Commission, MOEA (Note B)	Upper limit on investment
\$198,401 (USD 6,000,000)	\$233,101 (USD 7,020,000)	Note C

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

Note B : To use historical currency rates.

Note C : Young Optics Company has obtained the certificate of being qualified for operating headquarters issued by Industrial Development Bureau, MOEA in June 2018, the upper limit on investment in mainland China pursuant to "Principle of Investment or Technical Cooperation in Mainland China" is not applicable.

Note D : Young Optics (Kunshan) invested USD 9,800 thousand through capitalization of earnings in 2007. Best Alpha Investments Limited invested USD 2,300 thousand.

Note E : Young Optics (Kunshan) invested USD 1,300 thousand through capitalization of earnings in April 2009. Grace China Investments Limited invested USD 824,850. Best Alpha Investments Limited invested USD 2,975,150.

Note F : Best Alpha Investments Limited received cash dividends amounted to USD 20,235,299 for distribution profits from Young Optics (Suzhou) in 2011 and had remitted it back to Young Optics.

Note G : Best Alpha Investments Limited received cash dividends amounted to RMB 27,691,452 and USD 4,509,641 for distribution profits from Young Optics (Suzhou) in 2014. The RMB 24,922,307 of them had been remitted back to Young Optics.

Note H : Best Alpha Investments Limited received cash dividends amounted to RMB 52,944,050 for distribution profits from Young Optics (Suzhou) in 2015 and had remitted it back to Young Optics.

Note I : Best Alpha Investments Limited received cash dividends amounted to USD 4,528,402 for distribution profits from Young Optics (Suzhou) in 2017 and had remitted it back to Young Optics.

Note J : Best Alpha Investments Limited received cash dividends amounted to USD 603,264 for distribution profits from Young Optics (Kunshan) in 2017 and had remitted it back to Young Optics.

Note K : Grace China Investments Limited received cash dividends amounted to USD 1,854,025 for distribution profits from Young Optics (Kunshan) in 2017 and had remitted it back to Young Optics.

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

ATTACHMENT 8-2 (Investment in Mainland China as of December 31, 2019)

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

Investee company	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (loss) of investee company	Percentage of ownership	Investment income (loss) recognized(Note A (2))	Carrying value as of December 31, 2019	Accumulated inward remittance of earnings as of December 31, 2019
					Outflow	Inflow						
Optoma China	Marketing and after-sales service of Optoma's technology products in Mainland China	\$ 38,412 (USD1,200,000)	Indirect investment from the third region (Modern Smart)	\$38,412 (USD1,200,000)	\$ -	\$ -	\$ 38,412 (USD1,200,000)	\$(39,532) (-RMB 8,859,185)	100.00%	\$(39,532) (-RMB 8,859,185) (A.(2) · E)	\$52,220 RMB 12,151,213	\$ -

Accumulated investment in Mainland China as of December 31, 2019 (Note B)	Investment amounts authorized by Investment Commission, MOEA (Note B)	Upper limit on investment (Note C)
\$38,412 (USD1,200,000)	\$176,798 (USD5,900,000) (Note D)	\$353,798

Note A : The investment income (loss) were determined based on the following basis:

- (1).The financial report was audited and certified by an international accounting firm in cooperation with an R.O.C. accounting firm.
- (2).The financial statements was audited by the CPA of the parent company in Taiwan.
- (3).Other: The financial statements were not audited by the CPA.

Note B : To use historical currency rates.

Note C : Based on Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China promulgated by Investment Commission, MOEA.

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

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

ATTACHMENT 9 (Financial instrument and derivative transaction as of December 31, 2019)

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

Investment company	Financial Statement Account	Financial Product	Type	Contract expiry date	Contract amount	Book value	Fair value	Note
Coretronic Corporation	Financial assets (liabilities) at fair value through profit or loss, current	Forward foreign exchange contract	Buying USD	From Jan, 2020 to Mar, 2020	USD 440,500,000	\$ (123,450)	\$ (123,450)	Note A
Coretronic Corporation	Financial assets (liabilities) at fair value through profit or loss, current	Forward foreign exchange contract	Selling USD	From Jan, 2020 to Feb, 2020	USD 337,000,000	54,922	54,922	Note A
Champ Vision Display	Financial assets at fair value through profit or loss-current	Forward cross currency contract	Selling USD	Jan, 2020	USD 4,000,000	1,025	1,025	Note K
Coretronic (Suzhou)	Financial assets (liabilities) at fair value through profit or loss, current	Forward foreign exchange contract	Selling USD	From Jan, 2020 to Sep, 2020	USD 41,000,000	8,622	8,622	Note B
Nano Precision (Suzhou)	Financial assets (liabilities) at fair value through profit or loss, current	Forward foreign exchange contract	Selling USD	From Jan, 2020 to Sep, 2020	USD 19,000,000	3,592	3,592	Note C
Optoma Corporation	Financial liabilities at fair value through profit or loss-current	Forward cross currency contract	—	From Jan, 2020 to Feb, 2020	USD 30,500,000	(7,127)	(7,127)	Note C
Optoma Europe	Financial liabilities at fair value through profit or loss-current	Forward foreign exchange contract	Sell GBP/Buy USD	From Jan, 2020 to Feb, 2020	USD 11,500,000	(5,312)	(5,312)	Note E
Optoma USA	Financial liabilities at fair value through profit or loss-current	Forward foreign exchange contract	Sell CAD/Buy USD	From Jan, 2020 to May, 2020	CAD 2,100,000	(1,059)	(1,059)	Note F
Dynamic Time	Derivative financial assets for hedging-current	Forward foreign exchange contract	Sell GBP/Buy USD	Jan, 2020	GBP 5,500,000	4,207	4,207	Note G

Note A : Coretronic Corporation entered into forward foreign exchange contracts and acquired realized profit amounted to NT\$75,127 thousands for the year ended December 31, 2019.

Note B : Associate Coretronic (Suzhou) entered into forward foreign exchange contracts and acquired realized loss amounted to NT\$-9,525 thousands for the year ended December 31, 2019.

Note C : Nano Precision (Suzhou) entered into forward foreign exchange contracts and acquired realized loss amounted to NT\$-1,266 thousands for the year ended December 31, 2019.

Note D : Optoma Corporation entered into forward foreign exchange contracts and acquired realized profit amounted to NT\$7,014 thousands for the year ended December 31, 2019.

Note E : Associate Optoma Europe entered into forward foreign exchange contracts and acquired realized profit amounted to NT\$19,398 thousands for the year ended December 31, 2019.

Note F : Associate Optoma USA entered into forward foreign exchange contracts and acquired realized profit amounted to NT\$333 thousands for the year ended December 31, 2019.

Note G : Associate Dynamic Time entered into forward foreign exchange contracts and acquired realized profit amounted to NT\$1,913 thousands for the year ended December 31, 2019.

Note H : Associate Coretronic (Ningbo) entered into forward foreign exchange contracts and acquired realized profit amounted to NT\$2,467 thousands for the year ended December 31, 2019.

Note I : Associate Coretronic Display (Suzhou) entered into forward foreign exchange contracts and acquired realized loss amounted to NT\$-64 thousands for the year ended December 31, 2019.

Note J : Associate Coretronic Optotech (Suzhou) entered into forward foreign exchange contracts and acquired realized profit amounted to NT\$404 thousands for the year ended December 31, 2019.

Note K : Subsidiary Champ Vision Display Inc. entered into forward foreign exchange contracts and acquired realized loss amounted to NT\$-299 thousands for the year ended December 31, 2019.

ATTACHMENT 10 (Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTS300 million or 20 percent of the capital stock for the years ended December 31, 2019.)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee company	Marketable Securities Type and Name	Financial statement account	Counter-party	Relationship	Beginning balance		Addition		Disposal			December 31, 2019	
					Units / shares	Amount	Units / shares	Amount	Units / shares	Selling Price	Carrying amount	Gain (Loss) from disposal (Note) (Note)	Units / shares
Young Optics (Kunshan)	RMB Structured Deposit of Liduoduo	Financial assets measured at amortized cost-current	Shanghai Pudong Development Bank	-	-	-	RMB 85,000,000	-	-	RMB 85,000,000	RMB 764,282	-	-
Young Optics (Kunshan)	RMB to Public Structured Deposits	Financial assets measured at amortized cost-current	Shanghai Pudong Development Bank	-	-	-	RMB 90,000,000	-	-	RMB 90,000,000	RMB 766,727	-	-
Young Optics (Suzhou)	RMB Structured Deposit of Liduoduo	Financial assets measured at amortized cost-current	Shanghai Pudong Development Bank	-	-	-	RMB 60,000,000	-	-	RMB 60,000,000	RMB 540,998	-	-

Note : To be recognized in interest revenue.

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



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Independent Auditors' Report

To Coretronic Corporation

Opinion

We have audited the accompanying parent company only balance sheets of Coretronic Corporation (“the Company”) as of December 31, 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		<u>8,011,769</u>	<u>22.88</u>	<u>12,109,159</u>	<u>31.79</u>
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		<u>27,008,094</u>	<u>77.12</u>	<u>25,987,915</u>	<u>68.21</u>
Total assets		<u>\$ 35,019,863</u>	<u>100.00</u>	<u>\$ 38,097,074</u>	<u>100.00</u>

(continued)

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

CORETRONIC CORPORATION

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 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		<u>12,785,192</u>	<u>36.51</u>	<u>15,428,197</u>	<u>40.49</u>
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		<u>851,476</u>	<u>2.43</u>	<u>463,664</u>	<u>1.22</u>
Total liabilities		<u>13,636,668</u>	<u>38.94</u>	<u>15,891,861</u>	<u>41.71</u>
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		<u>15,673,259</u>	<u>44.75</u>	<u>15,401,992</u>	<u>40.43</u>
Other equity		(2,361,770)	(6.74)	(1,613,818)	(4.23)
Total equity		<u>21,383,195</u>	<u>61.06</u>	<u>22,205,213</u>	<u>58.29</u>
Total liabilities and equity		<u>\$ 35,019,863</u>	<u>100.00</u>	<u>\$ 38,097,074</u>	<u>100.00</u>

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	1,153,392	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.

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 earning	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	\$ 3,727,475	\$ 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	<u>(494,992)</u>	<u>1,061,769</u>
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	<u>(1,520,481)</u>	<u>(1,303,269)</u>
Inventories	518,774	48,002	Net cash used in financing activities	<u>(359,051)</u>	<u>(735,161)</u>
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	<u>2,955,473</u>	<u>72,627</u>
Note payable	-	171,472	Cash and cash equivalents at the end of the period	<u>\$ 1,511,802</u>	<u>\$ 2,955,473</u>
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	<u>(1,229,648)</u>	<u>2,033,700</u>			
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	<u>(589,628)</u>	<u>2,556,238</u>			

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

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

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

1. HISTORY AND ORGANIZATION

Coretronic Corporation (“The Company”) was incorporated at Hsinchu Science-based Industrial Park on June 30, 1992 and set up branch offices at Hsinchu Industrial Park and Tainan Science-based Industrial Park on October 17, 1997 and November 16, 2004, respectively. The Company mainly engages in the R&D, production, manufacturing and marketing of projectors, backlight, and FPD-related products. The Company’s ordinary shares were publicly listed on the Taipei Exchange on January 20, 1999.

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The parent company only financial statements were authorized for issue in accordance with the resolution of the Board of Directors’ meeting on February 17, 2020.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2019. The nature and the impact of each new standard and amendment that has a material effect on the Company is described below:

IFRS 16 “Leases”

IFRS 16 “Leases” replaces IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases - Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

The Company follows the transition provision in IFRS 16 and the date of initial application was January 1, 2019. The impacts arising from the adoption of IFRS 16 are summarized as follows:

A. Please refer to Note 4 for the accounting policies before or after January 1, 2019.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

- B. For the definition of a lease, the Company elected not to reassess whether a contract is, or contains, a lease on January 1, 2019. The Company is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. That is, for contracts entered into (or changed) on or after January 1, 2019, the Company needs to assess whether contracts are, or contain, leases applying IFRS 16. In comparing to IAS 17, IFRS 16 provides that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assessed most of the contracts are, or contain, leases and have no significant impact arisen.
- C. The Company is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Company recognizes the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

(a) Leases previously classified as operating leases

For leases that were previously classified as operating leases applying IAS 17, the Company measured and recognized those leases as lease liability on January 1, 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. In addition, the Company chooses, on a lease-by-lease basis, to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payment relating to that lease recognized.

On January 1, 2019, the Company's right-of-use asset and lease liability increased by NT\$554,529 thousand and NT\$554,529 thousand, respectively.

In accordance with the transition provision in IFRS 16, the Company used the following practical expedients on a lease-by-lease basis to leases previously classified as operating leases:

- i. Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
- ii. Rely on its assessment of whether leases are onerous immediately before January 1, 2019 as an alternative to performing an impairment review.
- iii. Elect to account in the same way as short-term leases to leases for which the lease term ends within 12 months of January 1, 2019.
- iv. Exclude initial direct costs from the measurement of the right-of-use asset on January 1, 2019.
- v. Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(b) Please refer to Note 4 and Note 6 for additional disclosure of lessee and lessor which required by IFRS 16.

(c) As at January 1, 2019, the impacts arising from the adoption of IFRS 16 are summarized as follows:

i. The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the balance sheet on January 1, 2019 was 1.92%.

ii. An explanation of any difference between: 1) operating lease commitments disclosed applying IAS 17 as at December 31, 2018, discounted using the incremental borrowing rate on January 1, 2019; and 2) lease liabilities recognized in the balance sheet as at January 1, 2019.

Significant operating lease commitments disclosed applying IAS 17 as at December 31, 2018	\$171,490
Insignificant operating lease commitments disclosed applying IAS 17 as at December 31, 2018	52,205
	52,205
Operating lease commitments disclosed applying IAS 17 as at December 31, 2018	\$223,695
	\$223,695
Discounted using the incremental borrowing rate on January 1, 2019	\$201,117
Less: adjustment to leases that meet and elect to account in the same way as short-term leases	(2,374)
Less: adjustment to leases that meet and elect the underlying asset of low value	(2,412)
Add/(less): adjustments to the options to extend or terminate the lease that is reasonably certain to exercise	358,198
	358,198
The carrying value of lease liabilities recognized as at January 1, 2019	\$554,529
	\$554,529

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

(2) Standards or interpretations issued by International Accounting Standards Board ("IASB") and endorsed by FSC, but not yet adopted by the Company as at the end of reporting period are listed below:

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

Standards or Interpretations Numbers	New, Revised or Amended Standards and Interpretations	Effective Dates
IFRS 3	Amendment to Business Combinations-Definition of a Business	January 1, 2020
IAS 1 and IAS 8	Amendment to Disclosure Initiative-Definition of Material	January 1, 2020
IFRS 9, IAS 39 and IFRS 7	Amendments to Interest Rate Benchmark Reform	January 1, 2020

Definition of a Business (Amendments to IFRS 3)

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments include a number of exceptions, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is directly affected if the interest rate benchmark reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. Hence, the entity shall apply the exceptions to all hedging relationships directly affected by the interest rate benchmark reform.

The amendments include:

A. highly probable requirement

When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the interest rate benchmark reform.

B. prospective assessments

When performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

C. IAS 39 retrospective assessment

An entity is not required to undertake the IAS 39 retrospective assessment (i.e. the actual results of the hedge are within a range of 80–125%) for hedging relationships directly affected by the interest rate benchmark reform.

D. separately identifiable risk components

For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

The amendments also include the end of application of the exceptions requirements and the related disclosures requirements of the amendments.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC for annual periods beginning on or after January 1, 2020. As the Company is currently determining the potential impact of the standards and interpretations listed apart from the above items, the remaining standards and interpretations have no material impact on the Company.

- (3) Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below :

Standards or Interpretations Numbers	New, Revised or Amended Standards and Interpretations	Effective Dates
IFRS 10 and IAS 28	Amendment to “Consolidated Financial Statements” and “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
IFRS 17	Insurance Contracts	January 1, 2021
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2022

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

The abovementioned standards and interpretations issued by IASB have not yet been recognized by FSC and the local effective dates are to be determined by FSC. All standards and interpretations have no material impact on the Company.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

The parent company only financial statements of the Company for the years ended December 31, 2019 and 2018 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and standards, interpretations and amendments issued, revised or amended which are endorsed and became effective by FSC.

(2) Basis of Preparation

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

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

(3) Foreign Currency Transactions

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

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

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

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

B. Foreign currency items within the scope of IFRS 9 Financial Instruments (Before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement) are accounted for based on the accounting policy for financial instruments.

C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(4) Translation of Foreign Currency Financial Statements

Each foreign operation of the Company determines its function currency upon its primary economic environment and items included in the financial statements of each operation are measured using that functional currency. The assets and liabilities of foreign operations are translated into New Taiwan Dollars at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. On the partial disposal of foreign operations that result in a loss of control, loss of significant influence or joint control but retain partial equity is considering as disposal.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(5) Current and Non-Current Distinction

An asset is classified as current when:

- A. The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- B. The Company holds the asset primarily for the purpose of trading
- C. The Company expects to realize the asset within twelve months after the reporting period
- D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- A. The Company expects to settle the liability in its normal operating cycle
- B. The Company holds the liability primarily for the purpose of trading
- C. The liability is due to be settled within twelve months after the reporting period
- D. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and Cash Equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, including time deposits with original maturities of twelve months or less.

(7) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments (Before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement) are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

- (a) the Company's business model for managing the financial assets and
- (b) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (b) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, at initial recognition, the Company makes an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Amounts presented in other comprehensive income are not being subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and should be recorded as financial assets measured at fair value through other comprehensive income on balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were measured at amortized cost or measured at fair value through other comprehensive income only if they met particular conditions. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement are recognized in profit or loss which includes any dividend or interest received on such financial assets.

Impairment of financial assets

The Company is recognized a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follow:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.
- (b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

Derecognition of financial assets

A financial asset is derecognized when:

- (a) The rights to receive cash flows from the asset have expired
- (b) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- (c) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

B. Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

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

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

- (a) It is acquired or incurred principally for the purpose of selling or repurchasing it in short term.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

- (b) On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.
- (c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- (a) it eliminates or significantly reduces a measurement or recognition inconsistency or
- (b) a company of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the key management personnel.

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

When the Company and the creditors have a significant difference between the terms of the debt instruments to exchange, or make significant changes to all or part of the existing financial liabilities (no matter due to financial difficulties or not), deal with the way to exclude original liabilities and recognize new liabilities, when exclude the financial liabilities, the difference between book value and the total amount paid or payable (Including transferred non-cash assets or liabilities assumed) is recognized in profit or loss.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

C. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(8) Derivative Instrument and Hedging Accounting

The Company uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as assets or liabilities at fair value through profit or loss except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

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

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

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

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

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

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(9) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- A. In the principal market for the asset or liability; or
- B. In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques which are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10) Inventories

Inventories are stated at acquisition cost, and the cost is measured by standard cost method. The Company considers the normal level of materials, labors, efficiency and equipment capacity when making regular reviews and adjustments according to the current situation.

Inventories are valued at lower of cost and net realizable item. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated cost necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 but not within the scoping of inventories.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(11) Property, Plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 "Property, plant and equipment". When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

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

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

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

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(12) Leases

The accounting policy from January 1, 2019 as follow:

For contracts entered on or after January 1, 2019, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

- A. the right to obtain substantially all of the economic benefits from use of the identified asset; and
- B. the right to direct the use of the identified asset.

The Company elected not to reassess whether a contract is, or contains, a lease on January 1, 2019. The Company is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- A. fixed payments (including in-substance fixed payments), less any lease incentives receivable;

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

- B. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- C. amounts expected to be payable by the lessee under residual value guarantees;
- D. the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- E. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which is increasing the carrying amount to reflect interest on the lease liability by using an effective interest method; and reducing the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- A. the amount of the initial measurement of the lease liability;
- B. any lease payments made at or before the commencement date, less any lease incentives received;
- C. any initial direct costs incurred by the lessee; and
- D. an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 "Impairment of Assets" to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and presents interest expense separately from the depreciation charge associate with those leases in the consolidated income statement.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

The accounting policy before January 1, 2019 as follow:

Company as a lessee

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

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(13) Intangible Assets

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

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

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

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

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

Developing intangible assets - research and development costs

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

- A. The technical feasibility of completing the intangible asset so that it will be available for use or sale
- B. Its intention to complete and its ability to use or sell the asset
- C. How the asset will generate future economic benefits
- D. The availability of resources to complete the asset
- E. The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

Patents

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

Computer software

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

(14) Impairment of Non-Financial Assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 "Impairment of Assets" may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Companies of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

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

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

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(15) Provisions

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

Provision for decommissioning, restoration and rehabilitation costs

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

Maintenance warranties

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

Sales returns and allowances

Sales returns and allowances are accounted in accordance with IFRS 15.

(16) Revenue Recognition

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

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

Sale of goods

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

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

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

Rendering of services

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

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

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

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(17) Post-Employment Benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the Company's parent company only financial statements.

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

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

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

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

(18) Income Tax

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

Income tax on unappropriated earnings (excluding earnings from foreign consolidated subsidiaries) is expensed in the year the shareholders approved the appropriation of earnings which is the year subsequent to the year the earnings are generated.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- B. In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- A. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- B. In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

(1) Judgement

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

Operating lease commitments – the Company for lessor

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

(2) Estimates and Assumptions

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

A. Fair value of financial instruments

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

B. Valuation of inventory

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

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

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

C. Impairment of nonfinancial assets

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

D. Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and future salary increases. Please refer to Note 6(12) for more details.

E. Warranties

The provision of maintenance warranties for goods sold is based on historical experience and the specific ratios determined by other known causes to estimate the possible product warranty and maintenance that may occur. The provision is recognized in the account of cost of goods sold when goods in the selling year. Management of the Company regularly examines the reasonableness of the estimates. Refer to Note 6(13) for more details.

F. Revenue recognition - sales returns and allowance

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, on the basis of highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Please refer to Note 6 for more details.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

G. Income tax

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

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

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and Cash Equivalents

	December 31,	
	2019	2018
Cash on hand, savings and checking accounts	\$308,917	\$555,006
Time deposits	1,202,885	2,300,448
Cash Equivalents	-	100,019
Total	\$1,511,802	\$2,955,473

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

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

	December 31,	
	2019	2018
Financial assets designated at fair value through profit or loss:		
Derivative not designated as hedging instruments		
Forward foreign exchange contracts	\$71,081	\$49,189
Stocks	35,412	20,065
Total	\$106,493	\$69,254
Current	\$71,081	49,189
Noncurrent	35,412	20,065
Total	\$106,493	\$69,254

Financial assets at fair value through profit and loss were not pledged. Please refer to Note 12 for more detail.

(3) Hedging Financial Assets

	December 31,	
	2019	2018
Hedging financial assets		
Forward foreign exchange contracts	\$-	\$1,487
Current	\$-	\$1,487
Noncurrent	-	-
Total	\$-	\$1,487

Hedging financial assets were not pledged. Please refer to Note 12 for more detail.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(4) Financial Assets at Fair Value through Other Comprehensive Income

	December 31,	
	2019	2018
Equity instruments investments measured at fair value through other comprehensive income-noncurrent		
Unlisted companies stocks	\$628	\$760

Financial assets at fair value through other comprehensive income were not pledged.

(5) Trade Receivables and Trade Receivables-Related Parties

	December 31,	
	2019	2018
Trade receivable	\$2,976,258	\$5,093,146
Less: allowance for doubtful accounts	(277)	(1,571)
Subtotal	2,975,981	5,091,575
Trade receivables for related parties	2,326,416	2,338,175
Total	\$5,302,397	\$7,429,750

Trade receivables were not pledged.

Trade receivables are generally on 30-150 day terms. The total carrying amount as of December 31, 2019 and 2018 are \$5,302,674 thousand and \$7,431,321 thousand, respectively. Please refer to Note 6(16) for more details on impairment of trade receivables. Please refer to Note 12 for more details on credit risk management.

The Company entered into factoring contracts without recourse with a number of domestic banks. To wit, banks pay to the Company 100% of the accounts receivable factored as consideration. According to the arrangement, if the client of the trade receivables factoring delays the payment, the Company shall pay interests to the bank. Upon assignment of the factoring to the bank, the bank undertakes the associated credit risk. However, the Company still issues a promissory note to the bank. If the trade receivables cannot be collected as a result of trade disputes due to factors attributable to the Company, the Company should pay the promissory note in compensation for the bank. As of December 31, 2019 and 2018, the Company has no outstanding discounted trade receivables which were deducted from trade receivables. The credit line of factoring contracts provided by CTBC Bank are US\$40,000 thousand and US\$80,000 thousand, respectively.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(6) Inventories

	December 31,	
	2019	2018
Raw materials and supplies	\$633,381	\$1,059,891
Work in process	11,565	25,329
Finished goods	96,421	174,921
Total	\$741,367	\$1,260,141

The cost of inventories recognized in expenses amounted to NT\$15,109,537 thousand and NT\$16,702,647 thousand for the years ended December 31, 2019 and 2018, including the write-down of inventories and obsolescence loss of NT\$17,588 thousand and NT\$22,430 thousand, respectively.

The allowance write-down of inventories amounts to NT\$44,393 thousand and NT\$37,034 thousand as of December 31, 2019 and 2018, respectively.

No inventories were pledged.

(7) Investments Accounted for Using Equity Method

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

Investee companies	December 31,			
	2019		2018	
	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Investments in subsidiaries :				
Visicorp Limited (Visicorp)	\$11,333,597	100.00%	\$11,009,246	100.00%
Coretronic (BVI) Investment Corp. (Coretronic BVI)	4,858,922	100.00%	5,244,984	100.00%
Young Optics Inc. (“TYO”)	1,225,340	36.00%	1,330,313	37.76%

(Continued)

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(To be continued)	December 31,			
	2019		2018	
Investee companies	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Tecpoint Limited (Tecpoint)	2,496,088	78.06%	2,577,330	78.06%
Chung Tsen Investment Corp. (“CGT”)	1,662,801	100.00%	1,418,224	100.00%
Optoma Corporation (“Optoma”)	589,663	100.00%	982,937	100.00%
Sinolink Global Limited (Sinolink)	1,218,879	100.00%	1,224,050	100.00%
Coretronic Venture Capital Co. (“CVC”)	303,324	100.00%	301,529	100.00%
Young Green Energy Co. (“YGE”)	236,548	99.91%	232,103	99.91%
Coretronic Intelligent Cloud Service Corporation (“CICS”)	142,603	100.00%	163,506	100.00%
uCare Medical Electronics Co., Ltd. (“UCM”)	47,888	60.69%	50,628	80.00%
Champ Vision Display Inc. (“CVD”)	169,027	80.00%	134,353	80.00%
Calibre UK Ltd. (“CAL”)	-	100.00%	-	100.00%
Coretronic Intelligent Robotics Corporation (“CIRC”)	39,419	100.00%	27,619	100.00%
InnoSpectra Corporation (“ISC”)	21,808	80.00%	34,679	80.00%
Young Lighting Limited	1,687	100.00%	-	100.00%
Coretronic MEMS Corporation (“CMC”)	160,403	100.00%	-	-

(Continued)

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(To be continued)	December 31,			
	2019		2018	
Investee companies	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Coretronic Reality Inc. ("CRI")	99,934	100.00%	-	-
Unrealised gross profit on sales and gain on disposal of assets	(281,410)		(310,668)	
Subtotal	24,326,521		24,420,833	
Investments in associates:				
Eterge Opto-Electronics Co., LTD ("EOE")	22,934	20.00%	-	-
Total	\$24,349,455		\$24,420,833	

- A. The Company recognized share of profit or loss of subsidiaries based on the financial statements of the investee companies audited by the accountants in the amount of NT\$1,579,090 thousand and NT\$2,172,989 thousand for the year ended December 31, 2019 and 2018, respectively.
- B. The Company accounted for its investments in subsidiaries using equity method, and made assessments and adjustments according the current situation.
- C. All subsidiaries are included in the consolidated financial statements of the Company in accordance with the Regulations.
- D. The negative balance of investment in Calibre UK Ltd. as of December 31, 2019 was NT\$39,008 thousand, which is presented in other non-current liabilities. The Company has power over Calibre UK Ltd., and, therefore, continues to recognize investment losses.
- E. YLT dissolution and merger with the Company were approved by the Board of Directors and October 1, 2018 was set as consolidation base date. The Company acquired 100% shares of YLT's subsidiary YLL.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

- F. uCare Medical Electronics Co., Ltd (“UCM”) increased the capital by cash to attract the strategic investor in February 2019. The ownership percentage of UCM held by the Company decreased to 60.69%.
- G. In May 2019, the Company invested NT\$22,000 thousand in EOE and acquired 20% of the shareholdings. The Company accounted it for using the equity method. The investment of EOE is not significant to the Company. The Company recognized share of gain of associates and joint ventures accounted for using the equity method in the amount of NT\$783 thousand for the year ended December 31, 2019. The abovementioned associate had no contingent liabilities or capital commitments as of December 31, 2019. No investments accounted for using equity method held by the Company was pledged to others.

(8) Property, Plant and Equipment

A. Property, plant and equipment for own-use (after the application of IFRS 16)

	Land	Buildings	Machinery and equipment	Office fixtures	Transportation equipment	Leasehold improvement	Other equipment	Construction in progress and equipment awaiting inspection	Total
Cost:									
As of January 1, 2019	\$23,901	\$1,948,397	\$337,426	\$27,817	\$486	\$3,763	\$86,880	\$15,127	\$2,443,797
Additions	-	16,347	19,064	1,403	-	-	24,294	493,769	554,877
Disposals	-	(28,694)	(133,291)	(24,898)	(486)	-	(30,019)	(8,361)	(225,749)
Transfers	-	18,817	22,968	-	-	-	8,689	(50,950)	(476)
As of December 31, 2019	\$23,901	\$1,954,867	\$246,167	\$4,322	\$-	\$3,763	\$89,844	\$449,585	\$2,772,449
Depreciation and Impairment:									
As of January 1, 2019	\$-	\$895,024	\$143,923	\$15,625	\$54	\$406	\$50,127	\$-	\$1,105,159
Depreciation	-	69,563	48,715	3,275	27	753	18,317	-	140,650
Disposals	-	(27,358)	(92,104)	(17,229)	(81)	-	(29,357)	-	(166,129)
As of December 31, 2019	\$-	\$937,229	\$100,534	\$1,671	\$-	\$1,159	\$39,087	\$-	\$1,079,680
Net carrying amounts as of:									
December 31, 2019	\$23,901	\$1,017,638	\$145,633	\$2,651	\$-	\$2,604	\$50,757	\$449,585	\$1,692,769

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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

B. Property, plant and equipment (prior to the application of IFRS 16)

	Land	Buildings	Machinery and equipment	Office fixtures	Transportation equipment	Leasehold improvement	Other equipment	Construction in progress and equipment awaiting inspection	Total
Cost:									
As of January 1, 2018	\$23,901	\$1,883,981	\$116,439	\$28,830	\$-	\$773	\$54,909	\$476	\$2,109,309
Additions	-	13,834	47,546	5,288	486	2,244	18,278	41,682	129,358
Disposals	-	(3,527)	(6,638)	(6,499)	-	(400)	(6,724)	-	(23,788)
Transfers	-	-	25,885	-	-	1,146	-	(27,031)	-
Acquisitions through business combinations	-	54,109	(154,194)	198	-	-	20,417	-	228,918
As of December 31, 2018	\$23,901	\$1,948,397	\$337,426	\$27,817	\$486	\$3,763	\$6,880	\$15,127	\$2,443,797
Depreciation and Impairment:									
As of January 1, 2018	\$-	\$809,675	\$42,837	\$15,342	\$-	\$178	\$27,307	\$-	\$895,339
Depreciation	-	61,991	30,238	6,679	54	301	14,921	-	114,184
Disposals	-	(3,527)	(5,441)	(6,499)	-	(73)	(6,598)	-	(22,138)
Acquisitions through business combinations	-	26,885	76,289	103	-	-	14,497	-	117,774
As of December 31, 2018	\$-	\$895,024	\$143,923	\$15,625	\$54	\$406	\$50,127	\$-	\$1,105,159
Net carrying amounts as of:									
December 31, 2018	\$23,901	\$1,053,373	\$193,503	\$12,192	\$432	\$3,357	\$36,753	\$15,127	\$1,338,638

(9) Intangible Assets

	Patents	Software	IPs	Total
Cost:				
As of January 1, 2019	\$15,500	\$35,042	\$46,569	\$97,111
Additions	-	17,992	-	17,992
Disposals	-	(15,654)	-	(15,654)
As of December 31, 2019	\$15,500	\$37,380	\$46,569	\$99,449

(Continued)

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(To be continued)

	Patents	Software	IPs	Total
As of January 1, 2018	\$15,500	\$41,937	\$7,619	\$65,056
Additions	-	14,562	-	14,562
Disposals	-	(21,710)	(7,619)	(29,329)
Transfers	-	(8,205)	-	(8,205)
Acquisitions through business combinations	-	8,458	46,569	55,027
As of December 31, 2018	\$15,500	\$35,042	\$46,569	\$97,111
Amortization and Impairment:				
As of January 1, 2019	\$8,886	\$15,765	\$38,807	\$63,458
Amortization	1,088	10,985	7,762	19,835
Disposals	-	(10,885)	-	(10,885)
As of December 31, 2019	\$9,974	\$15,865	\$46,569	\$72,408
As of January 1, 2018	\$7,798	\$20,688	\$3,360	\$31,846
Amortization	1,088	9,656	3,880	14,624
Disposals	-	(21,710)	(3,360)	(25,070)
Acquisitions through business combinations	-	7,131	34,927	42,058
As of December 31, 2018	\$8,886	\$15,765	\$38,807	\$63,458
Net carrying amount as of:				
December 31, 2019	\$5,526	\$21,515	\$-	\$27,041
December 31, 2018	\$6,614	\$19,277	\$7,762	\$33,653

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

Amortization expense of intangible assets:

	Years ended December 31,	
	2019	2018
Operating Cost	\$32	\$33
Selling expenses	-	12
General and administrative expense	10,196	6,858
Research and development expenses	9,607	7,721
Total	\$19,835	\$14,624

(10) Short-Term Borrowings

	December 31,	
	2019	2018
Unsecured bank loans	\$6,903,495	\$5,473,413
Interest rates (%)	2.28%~2.56%	2.73%~3.44%

The Company's unused short-term lines of credits amounted to NT\$20,713,099 thousand and NT\$19,090,242 thousand as of December 31, 2019 and 2018, respectively.

(11) Derivative Financial Liabilities

Financial liabilities at fair value through profit or loss

	December 31,	
	2019	2018
Derivatives not designated as hedging Instruments - Current		
Forward exchange contracts	\$139,609	\$12,658

Hedging financial liabilities

	December 31,	
	2019	2018
Forward exchange contracts	\$-	\$2,402

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(12) Post-Employment Benefits

Defined contribution plan

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

Pension expenses under the defined contribution plan for the years ended December 31, 2019 and 2018 were NT\$109,455 thousand and NT\$104,641 thousand, respectively.

Defined benefits plan

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

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT\$9,017 thousand to its defined benefit plan in the next year beginning from December 31, 2019.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

The weighted average duration of the defined benefits plan obligation was 16.09 years and 16.69 years as of December 31, 2019 and 2018, respectively.

Pension costs recognized in profit or loss are as follows:

	Years ended December 31,	
	2019	2018
Current service costs	\$656	\$797
Net interest on the net defined benefit liabilities	5,670	6,955
Expect return on plan assets	(3,956)	(4,523)
Total	\$2,370	\$3,229

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

	December 31,		January 1,
	2019	2018	2018
Present value of defined benefit obligation	\$394,849	\$413,567	\$429,216
Plan assets at fair value	(303,471)	(283,935)	(275,086)
Other non-current liabilities— Carrying amount on the net defined benefit liabilities	\$91,378	\$129,632	\$154,130

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

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
As of January 1, 2018	\$429,216	\$275,086	\$154,130
Current service cost	797	-	797
Interest expense	6,955	4,523	2,432
Subtotal	436,968	279,609	157,359

Remeasurements of the defined benefit liability (asset):

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

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
As of January 1, 2019	\$413,567	\$283,935	\$129,632
Current service cost	656	-	656
Interest expense	5,670	3,956	1,714
Subtotal	419,893	287,891	132,002
Remeasurements of the defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	12,449	-	12,449
Experience adjustments	(4,283)	11,533	(15,816)
Subtotal	8,166	11,533	(3,367)
Paid pension	(5,287)	(5,287)	-
Contributions by employer	-	9,286	(9,286)
Transfers or other	(27,923)	48	(27,971)
As of December 31, 2019	\$394,849	\$303,471	\$91,378

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

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

	December 31,	
	2019	2018
Discount rate	1.125%	1.375%
Expected rate of salary increases	4.00%	4.00%

Sensitivity analysis of significant assumptions is as follows:

	Years ended December 31,			
	2019		2018	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.25%	\$-	\$12,449	\$-	\$13,897
Discount rate decrease by 0.25%	12,976	-	14,520	-
Future salary increase by 0.25%	12,353	-	13,834	-
Future salary decrease by 0.25%	-	11,908	-	13,336

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

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

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(13) Provisions

	Warranties
As of January 1, 2019:	\$288,198
Reversal during the period	(25,231)
Utilized during the period	(2,997)
As of December 31, 2019	\$259,970
As of December 31, 2019:	
Current	\$259,970
Non-Current	-
	\$259,970
	Warranties
As of January 1, 2018:	\$259,754
Arising during the period	33,963
Utilized during the period	(5,519)
As of December 31, 2018	\$288,198
As of December 31, 2018:	
Current	\$288,198
Non-Current	-
	\$288,198

Warranties

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

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(14) Equities

A. Common stock

The Company's authorized capital was NT\$10,000,000 thousand as of December 31, 2019 and 2018, respectively (including NT\$700,000 thousand reserved for exercise of share warrant, preferred shares with warrants and corporate bonds with warrants), each at a par value of NT\$10. The Company's issued capital was NT\$4,344,231 thousand divided into 434,423 thousand shares. Each share has one voting right and a right to receive dividends.

B. Capital surplus

	December 31,	
	2019	2018
Additional paid-in capital	\$2,917,366	\$3,569,001
Treasury Stock transactions	116,614	116,614
The differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	594,554	297,948
Changes in ownership interests in subsidiaries	98,791	89,245
Changes in investments in associates and joint ventures accounted for using the equity method	150	-
Total	\$3,727,475	\$4,072,808

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

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

C. Retained earnings and dividend policies:

According to the Articles of Incorporation, current year's earnings shall be distributed in the following order:

(a) Payment of all taxes and dues;

(b) Offset accumulated losses in previous years, if any;

(c) Legal reserve, which is 10% of leftover profits. However, this restriction does not apply in the event that the amount of the accumulated legal reserve equals or exceeds the Company's total capital stock;

(d) Allocation or reverse of special reserve as required by law or government authorities;

(e) The remaining net profits and the retained earnings from previous years will be allocated as shareholders' dividend. The Board of Directors will prepare a distribution proposal and submit the same to the shareholders' meeting for review and approval by a resolution.

According to the Company Act and the Company's Article of Incorporation, the policy of the dividend distribution should reflect factors such as the capital and financial structures, operating, earnings, the industrial features and cycles and etc. The dividend could be paid in the form of shares or cash. In the consideration of the factors such as financial, sales and operating conditions, if the distribution of cash dividends is determined, the cash dividends should account for at least 10% of the total distribution based on the the Company's Article of Incorporation. If the Company incurs no earning or considers the factors such as financial conditions, sales and operations, the dividend could be paid by whole or partial legal reserve in accordance with the Company Act and the Company's Article of Incorporation.

According to Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to offset the deficit of the Company. If the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

Following the adoption of TIFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

Once upon a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

The special reserve of the first adoption of the TIFRS was reversed to unappropriated retained earnings because of the disposal of related assets for the year ended December 31, 2019.

The details are as follows:

	Years ended December 31	
	2019	2018
Beginning balance	\$1,290,820	\$1,290,820
Disposal of subsidiaries	(14,210)	-
Ending balance	<u>\$1,276,610</u>	<u>\$1,290,820</u>

Details of the 2018 and 2017 earnings distribution and dividends per share as resolved by shareholders' meeting on June 13, 2019 and June 14, 2018 are as follows:

	Appropriation of earnings		Dividends per share (NT\$)	
	2018	2017	2018	2017
Legal reserve	\$202,021	\$175,063		
Special reserve	-	521,197		
Common stock -cash dividend	868,846	1,086,058	\$2	\$2.5

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

In addition, shareholders' meeting resolved to distribute the paid-in capital in excess of par-common stock by cash in the amount of NT\$651,635 thousand, NT\$1.5 per share and NT\$217,211 thousand, NT\$0.5 per share as of 2019 and 2018, respectively.

Please refer to Note 6(18) for further details on employees' compensation and remuneration to directors and supervisors.

(15) Operating Income

	Years ended December 31,	
	2019	2018
Contract revenue from customers		
Sale of goods	\$17,194,763	\$19,024,292
Revenue arising from rendering of services	33,550	31,072
Other operating revenues	608,959	642,934
Total	\$17,837,272	\$19,698,298

Analysis of revenue from contracts with customers during the period is as follows:

A. Revenue of Segments

For the years ended December 31, 2019

	Energy – saving products segment	Image products and brand segment	Other segment	Total
Sale of goods	\$7,683,366	\$9,489,763	\$21,634	\$17,194,763
Revenue arising from rendering of services	10,975	22,575	-	33,550
Other operating revenues	123,943	485,016	-	608,959
Total	\$7,818,284	\$9,997,354	\$21,634	\$17,837,272
The timing of revenue recognition:				
At a point in time	\$7,818,284	\$9,997,354	\$21,634	\$17,837,272

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

For the years ended December 31, 2018

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

B. Contract balance

Contract liabilities-current

	December 31,		January 1,
	2019	2018	2018
Sale of goods	\$54,938	\$96,865	\$66,260
Other operating revenues	36,778	74,607	42,626
Total	\$91,716	\$171,472	\$108,886

The Company recognized NT\$171,472 thousand and NT\$108,886 thousand in revenues for the years ended December 31, 2019 and 2018, respectively, from the current contract liabilities balance at the beginning of the period as performance obligations were satisfied during the year.

C. Transaction price allocated to unsatisfied performance obligations

As of December 31, 2019, there is no need to provide relevant information of the unsatisfied performance obligations as all the contracts with customers about the sales of goods are within one year.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

D. Asset recognized from the cost to fulfill a contract with customer

None.

(16) Expected Credit (Gain) Losses

	Years ended December 31,	
	2019	2018
Operating expenses – Expected credit (gain) losses		
Trade Receivables	\$(1,294)	\$1,048

The Company measures trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as of December 31, 2019 and 2018 is as follows:

The Company need to consider the companying of trade receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details as below:

As of December 31, 2019

	Past due						Total
	Neither past due(Note)	1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	More than 121 days	
Gross carrying amount	\$2,858,770	\$117,171	\$42	\$-	\$-	\$275	\$2,976,258
Loss ratio	0%	0%	5%	30%	50%	100%	
Expected credit losses	-	-	(2)	-	-	(275)	(277)
Subtotal	\$2,858,770	\$117,171	\$40	\$-	\$-	\$-	\$2,975,981

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

As of December 31, 2018

	Past due						Total
	Neither past due(Note)	1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	More than 121 days	
Gross carrying amount	\$4,281,362	\$786,030	\$25,754	\$-	\$-	\$-	\$5,093,146
Loss ratio	0%	0%	5%	30%	50%	100%	
Expected credit losses	(283)	-	(1,288)	-	-	-	(1,571)
Subtotal	\$4,281,079	\$786,030	\$24,466	\$-	\$-	\$-	\$5,091,575

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

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

	Trade receivables
As of January 1, 2019 (IFRS 9)	\$1,571
Charge (reverse) for the current period	(1,294)
As of December 31, 2019	\$277
As of January 1, 2018 (IAS 39)	\$4
Beginning adjusted retained earnings	-
As of January 1, 2018 (IFRS 9)	4
Charge (reverse) for the current period	1,048
Acquisitions through business combinations	519
As of December 31, 2018	\$1,571

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(17) Leases

A. The Company as lessee (applicable to the disclosure of IFRS 16)

The Company leases various property (land and buildings), machinery, equipment, and transportation equipment. These leases have terms of between one and fifty years.

The effects that leases have on the financial position, financial performance and cash flows of the company are as follow :

(a) Amounts recognized in the balance sheet

i. Right-of-use asset

The carrying amount of right-of-use assets

	December 31,	
	2019	2018 (Note)
Land	\$708,945	
Buildings	20,834	
Transportation equipment	7,655	
Total	\$737,434	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

During the years ended December 31, 2019, the additions to right-of-use assets of the Company amounted to NT\$216,191 thousand.

ii. Lease liability

	December 31,	
	2019	2018 (Note)
Lease liability		
Current	\$44,051	
Non-current	698,815	
Total	\$742,866	

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

Please refer to Note 6(19) C for the interest on lease liability recognized during the year ended December 31, 2019 and refer to Note 12(5) for the maturity analysis for lease liabilities on December 31, 2019.

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(b) Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	Years ended December 31	
	2019	2018(Note)
Land	\$19,848	
Buildings	10,061	
Transportation equipment	3,377	
Total	\$33,286	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(c) Income and costs relating to leasing activities

	Years ended December 31	
	2019	2018(Note)
The expense relating to short-term leases	\$4,193	
The expense relating to leases of low-value assets (Not including the expense relating to short-term leases of low-value assets)	1,306	
The expense relating to variable lease payments not included in the measurement of lease liabilities	432	
Total	\$5,931	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(d) Cash outflow relating to leasing activities

During the years ended December 31, 2019, the Company's total cash outflow for leases amounted to NT\$46,182 thousand.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(e) Other information relating to leasing activities

i. Variable lease payments

Some of the Company's building lease agreements contain variable payment terms that are linked to actual usage condition. The amount links to certain percentage of actual usage of underlying asset. The changes in variable lease payments are linked to actual usage and it is very common for entering contract with variable lease payments in the industry of the Company. As such variable lease payments do not meet the definition of lease payments, and those payments are not included in the measurement of the assets and liabilities.

ii. Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Company's property rental agreement. In determining the lease term, the non-cancellable period for which the Company has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The Company would reassess the lease term when significant issue or change occur.

iii. Residual value guarantees

To optimize lease costs during the contract period, the Company doesn't provide residual value guarantees in relation to rental agreement. Residual value guarantees without counting in lease liability.

B. Operating lease commitments - Company as lessee (applicable to the disclosure of IAS 17)

The Company's land for its Science Park plant is leased from the Science Industry Park Bureau, and as follows:

Location	Current annual rent	Lease period
Hsinchu Science Industrial Park	\$7,103	2017.07.01-2036.12.31
Jhunan Science Park	3,916	2001.07.01-2020.12.31
Tainan Science Industrial Park	8,951	2003.11.01-2022.12.31

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

Operating lease expense as follows:

	Years ended December 31,	
	2019 (Note)	2018
Minimum lease payments		\$41,085

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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

	Years ended December 31,					
	2019			2018		
	Operating Cost	Operating expenses	Total amount	Operating Cost	Operating expenses	Total amount
Employee benefits expense	\$392,289	\$2,245,579	\$2,637,868	\$461,969	\$2,263,296	\$2,725,265
Salaries	314,288	1,943,374	2,257,662	379,046	1,989,177	2,368,223
Labor and health insurance	32,397	134,570	166,967	32,808	121,256	154,064
Pension	17,099	94,726	111,825	18,019	89,851	107,870
Directors' remuneration	-	3,150	3,150	-	3,060	3,060
Other employee benefits expense	28,505	69,759	98,264	32,096	59,952	92,048
Depreciation	71,759	102,177	173,936	46,038	68,146	114,184
Amortization	32	19,820	19,852	41	14,591	14,632

The average numbers of employees were 1,983 and 2,033 as of December 31, 2019 and 2018, respectively. The numbers of directors who are not concurrent employees were 5 and 3 in 2019 and 2018, respectively. The average amounts of employee benefits expense were NT\$1,330 thousand and NT\$1,341 thousand for the years ended December 31, 2019 and 2018, respectively. The average employee salary expenses were NT\$1,139 thousand and NT\$1,165 thousand for the years ended December 31, 2019 and 2018, respectively. The average variable ratio of employee salary expense was (2) %.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

According to the Articles of Incorporation of the Company, 10% to 20% of profit of the current year is distributable as employees' compensation. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and thereto a report of such distribution is submitted to the shareholders' meeting. The Articles of Incorporation are to be amended in the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

The Company accrued employees' compensation based on a specific rate of profit for the years ended December 31, 2019 and 2018. 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. If the Board of Directors resolved to distribute employees' compensation in the form of stocks, the number of stocks distributed was calculated based on the closing price one day earlier than the date of resolution. If the estimated amounts differ from the actual distribution resolved by the Board of Directors, the Company will recognize the change as an adjustment to next year income.

A resolution was approved at a Board of Directors' meeting held on February 17, 2020 to distribute NT\$175,700 thousand in cash as employees' compensation. No material differences exist between the resolution and the estimated amount for the year ended December 31, 2019.

No material differences exist between the estimated amount and the actual distribution of the employee' bonuses for the year ended December 31, 2018.

(19) Non-Operating Income and Expenses

A. Other income

	Years ended December 31,	
	2019	2018
Interest income		
Financial assets measured at amortized cost	\$23,853	\$13,083
Rental income	31,020	30,222
Other	122,952	90,776
Total	<u>\$177,825</u>	<u>\$134,081</u>

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

B. Other gains and losses

	Years ended December 31,	
	2019	2018
Gain (loss) on disposal of property, plant and equipment	\$409	\$(1,197)
Gain on disposal of Intangible assets	-	2,105
Foreign exchange gain (loss), net	216,066	(169,341)
Gain (loss) on financial assets (liabilities) at fair value through profit or loss (Note)	(31,420)	338,303
Other	-	(121)
Total	\$185,055	\$169,749

Note: Balances were arising from financial assets mandatorily measured at fair value through profit or loss.

C. Finance cost

	Years ended December 31,	
	2019	2018
Interest on borrowings from bank	\$252,757	\$184,635
Interest on lease liabilities	12,397	(Note)
Total	\$265,154	\$184,635

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(20) Components of Other Comprehensive Income

For the year ended December 31, 2019

	Arising during the period	Income tax income (expense)	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:			
Remeasurements of defined benefit plans	\$3,367	\$(674)	\$2,693
Remeasurements of defined benefit plans of subsidiaries, associates and joint ventures accounted for using equity method	(15,650)	-	(15,650)
Unrealized loss from equity instrument investments measured at fair value through other comprehensive income	(132)	-	(132)
Unrealized loss from equity instrument investments measured at fair value through other comprehensive income from share of subsidiaries, associates and joint ventures accounted for using equity method	88,650	-	88,650
To be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	(837,201)	-	(837,201)
Gain (loss) on hedging instruments	913	(182)	731
Total of other comprehensive income	\$(760,053)	\$(856)	\$(760,909)

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

For the year ended December 31, 2018

	Arising during the period	Income tax income (expense)	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:			
Remeasurements of defined benefit plans	\$(16,517)	\$5,756	\$(10,761)
Remeasurements of defined benefit plans of subsidiaries, associates and joint ventures accounted for using equity method	679	-	679
Unrealized loss from equity instrument investments measured at fair value through other comprehensive income	(2,237)	(16)	(2,253)
Unrealized loss from equity instrument investments measured at fair value through other comprehensive income from share of subsidiaries, associates and joint ventures accounted for using equity method	(63,098)	-	(63,098)
To be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	(299,534)	-	(299,534)
Gain (loss) on hedging instruments	7,823	(3,939)	3,884
Total of other comprehensive income	\$(372,884)	\$1,801	\$(371,083)

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(21) Income Tax

Based on the amendments to the Income Tax Act announced on February 7, 2018, the Company's applicable corporate income tax rate for 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

The major components of income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

	Years ended December 31,	
	2019	2018
Current income tax expense (income)	\$71,575	\$38,974
Deferred tax expense (income)	5,254	(26,410)
Total income tax expense	\$76,829	\$12,564

Income tax relating to components of other comprehensive income

	Years ended December 31,	
	2019	2018
Deferred income tax expense (income):		
Unrealized loss of cash flow hedges	\$182	\$3,939
Remeasurements of defined benefit plans	674	(5,756)
Unrealized loss from financial assets at fair value through other comprehensive income	-	16
Income tax related to components of other comprehensive income	\$856	\$(1,801)

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

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

	Years ended December 31,	
	2019	2018
Accounting profit before tax from continuing operations	\$1,229,899	\$2,032,783
Tax calculated by statutory tax rate	\$245,980	\$406,557
Tax effect of expenses not deductible for tax purposes	(169,566)	(386,278)
Tax effect of deferred tax assets/liabilities	(31,784)	24,250
10 % surtax on undistributed retained earnings	56,445	4,179
Investment tax credits	(24,246)	(20,975)
Effect of tax rate changes	-	(16,200)
Other	-	1,031
Total income tax expense recognized in profit or loss	\$76,829	\$12,564

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

Deferred tax assets (liabilities) related to the following:

For the year ended December 31, 2019

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Unrealized allowance for inventory obsolescence	\$7,407	\$1,472	\$-	\$8,879
Unrealized inter company profits and losses	56,117	(9,849)	-	46,268
Net unrealized exchange gains or losses	(116)	16,157	-	16,041
Provision-sales returns and allowances	29,965	(13,992)	-	15,973
Impairment on property, plant and equipment	6,241	-	-	6,241
Defined benefit liabilities-noncurrent	29,668	(1,392)	(674)	27,602
Accrued expense of tax differences	15,787	(1,282)	-	14,505
Cash flow hedges	182	-	(182)	-
Others	(45)	3,632	-	3,587
		<u>\$ (5,254)</u>	<u>\$ (856)</u>	
Deferred tax (expense) income				
Net deferred tax assets (liabilities)	<u>\$145,206</u>			<u>\$139,096</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$153,348</u>			<u>\$147,742</u>
Deferred tax liabilities	<u>\$(8,142)</u>			<u>\$(8,646)</u>

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

For the year ended December 31, 2018

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

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

Unrecognized deferred tax assets

As of December 31, 2019 and 2018, deferred tax assets that have not been recognized amount to NT\$132,777 thousand and NT\$164,561 thousand, respectively.

Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Company did not recognize deferred tax liabilities associated with tax payable for unremitted earnings of the Company's overseas subsidiaries, as the Company has determined that not all distributed profits of its subsidiaries will be distributed in the foreseeable future. As of December 31, 2019 and 2018, the amount of taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities were NT\$17,196,648 thousand and NT\$15,949,375 thousand, respectively.

Unappropriated retained earnings:

	Years ended December 31,	
	2019	2018
Earnings generated in and before 1997	\$43,393	\$43,393
Earnings generated in and after 1998	9,385,865	9,302,409
Total	\$9,429,258	\$9,345,802

The assessment of income tax returns

As of December 31, 2019, the tax authorities have assessed and approved income tax returns of the Company through 2016.

(22) Earnings Per Share

Basic earnings per share amounts are calculated by dividing net income for the year attributable to ordinary equity holders by the weighted-average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

	Years ended December 31,	
	2019	2018
A. Basic earnings per share		
Profit attributable to ordinary shareholders (in thousand NT\$)	\$1,153,070	\$2,020,219
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	434,423	434,423
Basic earnings per share (NT\$)	\$2.65	\$4.65
B. Diluted earnings per share		
Profit attributable to ordinary shareholders after dilution (in thousand NT\$)	\$1,153,070	\$2,020,219
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	434,423	434,423
Effect of dilution:		
Employees' compensation— stock (in thousand)	5,944	8,992
Weighted average number of ordinary shares outstanding after dilution (in thousand)	440,367	443,415
Diluted earnings per share (NT\$)	\$2.62	\$4.56

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

7. Related Party Transactions

(1) Related Party Name and Categories

Related Party Name	Related Party Categories
Sinolink Global Limited (Sinolink)	Subsidiary
Optoma Corporation (“Optoma”)	Subsidiary
Young Optics Inc. (“TYO”)	Subsidiary
Young Green Energy Co. (“YGE”)	Subsidiary
Coretronic Intelligent Cloud Service Corporation (“CICS”)	Subsidiary
uCare Medical Electronics Co., Ltd. (“UCM”)	Subsidiary
Champ Vision Display Inc. (“CVD”)	Subsidiary
Caliber UK Ltd (“CAL”)	Subsidiary
InnoSpectra Corporation (“ISC”)	Subsidiary
Coretronic Intelligent Robotics Corporation (“CIRC”)	Subsidiary
Coretronic MEMS Corporation (“CMC”)	Subsidiary
Coretronic Reality Inc. (“CRI”)	Subsidiary
Aptek Optical Corp. (“Aptek”)	Associate
Bigshine International Limited (Bigshine)	Associate
Bigshine International Hong Kong Limited. (Bigshine(HK))	Associate
Elite View Hong Kong Limited (Elite View (HK))	Associate
Investdragon Hong Kong Limited.(Investdragon(HK))	Associate

(Continued)

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(To be continued)

Related Party Name	Related Party Categories
Great Pride Inc.(Great Pride)	Associate
Greendale Investments Limited (Greendale)	Associate
Lead Bright Hong Kong Limited (Lead Bright (HK))	Associate
Optoma Technology, Inc. (Optoma USA)	Associate
Optoma Europe Limited (Optoma Europe)	Associate
Optoma (China&HK) Limited (Optoma China&HK)	Associate
Venture Orient Limited (Venture)	Associate
Wisdom Success Hong Kong Limited (Wisdom Success (HK))	Associate
Coretronic Projection (Kunshan) Co., Ltd (“CPC”)	Associate
Vimax (Kunshan) Co., Ltd.(“Vimax”)	Associate
Technology Service (Kunshan) Co., Ltd. (“TSC”)	Associate
Nano Precision (Suzhou) Co., Ltd. (“NPS”)	Associate
YLG Optotech Limited (“YLO”)	Associate
Coretronic (Guangzhou) Co., Ltd. (“GZB”)	Associate
Optoma China Co.,Ltd. (Optoma China)	Associate
Coretronic (Ningbo) Co., Ltd. (“NBB”)	Associate
Coretronic (Suzhou) Co., Ltd (“SZB”)	Associate
Coretronic Optotech (Suzhou) Co., Ltd. (“SZT”)	Associate

(Continued)

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(To be continued)

Related Party Name	Related Party Categories
Coretronic Display (Suzhou) Co., Ltd. (“SZW”)	Associate
Eterge Opto-Electronics Co., LTD(“EOE”)	Associate
All directors, general managers, deputy general managers and accounting supervisors	Key management personnel

(2) Significant transactions with related parties

A. Sales

	Years ended December 31,	
	2019	2018
Optoma	\$4,366,572	\$5,581,094
Other Subsidiaries	267,054	366,259
Total	\$4,633,626	\$5,947,353

The Company purchases materials on related parties’ behalf of in 2019 and 2018. Since the Company has no substantially all risks and rewards of ownership of the purchased materials, only gross profit was recognized as operating revenue for this transaction.

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

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

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

B. Purchases

	Years ended December 31,	
	2019	2018
Subsidiaries	\$22,179	\$106,396
Associate	1,140	-
Total	\$23,319	\$106,396

The purchase price to the above related parties was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers are comparable with third party suppliers and are between 60-90 days.

C. Accounts Receivable from Related Parties

	December 31,	
	2019	2018
Optoma	\$1,786,541	\$2,252,735
Other Subsidiaries	539,875	85,440
Total	\$2,326,416	\$2,338,175

D. Other Accounts Receivable from Related Parties

	December 31,	
	2019	2018
SZT	\$92,683	(Note)
Wisdom Success (HK)	17,318	\$28,210
NPS	(Note)	28,896
Other Subsidiaries	38,034	52,966
Total	\$148,035	\$110,072

Note : There have been no disclosure resulting from the transaction amounts between the Company and the subsidiaries in each year do not excess 10% of total transactions.

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

E. Accounts Payable to Related Parties

	December 31,	
	2019	2018
Greendale	\$660,567	\$1,099,679
YLO	146,607	-
SZB	(Note)	1,325,123
Other Subsidiaries	3,675	883,100
Associates	200	-
Total	\$811,049	\$3,307,902

Note : There have been no disclosure resulting from the transaction amounts between the Company and the subsidiaries in each year do not excess 10% of total transactions.

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

	December 31,	
	2019	2018
CICS	\$72,152	(Note)
NPT	35,232	\$-
CVD	33,192	(Note)
Subsidiaries	29,564	76,708
Associates	8,378	-
Total	\$178,518	\$76,708

Note : There have been no disclosure resulting from the transaction amounts between the Company and the subsidiaries in each year do not excess 10% of total transactions.

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

G. Borrowing from related parties

	December 31,	
	2019	2018
Bigshine HK	\$209,860	\$153,575
Greendale	(Note)	451,818
Lead Bright (HK)	146,902	(Note)
SZB	134,910	-
Great Pride (HK)	101,932	(Note)
Venture	89,940	(Note)
Other Subsidiaries	73,151	383,937
Total	\$756,695	\$989,330

Note : There have been no disclosure resulting from the transaction amounts between the Company and the subsidiaries in each year do not excess 10% of total transactions.

H. Others

Maintenance and processing fees paid from the Company to subsidiaries amounted to NT\$215,462 thousand and NT\$89,839 thousand for the years ended December 31, 2019 and 2018, respectively.

Rent and other revenue arise from subsidiaries leasing buildings from the Company and the Company provided management services to subsidiaries amounted to NT\$62,956 thousand and NT\$85,087 thousand for the year ended December 31, 2019 and 2018, respectively.

The amount of the Company purchased products from its subsidiaries for the year ended December 31, 2019 and 2018 was NT\$13,995,786 thousand and NT\$15,280,901 thousand, respectively. Some manufacturing materials required by subsidiaries was purchased by the Company on behalf of the subsidiaries amounted NT\$15,980,625 thousand and NT\$18,283,236 thousand for the year ended December 31, 2019 and 2018, respectively.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

The amount of the Company selling property, plant and equipment, molds and computer software to its subsidiaries was NT\$60,149 thousand and NT\$453 thousand for the years ended December 31, 2019 and 2018, respectively. The amount of the subsidiaries selling molds and property, plant and equipment to the Company was NT\$0 thousand and NT\$15,998 thousand for the years ended December 31, 2019 and 2018, respectively.

The Company purchased molds from associates amounted to NT\$18,213 thousand for the year ended December 31, 2019.

I. Key Management Personnel Compensation

	Years ended December 31,	
	2019	2018
Short-term employee benefits	\$121,367	\$143,027
Post-employment benefits	1,607	1,715
Total	\$122,974	\$144,742

8. Assets Pledged As Collateral

The following assets of the Company pledged as collateral:

Assets pledged as collateral	Carrying amount		Purpose of pledge
	December 31, 2019	December 31, 2018	
Time deposits (shown as "Other receivables")	\$30,170	\$22,511	Lease execution deposits
Time deposits (shown as "Other receivables")	-	1,472	Subsidy performance guarantee
Time deposits (shown as "Other receivables")	2,065	2,050	Customs import guarantee
Total	\$32,235	\$26,033	

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

9. Commitments and Contingencies

Amounts available under unused letters of credit as of December 31, 2019 are NT\$19,587 thousand.

10. Losses due to Major Disasters

None.

11. Significant Subsequent Events

None.

12. Others

(1) Categories of Financial Instruments

	December 31,	
<u>Financial assets</u>	2019	2018
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	\$106,493	\$69,254
Financial assets at fair value through other comprehensive income	628	760
Financial assets measured at amortized cost (Note A)	7,037,869	10,630,264
Hedging financial assets	-	1,487
Total	\$7,144,990	\$10,701,765

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

	December 31,	
<u>Financial liabilities</u>	2019	2018
Financial liabilities at amortized cost:		
Short-term borrowings	\$6,903,495	\$5,473,413
Accounts payables (including related parties)	2,143,006	5,711,967
Other payables (including related parties)	2,516,997	2,988,443
Lease liabilities	742,866	(Note B)
Subtotal	12,306,364	14,173,823
Financial liabilities at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss-current	139,609	12,658
Hedging financial liabilities	-	2,402
Total	\$12,445,973	\$14,188,883

Note :

A. Including cash and cash equivalents (exclude cash on hand), notes receivables, trade receivables, and other receivables.

B. The Company adopted IFRS16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS16.

(2) Financial Risk Management Objectives and Policies

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

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk.

In practice, it is rarely the case that a single risk variable will change independently from other risk variables; there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

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

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for USD. The information of the sensitivity analysis is as follows:

When NTD appreciates or depreciates against USD by 1%, the profit for the years ended December 31, 2019 and 2018 is decreased/increased by NT\$34,954 thousand and NT\$27,271 thousand, while equity is decreased/increased by NT\$206,090 thousand and NT\$207,800 thousand, respectively.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans and receivables at variable interest rates, bank borrowings with fixed and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period, including investments and bank borrowings with variable interest rate swaps. At the reporting date, an increase/decrease of 1% of interest rate in a reporting period could cause the profit for the years ended December 31, 2019 and 2018 to decreased/increased by NT\$69,035 thousand and NT\$54,734 thousand, respectively.

Equity price risk

The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, an increase/decrease of 1% in the price of the listed equity securities classified as equity instrument at fair value through profit or loss could cause profit for the years ended December, 2019 and 2018 to decrease/increase by NT\$354 thousand and NT\$201 thousand, respectively.

For the years ended December 31, 2019 and 2018, an increase/decrease of 1% in the price of the listed equity securities classified as equity instrument at fair value through other comprehensive income could have an impact of NT\$6 thousand and NT\$8 thousand on the equity attributable to the Company, respectively.

(4) Credit Risk Management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for trade receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

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

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

As of December 31, 2019 and 2018, receivables from top ten customers represented 83% and 91% of the total trade receivables of the Company, respectively. The credit concentration risk of other accounts receivables was insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity Risk Management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments and bank borrowings. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
As of December 31, 2019					
Borrowings	\$6,913,975	\$-	\$-	\$-	\$6,913,975
Accounts payables					
(including related parties)	2,143,006	-	-	-	2,143,006
Other payables	2,516,997	-	-	-	2,516,997
Lease liabilities	44,051	75,375	57,686	837,267	1,014,379

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

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

Derivative Financial liabilities

	Less than 1 year	1 to 3 years	Total
As of December 31, 2019			
Inflows	\$-	\$-	\$-
Outflows	139,609	-	139,609
Net	\$139,609	\$-	\$139,609

As of December 31, 2018

Inflows	\$-	\$-	\$-
Outflows	15,060	-	15,060
Net	\$15,060	\$-	\$15,060

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

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(6) Reconciliation of Liabilities Arising From Financing Activities:

Reconciliation of liabilities for the year ended December 31, 2019:

	Short-term borrowings	Other payables -related parties	Lease liabilities	Guarantee deposits received	Other liabilities- noncurrent	Total liabilities from financing activities
As of January 1, 2019	\$5,473,413	\$989,330	\$-	\$796	\$20,996	\$6,484,535
Cash flows	1,430,082	(232,635)	(27,854)	238	(8,401)	1,161,430
Leases	-	-	770,720	-	-	770,720
As of December 31, 2019	\$6,903,495	\$756,695	\$742,866	\$1,034	\$12,595	\$8,416,685

Reconciliation of liabilities for the year December 31, 2018:

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

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

(7) Fair Value of Financial Instruments

A. The methods and assumptions applied in determining the fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

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

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial assets and liabilities measured at amortized cost approximate their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Company.

(8) Derivative Instruments

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

Forward currency contracts and cross currency contracts

The Company entered into forward currency contracts and cross currency contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward currency contracts:

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

Item (by contract)	Notional Amount	Contract Period
As of December 31, 2019		
Forward currency contract		
Selling forward currency contracts	USD 337,000 thousand	From January 2020 to February 2020
Buying forward currency contracts	USD 440,500 thousand	From January 2020 to March 2020

As of December 31, 2018

Forward currency contract

Selling forward currency contracts	USD 250,000 thousand	From January 2019 to February 2019
Buying forward currency contracts	USD 343,500 thousand	From January 2019 to April 2019

Hedging forward currency contracts

The currency of sales, costs of goods sold and trade on behalf of the purchase were in US Dollars or British Pounds. The Company entered into forward currency contracts to manage its exposure to financial risk, but these contracts are designated as hedging instruments. The table below lists the information related to forward currency contracts:

Item (by contract)	Notional Amount	Contract Period
As of December 31, 2018		
Forward currency contract		
Selling forward currency contracts	USD 20,000 thousand	February 2020
Buying forward currency contracts	USD 20,000 thousand	February 2020

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(9) Fair Value Measurement Hierarchy

A. Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Company’s assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company’s assets and liabilities measured at fair value on a recurring basis is as follows:

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Forward currency contract	\$-	\$71,081	\$-	\$71,081
Stock	-	-	35,412	35,412
Equity instrument measured at fair value through other comprehensive income	-	-	628	628

(Continued)

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(To be continued)

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Forward currency contract	-	139,609	-	139,609

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Forward currency contract	\$-	\$49,189	\$-	\$49,189
Stock	-	-	20,065	20,065
Hedging financial assets-current	-	1,487	-	1,487
Equity instrument measured at fair value through other comprehensive income	-	-	760	760

Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss-current				
Forward currency contract	-	12,658	-	12,658
Hedging financial liabilities-current	-	2,402	-	2,402

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

Transfers between the Level 1 and Level 2 during the period

During the years ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

Change in reconciliation for fair value measurements in Level 3

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Assets		Total
	At fair value through profit or loss	At fair value through other comprehensive income	
	Stock and convertible bonds	Stock	
As of January 1, 2019:	\$20,065	\$760	\$20,825
Total gains and losses recognized for the years ended December 31, 2019:			
Amount recognized in profit or loss (presented in “other profit or loss”)	(68)	-	(68)
Amount recognized in OCI (presented in “unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	-	(132)	(132)
Acquisition	15,415	-	15,415
As of December 31, 2019	\$35,412	\$628	\$36,040

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

	Assets		
	At fair value through profit or loss	At fair value through other comprehensive income	Total
	Stock and convertible bonds	Stock	
As of January 1, 2018:	\$21,001	\$3,013	\$24,014
Total gains and losses recognized for the years ended December 31, 2018:			
Amount recognized in profit or loss (presented in “other profit or loss”)	(936)	-	(936)
Amount recognized in OCI (presented in “unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	-	(2,237)	(2,237)
Tax effect	-	(16)	(16)
As of December 31, 2018	\$20,065	\$760	\$20,825

Total gains and losses recognized in profit or loss for the years ended December 31, 2019 and 2018 in the amount of NT\$(68) thousand and NT\$(936) thousand, respectively.

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

As of December 31, 2019

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets :					
At fair value through profit or loss					
Stock	Income approach	Lack of marketability	27.2%	The higher the discount for lack of marketability, the lower the fair value estimated	10% increase (decrease) in the discount for lack of marketability would result in decrease/increase in profit or loss by NT\$732 thousand /NT\$747 thousand.

As of December 31, 2018

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets :					
At fair value through profit or loss					
Stock	Income approach	Lack of marketability	27.2%	The higher the discount for lack of marketability, the lower the fair value estimated	10% increase (decrease) in the discount for lack of marketability would result in decrease/increase in profit or loss by NT\$734 thousand /NT\$735 thousand.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's Assets Management Center(AMC) is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. AMC analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date.

C. Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value is disclosed: None

(10) Significant Assets and Liabilities Denominated in Foreign Currencies

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

	December 31, 2019		
	Foreign currencies	Exchange rate	NTD thousand
<u>Financial assets</u>			
Monetary item:			
USD	\$301,866	29.98	\$9,049,932
JPY	3,143	0.276	867
<u>Financial liabilities</u>			
Monetary items:			
USD	\$418,456	29.98	\$12,406,694
GBP	355	39.36	14

(Continued)

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

(To be continued)

December 31, 2019

	Foreign currencies	Exchange rate	NTD thousand
Investments Accounted for Using Equity Method:			
USD	\$664,025	29.98	\$20,609,016
GBP	(991)	39.36	(39,008)

December 31, 2018

	Foreign currencies	Exchange rate	NTD thousand
Financial assets			
Monetary item:			
USD	\$412,715	30.715	\$12,545,314
JPY	1,349	0.2782	375
Financial liabilities			
Monetary items:			
USD	\$501,501	30.715	\$15,403,615
GBP	540	38.88	20,995
JPY	1,504	0.2782	415
Investments Accounted for Using Equity Method:			
USD	\$643,429	30.715	\$19,762,910
GBP	(293)	38.88	(11,397)

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

The Company's entities functional currency are various, and hence is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies. The foreign exchange gain (loss) was NT\$216,066 thousand and NT\$(169,341) thousand for years ended December 31, 2019 and 2018, respectively.

(11)Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Additional Disclosures

(1) The following are additional disclosures for the Company and its affiliates:

- A. Endorsement/Guarantee provided to others for the years ended December 31, 2019: Please refer to Attachment 1.
- B. Financing provided to others for the years ended December 31, 2019: None.
- C. Securities held as of years ended December 31, 2019 (excluding subsidiaries, associates and joint venture): Please refer to Attachment 2.
- D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the years ended December 31, 2019: None.
- E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the years ended December 31, 2019: Please refer to Attachment 3.
- F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the years ended December 31, 2019: None.
- G. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the years ended December 31, 2019: Please refer to Attachment 4.
- H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of years ended December 31, 2019: Please refer to Attachment 5.

CORETRONIC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

- I. Financial instruments and derivative transactions: Please refer to Note 6(2), 6(3), 6(11), Note 12(1), 12(8) and Attachment 8.
- (2) Information on Investees
- A. Relevant information on investees when the investees have significant influence or direct or indirect control. Please refer to Attachments 6, 6-1, 6-2, and 6-3.
 - B. When the investees have significant influence or direct or indirect control, the above items from A to I shall be disclosed. Please refer to Attachments 1-1, 1-2, 2-1,4-1,5-1 and 9.
 - C. Financial instruments and derivative transactions: Please refer to Attachment 8.
- (3) Investment in Mainland China
- A. Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, percentage of ownership, investment income (loss), carrying amount of investments, cumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 7, 7-1 and 7-2.
 - B. Directly or indirectly significant transactions with the investees in Mainland China, please refer to Note 7.

ATTACHMENT 1 (Endorsement/Guarantee provided to others for the years ended December 31, 2019)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Endorsor/Guarantor	Receiving party		Limit of guarantee/endorsement amount for receiving party	Maximum balance for the period	Ending balance	Actual amount provided	Amount of Endorsement/ Guarantee collateralized by properties	Percentage of accumulated guarantee amount to net worth from the latest financial statement	Limit of total guarantee/endorsement amount	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiary in Mainland China
		Company name	Relationship										
0	Coretronic Corporation	Coretronic Intelligent Cloud Service Corp.	Subsidiary	10,700,458 (Note)	\$ 1,775	\$ -	\$ -	-	0.00%	\$21,400,917 (Note)	Yes	No	No
0	Coretronic Corporation	Nano Precision Taiwan Limited	Associate	10,700,458 (Note)	300,000	300,000	111,074	-	1.40%	21,400,917 (Note)	Yes	No	No
0	Coretronic Corporation	Coretronic Intelligent Robotics Corporation	Subsidiary	10,700,458 (Note)	272,250	272,250	12,250	-	1.27%	21,400,917 (Note)	Yes	No	No
0	Coretronic Corporation	Coretronic Display (Suzhou)	Associate	10,700,458 (Note)	195,241 (RMB45,000 thousands)	193,387 (RMB45,000 thousands)	193,387	-	0.90%	21,400,917 (Note)	Yes	No	Yes
0	Coretronic Corporation	YLG Optotech	Associate	10,700,458 (Note)	145,044 (USD4,590 thousands)	137,608 (USD4,590 thousands)	61,159	-	0.64%	21,400,917 (Note)	Yes	No	Yes
0	Coretronic Corporation	Calibre UK Ltd.	Subsidiary	10,700,458 (Note)	201,945 (GBP5,060 thousands)	199,162 (GBP5,060 thousands)	120,170	-	0.93%	21,400,917 (Note)	Yes	No	No
	Total				<u>\$ 1,116,255</u>	<u>\$ 1,102,407</u>							

Note : Based on the procedures of endorsement/guarantee provided to others, the amount of endorsements/guarantees for any single entity shall not exceed 50% of the Company's net worth from the latest financial statement.
Based on the procedures of endorsement/guarantee provided to others, the total amount of endorsements/guarantees shall not exceed 100% of the Company's net worth from the latest financial statement.

ATTACHMENT 1-1 (Financing provided to others for the years ended December 31, 2019)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Lender	Counter-party	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing	Amount of sales to (purchases from) counter-party	Reason for financing	Allowance for expected credit losses	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount
													Item	Value		
1	Young Green Energy	Calibre UK Ltd	Accounts receivables - related parties	Yes	\$ 20,185	\$ 7,872	\$ 7,872	1.45%	The need for short-term financing	-	Business turnover	-	None	-	\$ 90,054	\$ 90,054
1	Young Green Energy	Coretronic Intelligent Robotics Corporation	Accounts receivables - related parties	Yes	30,000	30,000	30,000	0.63%	The need for short-term financing	-	Business turnover	-	None	-	90,054	90,054
2	Coretronic (Ningbo)	Coretronic Display (Suzhou)	Accounts receivables - related parties	Yes	1,008,832	-	-	-	The need for short-term financing	-	Business turnover	-	None	-	3,180,641	3,180,641
2	Coretronic (Ningbo)	YLG Optotech	Accounts receivables - related parties	Yes	282,015	236,362	236,362	0.5%	The need for short-term financing	-	Business turnover	-	None	-	3,180,641	3,180,641
3	Coretronic (Suzhou)	Coretronic Corporation	Accounts receivables - related parties	Yes	141,255	134,910	134,910	2.332%	The need for short-term financing	-	Business turnover	-	None	-	1,285,592	1,285,592
3	Coretronic (Suzhou)	Coretronic Display (Suzhou)	Accounts receivables - related parties	Yes	1,062,979	1,052,882	1,052,882	0.5%	The need for short-term financing	-	Business turnover	-	None	-	4,285,307	4,285,307
3	Coretronic (Suzhou)	Coretronic System Engineering (Shanghai)	Accounts receivables - related parties	Yes	36,795	17,190	17,190	0.5%	The need for short-term financing	-	Business turnover	-	None	-	4,285,307	4,285,307
4	Bigshine (HK)	Core-Flex Limited	Accounts receivables - related parties	Yes	136,070	129,094	129,094	0.5%	The need for short-term financing	-	Business turnover	-	None	-	269,577	269,577
4	Bigshine (HK)	Coretronic Corporation	Accounts receivables - related parties	Yes	252,800	209,860	209,860	-	The need for short-term financing	-	Business turnover	-	None	-	673,943	673,943
5	Venture Orient	Coretronic Corporation	Accounts receivables - related parties	Yes	94,170	89,940	89,940	-	The need for short-term financing	-	Business turnover	-	None	-	474,628	474,628
6	Great Pride	Coretronic Corporation	Accounts receivables - related parties	Yes	34,760	32,978	32,978	-	The need for short-term financing	-	Business turnover	-	None	-	2,360,546	2,360,546
7	Lead Bright (HK)	Coretronic Corporation	Accounts receivables - related parties	Yes	154,840	146,902	146,902	-	The need for short-term financing	-	Business turnover	-	None	-	3,375,189	3,375,189
8	Investdragon (HK)	Coretronic Corporation	Accounts receivables - related parties	Yes	123,240	-	-	-	The need for short-term financing	-	Business turnover	-	None	-	117,635	117,635
9	Wisdom Success (HK)	Coretronic Corporation	Accounts receivables - related parties	Yes	44,240	-	-	-	The need for short-term financing	-	Business turnover	-	None	-	5,313,538	5,313,538
10	Greendale	Coretronic Corporation	Accounts receivables - related parties	Yes	464,836	19,187	19,187	-	The need for short-term financing	-	Business turnover	-	None	-	5,131,724	5,131,724
11	Bigshine	Coretronic Corporation	Accounts receivables - related parties	Yes	47,400	14,990	14,990	-	The need for short-term financing	-	Business turnover	-	None	-	328,275	328,275
11	Bigshine	Brightbridge	Accounts receivables - related parties	Yes	2,781	2,653	2,653	0.5%	The need for short-term financing	-	Business turnover	-	None	-	328,275	328,275
12	Nano Precision	Coretronic Corporation	Accounts receivables - related parties	Yes	211,720	-	-	-	The need for short-term financing	-	Business turnover	-	None	-	203,686	203,686
13	Great Pride(HK)	Coretronic Corporation	Accounts receivables - related parties	Yes	106,726	101,932	101,932	-	The need for short-term financing	-	Business turnover	-	None	-	2,342,239	2,342,239
14	Tecpoint	Coretronic Corporation	Accounts receivables - related parties	Yes	103,587	5,996	5,996	-	The need for short-term financing	-	Business turnover	-	None	-	3,222,696	3,222,696
15	Coretronic Projection (Kunshan)	Coretronic Optics (Kunshan)	Accounts receivables - related parties	Yes	151,854	150,412	150,412	0.5%	The need for short-term financing	-	Business turnover	-	None	-	4,840,162	4,840,162
16	Dynamic Time	Optoma Corporation	Accounts receivables - related parties	Yes	537,200	509,660	509,660	-	The need for short-term financing	-	Business turnover	-	None	-	741,558	741,558
16	Dynamic Time	Optoma USA	Accounts receivables - related parties	Yes	173,800	164,890	164,890	2.37%-2.55%	The need for short-term financing	-	Business turnover	-	None	-	1,853,896	1,853,896
17	Modern Smart	Optoma Corporation	Accounts receivables - related parties	Yes	20,540	19,487	19,487	-	The need for short-term financing	-	Business turnover	-	None	-	53,362	53,362
17	Modern Smart	Optoma USA	Accounts receivables - related parties	Yes	20,540	19,487	19,487	2.55%	The need for short-term financing	-	Business turnover	-	None	-	133,404	133,404
18	Masterview	Young Optics (BD)	Other receivables - related parties	Yes	126,400	-	-	2.50%	The need for short-term financing	-	Business turnover	-	None	-	1,398,654	1,398,654
19	Grace China	Young Optics (BD)	Other receivables - related parties	Yes	88,480	-	-	3.00%	The need for short-term financing	-	Business turnover	-	None	-	1,104,803	1,104,803

Note A : Limit of financing amount for individual counter-party and total financing amount should not exceed 100% of lender's net worth from the latest financial statement, including Bigshine (HK) Limited , Bigshine International Limited , GREAT PRIDE INC. (Samoa) , Great Pride Hong Kong Limited , Greendale Investments Limited , Lead Bright (HK) Limited , TEC POINT LIMITED (BVI) , Venture Orient Limited.

The above restriction only applies to the foreign subsidiaries whose shares are 100% owned, by the Company.

Note B : Limit of financing amount for individual counter-party and total financing amount should not exceed 100% of lender's net worth from the latest financial statement, including Dynamic Time Investments Limited , Modern Smart Ltd. , Bigshine International Limited , Coretronic (Ningbo) , Coretronic (Suzhou) , Coretronic Projection (Kunshan).

The above restriction only applies to the foreign subsidiaries whose shares are 100% owned, directly or indirectly, by the Company.

Note C : Limit of total financing amount for individual counter-party should not exceed 40% of lender's net worth from the latest financial statement, and limit of total financing amount should not exceed 100% of the latest financial statements of lender, including Dynamic Time Investments Limited , Modern Smart Ltd. , Bigshine (HK) Limited , Young Green Energy Co., LTD.

Note D : For the outside-of-Taiwan loans of Coretronic (Suzhou), the total limit of financing amount should not exceed 30% of the Company's net worth in the latest audited financial statement.

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

ATTACHMENT 1-2 (Endorsement/Guarantee provided to others for the years ended December 31, 2019)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Endorsor/ guarantor	Receiving party		Limit of guarantee/endorsement amount for receiving party	Maximum balance for the period	Ending balance	Actual amount provided	Amount of Endorsement/ Guarantee collateralized by properties	Percentage of accumulated guarantee amount to net worth from the latest financial statement	Limit of total guarantee/ endorsement amount	Guarantee Provided by Parent Company	Guarantee Provided by a Subsidiary	Guarantee Provided to Subsidiary in Mainland China
		Company name	Relationship										
1	Coretronic (Suzhou)	Coretronic Display (Suzhou)	Associate	\$ 2,142,654 (Note)	\$ 769,848	\$ 769,848	\$ 426,049	-	17.96%	\$ 4,285,307 (Note)	No	No	Yes
2	Coretronic Optotech (Suzhou)	Coretronic Display (Suzhou)	Associate	376,981 (Note)	206,971	193,387	193,387	-	25.65%	753,962 (Note)	No	No	Yes
3	Optoma Corporation	Optoma USA	Associate	309,318 (Note)	9,480	-	-	-	0.00%	618,635 (Note)	No	No	No
	Total				<u>\$ 986,299</u>	<u>\$ 963,235</u>							

Note : Based on the procedures of endorsement/guarantee provided to others, the amount of endorsements/guarantees for any single entity shall not exceed 50% of the Company's net worth from the latest financial statement.
Based on the procedures of endorsement/guarantee provided to others, the total amount of endorsements/guarantees shall not exceed 100% of the Company's net worth from the latest financial statement.

ATTACHMENT 2 (Securities held as of December 31, 2019)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2019				Note
				Shares/Units	Carrying amount	Percentage of ownership (%)	Fair value(Note)	
Coretronic Corporation	Maxima Venture I, Inc.	-	Financial assets at fair value through other comprehensive income-noncurrent	29,400	\$ 628	5.26%	\$ 628	
Coretronic Corporation	Nightingale Intelligent Systems, Inc.	-	Financial assets at fair value through profit or loss-noncurrent	1,148,617	33,058	3.72%	33,058	
Coretronic Corporation	GLO AB	-	Financial assets at fair value through profit or loss-noncurrent	50,000	2,354	0.24%	2,354	
Coretronic Corporation	Etergo Opto-Electronics Co., LTD	-	Investments accounted for using the equity method- noncurrent	1,000,000	22,934	20.00%	-	

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

ATTACHMENT 2-1 (Securities held as of December 31, 2019)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2019				Note
				Shares/Units	Carrying amount	Percentage of ownership (%)	Fair value(Note A)	
Chung Tsen Investment Corp.	Shieh Yong Investment	-	Financial assets at fair value through other comprehensive income-noncurrent	34,107,900	\$ 338,814	4.47%	\$ 338,814	
Venture Orient	Unitech Capital	-	Financial assets at fair value through other comprehensive income-noncurrent	2,500,000	USD 2,547,750	5.00%	USD 2,547,750	
Optoma Corporation	LIULIGONGFANG	-	Financial assets at fair value through other comprehensive income-noncurrent	242,094	3,876	3.06%	3,876	
	Excel Global	-	Financial assets at fair value through other comprehensive income-noncurrent	812,506	27,769	19.90%	27,769	
Coretronic Venture Capital	GeneJet Biotech	-	Investments accounted for using the equity method- noncurrent	1,575,000	- (Note B)	19.51%	-	

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

Note B : The impairment loss was recognized as the difference between the recoverable amount of the security and its carrying value.

ATTACHMENT 3 (Acquisition of individual real estate with cost exceeding NT\$300 million or 20 percent of capital stock for the years ended December 31, 2019)

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

Company Name	Types of property	Transaction date	Transaction amount	Payment term	Counter-party	Relationship	Prior transaction of related counter-party				Price reference	Purpose of acquisition and usage	Other terms
							Owner	Relationship	Transfer date	Amount			
Coretronic Corporation	Buildings	April, 2019	\$ 450,000	Settlement by the construction and progress and acceptance dealt in the contracts	TAYIH KENMOS AUTO PARTS CO., LTD	None	-	-	-	-	Real estate valuation report	Business purpose	-

ATTACHMENT 4 (Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of capital stock for the years ended December 31, 2019)

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

Company Name	Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Unit price	Term	Balance	Percentage of total receivables (payable)	
Coretronic Corporation	Optoma Corporation	Subsidiary	Sales	\$ 4,366,572	24.48%	90 days	-	-	\$ 1,786,541	33.69%	

ATTACHMENT 4-1 (Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock for the year ended December 31, 2019)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Unit price	Term	Balance	Percentage of total receivables (payable)	
Young Optics	Grace China	Associate	Sales	\$ 227,631	5.43%	60 days	-	-	\$ 444,656	34.52 %	
Young Optics	Grace China	Associate	Purchases	1,939,647	70.26%	60 days	-	-	(991,171)	(72.23%)	
Young Optics	Aptek Optical	Subsidiary	Sales	287,296	6.85%	60 days	-	-	55,597	4.32 %	
Young Optics (Kunshan)	Grace China	Associate	Sales	1,699,966	75.34 %	60 days	-	-	811,502	85.56 %	
Young Optics (Kunshan)	Grace China	Associate	Purchases	236,215	12.74 %	30 days	-	-	(250,487)	(57.02%)	
Young Optics (Kunshan)	Young Optics (Suzhou)	Associate	Sales	126,351	5.77 %	60 days	-	-	33,330	3.51 %	
Young Optics (Kunshan)	Coretronic Optics (Kunshan)	Associate	Sales	383,568	17.53 %	90 days	-	-	101,124	10.66 %	
Young Optics (Suzhou)	Grace China	Associate	Sales	120,042	30.81 %	60 days	-	-	21,882	36.02 %	
Young Optics (Suzhou)	Grace China	Associate	Purchases	141,207	44.36 %	60 days	-	-	(61,505)	(55.22%)	
Young Optics(BD)	Grace China	Associate	Sales	291,025	99.93 %	60 days	-	-	129,517	100.00 %	
Young Optics(BD)	Grace China	Associate	Purchases	17,663	26.55 %	60 days	-	-	(422,538)	(99.77%)	
Optoma Corporation	Optoma Europe	Associate	Sales	2,815,250	53.50%	90 days	-	-	543,542	36.76 %	
Optoma Corporation	Optoma USA	Associate	Sales	1,693,925	32.19%	120 days	-	-	857,969	58.02 %	
Optoma China	Coretronic Projection (Kunshan)	Associate	Purchases	871,793	94.20%	90 days	-	-	(373,316)	(99.35%)	
Nano Precision (Suzhou)	Coretronic (Suzhou)	Associate	Sales	345,646	22.55%	60 days	-	-	88,112	16.43%	
Nano Precision (Suzhou)	Great Pride (HK)	Associate	Sales	371,757	24.25%	60 days	-	-	140,774	26.26%	
Nano Precision (Suzhou)	Coretronic Optotech (Suzhou)	Associate	Sales	110,546	7.21%	60 days	-	-	23,595	4.40 %	
Nano Precision Taiwan Limited	Nano Precision (Suzhou)	Associate	Sales	309,050	71.86%	60 days	-	-	100,163	74.48%	
Coretronic Projection (Kunshan)	Coretronic Optics (Kunshan)	Associate	Sales	676,059	4.66%	60 days	-	-	170,511	6.92%	
Coretronic Optics (Kunshan)	Coretronic Projection (Kunshan)	Associate	Sales	7,714,987	99.79%	60 days	-	-	1,269,484	99.71%	
Coretronic Projection (Kunshan)	Champ Vision Display	Associate	Sales	1,024,635	7.07%	60 days	-	-	159,985	6.50%	
Champ Vision Display	Coretronic Projection (Kunshan)	Associate	Sales	486,947	21.36%	60 days	-	-	73,885	21.74%	

ATTACHMENT 5 (Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2019)

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

Company Name	Counter-party	Relationship	Accounts receivables - related parties	Turnover rate (times)	Overdue receivables		Amount received in subsequent period	Allowance for expected credit losses
					Amount	Collection status		
Accounts receivable : Coretronic Corporation	Optoma Corporation	Subsidiary	\$ 1,786,541	2.16	\$ -	-	\$ -	\$ -

ATTACHMENT 5-1 (Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2019)

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

Company Name	Counter-party	Relationship	Accounts receivables - related parties Balance	Turnover rate (times)	Overdue receivables		Amount received in subsequent period	Allowance for expected credit losses
					Amount	Collection status		
Accounts receivable :								
Optoma Corporation	Optoma USA	Associate	\$ 857,969	1.81	\$ -	-	\$ -	\$ -
Optoma Corporation	Optoma Europe	Associate	543,542	4.12	-	-	-	-
Young Optics	Grace China	Associate	444,656	0.80	-	-	-	-
Young Optics (Kunshan)	Coretronic Optics (Kunshan)	Associate	101,124	3.44	-	-	-	-
Young Optics (Kunshan)	Grace China	Associate	811,502	2.37	-	-	-	-
Grace China	Young Optics	Associate	991,171	2.56	-	-	-	-
Grace China	Young Optics (Kunshan)	Associate	250,487	1.21	-	-	-	-
Grace China	Young Optics (BD)	Associate	422,538	0.06	-	-	-	-
Young Optics (BD)	Grace China	Associate	129,517	2.20	-	-	-	-
Nano Precision (Suzhou)	Great Pride (HK)	Associate	140,774	2.75	-	-	-	-
Coretronic Projection (Kunshan)	Champ Vision Display	Associate	159,985	4.59	-	-	-	-
Coretronic Projection (Kunshan)	Optoma China	Associate	373,316	1.54	-	-	-	-
Coretronic Projection (Kunshan)	Coretronic Optics (Kunshan)	Associate	170,511	3.58	-	-	-	-
Coretronic Optics (Kunshan)	Coretronic Projection (Kunshan)	Associate	1,269,484	5.48	-	-	-	-
Other receivables :								
Dynamic Time	Optoma Corporation	Associate	509,660	-	-	-	-	-
Dynamic Time	Optoma USA	Associate	166,882	-	-	-	-	-
Young Optics	Grace China	Associate	323,822	-	-	-	-	-
Grace China	Young Optics (BD)	Associate	194,427	-	-	-	-	-

ATTACHMENT 6 : (Names, locations and related information of investee companies as of December 31, 2019) (Not including investment in Mainland China)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2019			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Carrying amount			
Coretronic Corporation	Coretronic (BVI) Investment Corp.	B.V.I.	Holding company	\$1,566,475	\$1,566,475	47,220,000	100.00%	\$4,858,922	\$242,163	\$242,163	Subsidiary
Coretronic Corporation	Optoma Corporation	New Taipei City, Taiwan	Engaged in the production and marketing of data storage and processing equipment, electronic components, optical devices, wireless communications equipment and electronic appliances	518,465	518,465	58,462,000	100.00%	589,663	(18,560)	(18,560)	Subsidiary
Coretronic Corporation	Young Optics Inc	Hsinchu City, Taiwan	Engaged in the production, marketing and R&D of electronic components and optics.	547,842	574,658	41,062,586	36.00%	1,225,340	4,549	4,109	Subsidiary
Coretronic Corporation	Viscorp Limited	B.V.I.	Holding company	467,241	614,303	40,781	100.00%	11,333,597	927,305	927,305	Subsidiary
Coretronic Corporation	Sinolink Global Limited	B.V.I.	Holding company	34,100	34,100	980	100.00%	1,218,879	45,142	45,142	Subsidiary
Coretronic Corporation	Chung Tsen Investment Corp.	Miaoli County, Taiwan	Investing company for strategic purposes	692,696	692,696	127,099,664	100.00%	1,662,801	12,024	12,024	Subsidiary
Coretronic Corporation	Tecpoint Limited	B.V.I.	Holding company	1,064,802	1,156,668	33,556,599	78.06%	2,496,088	204,450	159,595	Subsidiary
Coretronic Corporation	Young Green Energy Co., LTD	Hsinchu County, Taiwan	Engaged in the production, wholesale and retail trade of electronic components, battery, computer and its peripheral devices, and electronic material	214,620	214,620	18,833,220	99.91%	236,548	24,443	24,421	Subsidiary
Coretronic Corporation	Young Lighting Limited	Samoa	Holding company	118,134	118,134	3,907,000	100.00%	1,687	288,864	288,864	Subsidiary
Coretronic Corporation	Coretronic Intelligent Cloud Service Corp.	Hsinchu County, Taiwan	Engaged in intelligent cloud, IT information, intelligent applications and platform development related business of new media.	254,990	254,990	15,000,000	100.00%	142,603	(710)	(710)	Subsidiary
Coretronic Corporation	Coretronic Venture Capital Corp.	Miaoli County, Taiwan	The investment activities of company's business expansion	300,000	300,000	30,000,000	100.00%	303,324	1,795	1,795	Subsidiary
Coretronic Corporation	Champ Vision Display Inc.	Miaoli County, Taiwan	Engaged in R&D, design, production and marketing of innovative intelligent display products and system integration solution.	144,000	144,000	14,400,000	80.00%	169,027	44,462	71,115	Subsidiary
Coretronic Corporation	uCare Medical Electronics Co., Ltd.	Miaoli County, Taiwan	Engaged in the R&D, design, production and marketing of intelligent movement and medical care related software and hardware products.	80,000	80,000	8,000,000	60.69%	47,888	(19,381)	11,221	Subsidiary
Coretronic Corporation	Calibre UK Limited	UK	Engaged in R&D, design, production and marketing of image processing products.	44,088	44,088	101,042	100.00%	(39,008)	(27,677)	(27,677)	Subsidiary
Coretronic Corporation	Coretronic Intelligent Robotics Corporation	Hsinchu City, Taiwan	Engaged in R&D, production and marketing of unmanned aerial vehicle and intelligent robotics.	150,000	60,000	15,000,000	100.00%	39,419	(70,195)	(70,195)	Subsidiary
Coretronic Corporation	InnoSpectra Corporation	Hsinchu City, Taiwan	Engaged in R&D and marketing of near-infrared spectrum and corresponding solutions.	48,000	48,000	4,800,000	80.00%	21,808	(16,089)	(9,103)	Subsidiary
Coretronic Corporation	Coretronic MEMS Corporation	Hsinchu County, Taiwan	Engaged in R&D, production and marketing of MEMS sensor, module and corresponding solutions.	180,000	-	18,000,000	100.00%	160,403	(19,597)	(19,597)	Subsidiary
Coretronic Corporation	Coretronic Reality Inc.	Hsinchu County, Taiwan	Engaged in R&D, production and marketing of wearable and embedded projector, system, and display solutions.	100,000	-	10,000,000	100.00%	99,934	(66)	(66)	Subsidiary

ATTACHMENT 6 - 1 : (Names, locations and related information of investee companies as of December 31, 2019) (Not including investment in Mainland China)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2019			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Carrying amount			
Coretronic BVI	Greendale	Samoa	Holding company	USD 46,400,000	USD 46,400,000	46,400	100.00 %	USD 162,480,674	USD 7,812,417	(Note)	Associate
Visicorp	Wisdom Success	Cayman Islands	Holding company	USD 10,176,000	USD 11,750,000	43,300	100.00 %	USD 309,329,061	USD 26,958,786	(Note)	Associate
Visicorp	Bigshine	Samoa	Holding company	USD 3,000,000	USD 3,000,000	3,000	100.00 %	USD 9,157,826	(USD 733,480)	(Note)	Associate
Visicorp	Investdragon	Samoa	Holding company	USD 636,000	USD 3,000,000	212,000	100.00 %	USD 18,368	USD 21,278	(Note)	Associate
Visicorp	Lead Bright	Samoa	Holding company	USD 4,700,000	USD 4,700,000	4,700	100.00 %	USD 30,151,344	USD 1,220,737	(Note)	Associate
Visicorp	Elite View	Samoa	Holding company	USD 5,000,400	USD 5,000,400	5,000	100.00 %	USD 15,502,448	USD 1,662,331	(Note)	Associate
Visicorp	Tecpoint	B.V.I.	Holding company	USD 5,204,902	USD 5,665,000	5,204,902	12.11 %	USD 12,914,023	USD 6,614,386	(Note)	Associate
Wisdom Success	Wisdom Success (HK)	HK	Holding company	USD 18,000,000	USD 18,000,000	18,000	100.00 %	USD 184,676,180	USD 21,268,046	(Note)	Associate
Wisdom Success	Lead Bright (HK)	HK	Holding company	USD 13,300,000	USD 13,300,000	13,300	73.89 %	USD 85,326,651	USD 4,675,364	(Note)	Associate
Wisdom Success	Investdragon (HK)	HK	Holding company	USD 2,000,000	USD 2,000,000	2,000	40.00 %	USD 1,576,163	USD 16,637	(Note)	Associate
Wisdom Success	Elite View (HK)	HK	Holding company	USD 7,999,600	USD 7,999,600	8,000	61.54 %	USD 24,805,376	USD 4,322,233	(Note)	Associate
Wisdom Success	Bigshine (HK)	HK	Holding company	USD 5,000,000	USD 5,000,000	5,000	62.50 %	USD 13,524,133	(USD 685,122)	(Note)	Associate
Bigshine	Bigshine (HK)	HK	Holding company	USD 3,000,000	USD 3,000,000	3,000	37.50 %	USD 8,114,480	(USD 685,122)	(Note)	Associate
Investdragon	Investdragon (HK)	HK	Holding company	USD 3,000,000	USD 3,000,000	3,000	60.00 %	USD 2,364,245	USD 16,637	(Note)	Associate
Lead Bright	Lead Bright (HK)	HK	Holding company	USD 4,700,000	USD 4,700,000	4,700	26.11 %	USD 30,151,291	USD 4,675,364	(Note)	Associate
Elite View	Elite View (HK)	HK	Holding company	USD 5,000,400	USD 5,000,400	5,000	38.46 %	USD 15,502,353	USD 4,322,233	(Note)	Associate
Sinolink	Mat Limited	Samoa	Holding company	USD 980,000	USD 980,000	980	100.00 %	USD 40,656,014	USD 1,459,021	(Note)	Associate
Tecpoint	Great Pride	Samoa	Holding company	USD 11,800,000	USD 11,800,000	11,800,000	100.00 %	USD 83,778,556	USD 6,045,696	(Note)	Associate
Tecpoint	Core-Flex	Cayman Islands	Holding company	USD 23,260,000	USD 23,260,000	213,260,000	94.36 %	USD 7,153,992	USD 468,438	(Note)	Associate
Tecpoint	Nano Precision	HK	Holding company	USD 6,800,000	USD 6,800,000	6,800,000	100.00 %	USD 6,999,523	(USD 819,609)	(Note)	Associate
Tecpoint	Nano Display	HK	Holding company	USD 7,800,000	USD 7,800,000	7,800,000	100.00 %	USD 15,454,636	USD 838,387	(Note)	Associate
Great Pride	Great Pride (HK)	HK	Holding company	USD 11,800,000	USD 11,800,000	11,800	100.00 %	USD 82,640,251	USD 6,045,660	(Note)	Associate
Nano Precision (Suzhou)	Nano Precision Taiwan Limited	Taiwan	Engaged in the design, production and marketing of general lighting application, electronic components and optical devices	300,000	300,000	30,000,000	100.00 %	RMB 47,562,984	(RMB 21,196,570)	(Note)	Associate

Note : The share of profit/loss of associates were recognized by the holding company.

ATTACHMENT 6 -2 : (Names, locations and related information of investee companies as of December 31, 2019) (Not including investment in Mainland China)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2019			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Carrying amount			
Chung Tsen Investment Corp.	Venture Orient	Samoa	Holding company	USD 5,550,000	USD 5,550,000	5,550	100.00 %	\$503,190	\$20,519	(Note)	Associate
Chung Tsen Investment Corp.	Young Optics	Hsinchu City, Taiwan	Engaged in the production, marketing and R&D of electronic components and optics	35,471	61,867	2,596,317	2.28 %	77,477	4,549	(Note)	Subsidiary
Chung Tsen Investment Corp.	Tsen Ming Investment	New Taipei City, Taiwan	Investing company for strategic purposes	102,000	102,000	32,443,180	100.00 %	435,254	(2,059)	(Note)	Associate
Chung Tsen Investment Corp.	Core-Flex	Cayman Islands	Holding company	USD 3,130,000	USD 3,130,000	3,130,000	1.39 %	3,268	14,521	(Note)	Associate
Venture Orient	Tecpoint	B.V.I.	Holding company	USD 4,226,399	USD 4,600,000	4,226,399	9.83 %	USD 10,486,258	USD 6,614,385	(Note)	Subsidiary
Tsen Ming Investment	Young Optics	Hsinchu City, Taiwan	Engaged in the production, marketing and R&D of electronic components and optics	31,921	50,859	1,698,886	1.49 %	51,645	4,549	(Note)	Subsidiary
Tsen Ming Investment	Core-Flex	Cayman Islands	Holding company	USD 1,718,289	USD 1,718,289	8,170,000	3.61 %	14,199	14,521	(Note)	Associate
Young Green Energy	Boom Power	B.V.I.	Holding company	USD 1,000,000	USD 1,000,000	10,000	100.00 %	106,524	12,355	(Note)	Associate
Young Optics	Masterview	B.V.I.	Holding company	USD 6,000,000	USD 6,000,000	6,000,000	100.00 %	1,793,679	(18,109)	(Note)	Associate
Young Optics	Young Optics Inc.	USA	Operating maintenance services business	USD 50,000	USD 50,000	50,000	100.00 %	21	(191)	(Note)	Associate
Young Optics	Aptek Optical	Hsinchu County, Taiwan	Manufacturing and selling of optics instruments and electronic components	298,140	298,140	9,250,000	92.50 %	98,219	15,219	(Note)	Associate
Young Optics	Mejiro Genossen Inc.	Japan	Researching, developing, manufacturing and selling of optics machines	JPY 161,200,908	JPY 161,200,908	4,950	99.00 %	43,811	(2,307)	(Note)	Associate
Masterview	Best Alpha	Samoa	Holding company	USD 1,000,000	USD 1,000,000	1,000,000	100.00 %	USD 21,194,949	(USD 1,425)	(Note)	Associate
Masterview	Grace China	Cayman Islands	Holding company	USD 8,156,458	USD 8,156,458	8,156,458	100.00 %	USD 36,954,663	(USD 240,344)	(Note)	Associate
Masterview	Young Optics (BD) LTD.	Bengal	Manufacturing of optics components	USD 5,000,000	USD 1,000,000	4,149,936	62.50 %	USD 795,536	(USD 1,129,302)	(Note)	Associate
Masterview	Young Optics Europe GmbH	Germany	Manufacturing and selling of 3D printer	EUR 18,750	EUR 18,750	-	75.00 %	USD 77,416	(USD 39,061)	(Note)	Associate
Grace China	Young Optics (BD) LTD.	Bengal	Manufacturing of optics components	USD 3,000,000	USD 1,000,000	2,479,960	37.50 %	USD 477,321	(USD 1,129,302)	(Note)	Associate
Optoma Corporation	Dynamic Time	Cayman Islands	Holding company	USD 14,122,230	USD 14,122,230	14,856	100.00 %	1,744,631	(USD 3,569,855)	(Note)	Associate

Note : The share of profit/loss of associates were recognized by the holding company.

ATTACHMENT 6-3 (Names, locations and related information of investee companies as of December 31, 2019) (Not including investment in Mainland China)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2019			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership	Carrying amount			
Dynamic Time	Optoma Europe	U.K.	Marketing and after sales service of Optoma in European region	USD 2,451,350	USD 2,451,350	1,200,000	100.00 %	USD 31,044,297	GBP 2,151,500	(Note)	Associate
Dynamic Time	Optoma USA	USA	Marketing and after sales service of Optoma in Americas region	USD 8,821,889	USD 8,821,889	825,000	100.00 %	USD 234,423	(USD 4,953,425)	(Note)	Associate
Dynamic Time	Modern Smart	B.V.I.	Holding company	USD 1,200,000	USD 1,200,000	1,200,000	100.00 %	USD 3,138,057	(USD 1,281,936)	(Note)	Associate
Dynamic Time	Optoma (China&HK) Ltd.	HK	Marketing and after sales service of Optoma in Hong Kong and the Asia-Pacific region	USD 309,546	USD 309,546	2,400,000	100.00 %	USD 349,188	HKD 11,636	(Note)	Associate
Optoma Europe	Optoma Deutschland GmbH	Germany	Marketing and after sales service of Optoma in European region	EUR 958,000	EUR 958,000	-	100.00 %	GBP 1,153,959	(EUR 722,888)	(Note)	Associate
Optoma Europe	Optoma France	France	Marketing and after sales service of Optoma in European region	GBP 67,376	GBP 67,376	-	100.00 %	GBP 414,023	EUR 146,977	(Note)	Associate
Optoma Europe	Optoma Scandinavia. A.S.	Norway	Marketing and after sales service of Optoma in European region	GBP 8,260	GBP 8,260	100	100.00 %	GBP 107,374	(NOK 1,129,909)	(Note)	Associate
Optoma Europe	Optoma Espana, S.L.	Spain	Marketing and after sales service of Optoma in European region	EUR 103,006	EUR 103,006	5,150,280	100.00 %	GBP 360,699	(EUR 54,568)	(Note)	Associate
Optoma Europe	Optoma Benelux B.V.	Netherlands	Marketing and after sales service of Optoma in European region	EUR 18,000	EUR 18,000	18,000	100.00 %	GBP 322,745	(EUR 7,743)	(Note)	Associate
Young Lighting Limited	Young Lighting (HK)	HK	Holding company	USD 847,000	USD 847,000	847	100.00 %	USD 240,286	USD 5,945	(Note)	Associate
Young Lighting Limited	YLG Limited	Samoa	Holding company	USD 3,060,000	USD 3,060,000	3,060,000	51.00 %	USD 364,907	USD 244,640	(Note)	Associate
Young Lighting Limited	Brightbridge	Samoa	Holding company	USD 1	USD 1	29,500,000	100.00 %	(USD 348,007)	USD 5,260,249	(Note)	Associate
Young Lighting Limited	Crystal Word	Samoa	Holding company	USD 1	USD 1	22,258,000	100.00 %	(USD 201,086)	USD 3,968,607	(Note)	Associate
Coretronic Intelligent Cloud Service Corp.	Coretronic System Engineering Limited	Samoa	Holding company	USD 1,500,000	USD 1,500,000	1,500,000	100.00 %	17,101	8,325	(Note)	Associate
Coretronic System Engineering Limited	Coretronic System Engineering (HK)	HK	Holding company	USD 1,500,000	USD 1,500,000	1,500,000	100.00 %	USD 570,422	USD 269,854	(Note)	Associate

Note : The share of profit/loss of associates were recognized by the holding company.

ATTACHMENT 7 : (Investment in Mainland China as of December 31, 2019)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee company	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (loss) of investee company	Percentage of ownership	Investment income (loss) recognized	Carrying value as of December 31, 2019	Accumulated inward remittance of earnings as of December 31, 2019
					Outflow	Inflow						
Coretronic Projection (Kunshan)	Digital projectors, LCD monitors and related components of the research and development, processing, manufacturing and sales of the company's products and engaged in after-sales maintenance services	\$ 1,525,064 (USD46,000,000)	Indirect investment from the third region (Greendale)	\$ 1,525,064 (USD46,000,000)	-	-	\$ 1,525,064 (USD46,000,000)	236,724	100.00%	236,724	\$ 4,834,064	428,855 (USD14,065,436) (Note A and Note C)
Technology Service (Kunshan)	LCD monitor maintenance and technical services	13,259 (USD400,000)	Indirect investment from the third region (Greendale)	13,259 (USD400,000)	-	-	13,259 (USD400,000)	2,999	100.00%	2,999	23,758	-
Coretronic Optics (Kunshan)	Production and sales of projector module products and spectrometer	RMB42,000,000	Indirect investment from the Mainland China subsidiary (CPC)	-	-	-	-	41,417	100.00%	41,417	347,155	-
Vimax (Kunshan)	Design, research and development and production of projectors, sales of the company's own products and provide after sales maintenance services for self-produced and non-self-produced products	62,252 (USD1,800,000)	Indirect investment from the third region (Mat Limited)	62,252 (USD1,800,000)	-	-	62,252 (USD1,800,000)	51,939	100.00%	51,939	1,201,805	-
Coretronic (Suzhou)	Research and development, manufacturing backlight module and related components, sales of the company's own products and provide after-sales	660,657 (USD20,000,000)	Indirect investment from the third region (Wisdom Success HK)	271,297 (USD8,000,000)	-	-	271,297 (USD8,000,000)	588,160	100.00%	588,160	4,374,144	-
Coretronic Optics (Suzhou)	Research and development, manufacturing backlight module and related components, sales of the company's own products and provide after-sales	USD10,000,000	Indirect investment from the third region (Wisdom Success HK)	-	-	-	-	3,046	100.00%	3,046	294,025	-
Coretronic Optotech (Suzhou)	Research and development, manufacturing backlight module and related components, sales of the company's own products and provide after-sales maintenance services	390,000 (USD 12,000,000)	Indirect investment from the third region (Wisdom Success HK)	-	-	-	-	72,150	100.00%	72,150	823,463	-
Coretronic (Shanghai)	Research and development, manufacturing backlight module and related components, sales of the company's own products and provide after-sales maintenance services	257,829 (USD8,000,000)	Indirect investment from the third region (Bigshine HK)	95,254 (USD3,000,000)	-	-	95,254 (USD3,000,000)	(22,594)	100.00%	(22,594)	278,820	30,490 (USD1,000,000) (Note A and Note D)
Coretronic Display (Suzhou)	Research and development, manufacturing panel modules and related components of the business, sales of the company's own products and provide related after-sales maintenance services	1,547,564 (USD51,758,000)	Indirect investment from the third region (Brightbridge and Crystal World)	88,972 (USD2,967,283)	-	-	88,972 (USD2,967,283)	249,791	100.00%	249,791	(13,903)	-
Coretronic (Ningbo)	Research and development, manufacturing backlight module and related components, sales of the company's own products and provide after-sales maintenance services	650,050 (USD20,000,000)	Indirect investment from the third region (Lead Bright HK)	151,490 (USD4,700,000)	-	-	151,490 (USD4,700,000)	144,893	100.00%	144,893	3,314,962	-
Young Bright Optical (Suzhou)	Research and development, processing, manufacturing backlight optical film products	1,178,240 (USD36,000,000)	Indirect investment from the third region (Core-Flex)	759,827 (USD23,260,000)	-	-	759,827 (USD23,260,000)	15,195	100.00%	15,195	365,019	-
Nano Precision (Suzhou)	Manufacture and sales of acrylic panels and light guide plate	426,839 (USD13,300,000)	Indirect investment from the third region (Great Pride HK)	330,478 (USD10,392,880)	-	-	330,478 (USD10,392,880)	182,170	100.00%	182,170	2,375,220	85,228 (USD2,795,270) (Note A and Note E)
Nano Display (Suzhou)	Research and development, manufacturing backlight module and related components, sales of the company's own products and provide after-sales maintenance services	92,088 (USD2,800,000)	Indirect investment from the third region (Great Pride HK)	-	-	-	-	8,000	100.00%	8,000	-	99,026 (USD3,215,142) (Note A · Note F and Note H)
Coretronic (Guangzhou)	Research and development, manufacturing backlight module and related components, sales of the company's own products and provide after-sales maintenance services	417,580 (USD13,000,000)	Indirect investment from the third region (Elite View HK)	29,020 (USD1,000,000)	-	-	29,020 (USD1,000,000)	134,117	100.00%	134,117	1,208,411	-
Nano Precision (Nanjing)	Manufacture and sales of acrylic panels and light guide plate	217,659 (USD6,800,000)	Indirect investment from the third region (Nano Precision)	119,025 (USD3,700,000)	-	91,866 (USD2,966,301)	27,159 (USD733,699)	(1,405)	100.00%	(1,405)	-	63,605 (USD2,065,438) (Note A · Note G and Note I)
Nano Display (Guangzhou)	Research and development, processing, manufacture of liquid crystal display light guide plate, sales of the company's products and provide related services	238,740 (USD7,800,000)	Indirect investment from the third region (Nano Display)	9,820 (USD308,797)	-	-	9,820 (USD308,797)	26,053	100.00%	26,053	463,310	-
YLG Optotech	Research and development, processing, manufacturing display components, sales of the company's products and provide related services	USD 6,000,000	Indirect investment from the third region (YLG Limited)	USD 3,060,000	-	-	USD 3,060,000	7,640	51.00%	3,896	10,924	-
Coretronic System Engineering (Shanghai)	Contractor in intelligent building engineering and provide related services	USD 1,500,000	Indirect investment from the third region (Coretronic System Engineering HK)	USD 1,500,000	-	-	USD 1,500,000	8,325	100.00%	8,325	17,101	-
Boom Power Electronics (Suzhou)	Research and development, production and sales of cold cathode tube drive and related products	USD 1,000,000	Indirect investment from the third region (Boom Power)	USD 1,000,000	-	-	USD 1,000,000	12,355	100.00%	12,355	11,976	-

Accumulated investment in Mainland China as of December 31, 2019 (Note A, B)	Investment amounts authorized by Investment Commission, MOEA (Note B ~ Note I)	Upper limit on investment
\$2,611,653 (USD 81,513,914)	\$2,443,787 (USD 81,513,914)	\$12,829,917

Note A : To use historical currency rates.

Note B : Include the liquidation of investment from Flying Success in December, 2012 and Coretronic (Nanjing) in June 2018. Since the investment amounts has been not remitted to Coretronic Corporation, related cancellation processes for Investment Commission, MOEA were not applicable.

Note C : Greendale Investments Limited received cash dividends amounted to USD 14,065,436.4 for distribution profits from Coretronic Projection (Kunshan) from 2006 to 2007 and had remitted it back to Coretronic Corporation.

Note D : Bigshine (HK) Limited received cash dividends amounted to USD 8,735,525.72 for distribution profits from Coretronic (Shanghai) in 2006 and had remitted it back USD 1,000,000 to Coretronic Corporation.

Note E : Tecpoint received USD 2,795,270 in 2019 from Nano Precision (Suzhou), which was from the liquidation of Nano Precision (Nanjing) in 2006. Tecpoint had remitted it back to Coretronic Corporation.

Note F : Great Pride (HK) Investments Limited received cash dividends amounted to USD 3,565,645 for distribution profits from Nano Display (Suzhou) in 2018 and had remitted USD 3,215,142 back to Coretronic Corporation.

Note G : Nano Precision Investments Limited received cash dividends amounted to USD 2,290,604 for distribution profits from Nano Precision (Nanjing) in 2018 and had remitted USD 2,065,438 back to Coretronic Corporation.

Note H : Dissolution of Nano Display (Suzhou) and merger with Coretronic (Suzhou) were approved by regulatory authority in August, 2019.

Note I : Include the investment amount USD2,966,301 of Nano Precision (Nanjing) which company's registration was cancelled in April, 2019. The investment amount cancellation was approved by MOEA.

Note J : To use the currency rate 1 USD =29.98 NTD as of December 31, 2019.

ATTACHMENT 7-1 (Investment in Mainland China as of December 31, 2019)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee company	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (loss) of investee company	Percentage of ownership	Investment income (loss) recognized(Note A)	Carrying value as of December 31, 2019(Note A)	Accumulated inward remittance of earnings as of December 31, 2019
					Outflow	Inflow						
Young Optics (Kunshan)	Research and development, manufacturing of optics engine and related optics electronic equipment	\$727,119 (USD 22,200,000) (Note D and Note E)	Indirect investment from the third region (Best Alpha and Grace China)	\$164,450 (USD 5,000,000)	\$-	\$-	\$164,450 (USD 5,000,000)	\$23,828 (USD 761,046)	100.00%	\$23,705 (USD 757,130)	\$1,173,951 (USD 39,157,817)	\$74,505 (USD 2,457,289) (Note B and Note J~Note K)
Young Optics (Suzhou)	Research and development, manufacturing of optics engine and related optics electronic equipment	33,951 (USD 1,000,000)	Indirect investment from the third region (Best Alpha)	33,951 (USD 1,000,000)	-	-	33,951 (USD 1,000,000)	10,009 (USD 321,191)	100.00%	10,000 (USD 320,901)	205,533 (USD 6,855,680)	1,328,957 (USD 31,295,415 and RMB 80,635,502) (Note B · Note F~Note I and Note L)

Accumulated investment in Mainland China as of December 31, 2019 (Note B)	Investment amounts authorized by Investment Commission, MOEA (Note B)	Upper limit on investment
\$198,401 (USD 6,000,000)	\$233,101 (USD 7,020,000)	Note C

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

Note B : To use historical currency rates.

Note C : Young Optics Company has obtained the certificate of being qualified for operating headquarters issued by Industrial Development Bureau, MOEA in June 2018, the upper limit on investment in mainland China pursuant to "Principle of Investment or Technical Cooperation in Mainland China" is not applicable.

Note D : Young Optics (Kunshan) invested USD 9,800 thousand through capitalization of earnings in 2007. Best Alpha Investments Limited invested USD 2,300 thousand.

Note E : Young Optics (Kunshan) invested USD 1,300 thousand through capitalization of earnings in April 2009. Grace China Investments Limited invested USD 824,850. Best Alpha Investments Limited invested USD 2,975,150.

Note F : Best Alpha Investments Limited received cash dividends amounted to USD 20,235,299 for distribution profits from Young Optics (Suzhou) in 2011 and had remitted it back to Young Optics.

Note G : Best Alpha Investments Limited received cash dividends amounted to RMB 27,691,452 and USD 4,509,641 for distribution profits from Young Optics (Suzhou) in 2014. The RMB 24,922,307 of them had been remitted back to Young Optics.

Note H : Best Alpha Investments Limited received cash dividends amounted to RMB 52,944,050 for distribution profits from Young Optics (Suzhou) in 2015 and had remitted it back to Young Optics.

Note I : Best Alpha Investments Limited received cash dividends amounted to USD 4,528,402 for distribution profits from Young Optics (Suzhou) in 2017 and had remitted it back to Young Optics.

Note J : Best Alpha Investments Limited received cash dividends amounted to USD 603,264 for distribution profits from Young Optics (Kunshan) in 2017 and had remitted it back to Young Optics.

Note K : Grace China Investments Limited received cash dividends amounted to USD 1,854,025 for distribution profits from Young Optics (Kunshan) in 2017 and had remitted it back to Young Optics.

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

ATTACHMENT 7-2 (Investment in Mainland China as of December 31, 2019)

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

Investee company	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (loss) of investee company	Percentage of ownership	Investment income (loss) recognized(Note A (2))	Carrying value as of December 31, 2019	Accumulated inward remittance of earnings as of December 31, 2019
					Outflow	Inflow						
Optoma China	Marketing and after-sales service of Optoma's technology products in Mainland China	\$ 38,412 (USD1,200,000)	Indirect investment from the third region (Modern Smart)	\$38,412 (USD1,200,000)	\$ -	\$ -	\$ 38,412 (USD1,200,000)	\$(39,532) (-RMB 8,859,185)	100.00%	\$(39,532) (-RMB 8,859,185) (A.(2) · E)	\$52,220 RMB 12,151,213	\$ -

Accumulated investment in Mainland China as of December 31, 2019 (Note B)	Investment amounts authorized by Investment Commission, MOEA (Note B)	Upper limit on investment (Note C)
\$38,412 (USD1,200,000)	\$176,798 (USD5,900,000) (Note D)	\$353,798

Note A : The investment income (loss) were determined based on the following basis:

- (1).The financial report was audited and certified by an international accounting firm in cooperation with an R.O.C. accounting firm.
- (2).The financial statements was audited by the CPA of the parent company in Taiwan.
- (3).Other: The financial statements were not audited by the CPA.

Note B : To use historical currency rates.

Note C : Based on Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China promulgated by Investment Commission, MOEA.

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

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

ATTACHMENT 8 (Financial instrument and derivative transaction as of December 31, 2019)

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

Investment company	Financial Statement Account	Financial Product	Type	Contract expiry date	Contract amount	Book value	Fair value	Note
Coretronic Corporation	Financial assets (liabilities) at fair value through profit or loss, current	Forward foreign exchange contract	Buying USD	From Jan, 2020 to Mar, 2020	USD 440,500,000	\$ (123,450)	\$ (123,450)	Note A
Coretronic Corporation	Financial assets (liabilities) at fair value through profit or loss, current	Forward foreign exchange contract	Selling USD	From Jan, 2020 to Feb, 2020	USD 337,000,000	54,922	54,922	Note A
Champ Vision Display	Financial assets at fair value through profit or loss-current	Forward cross currency contract	Selling USD	Jan, 2020	USD 4,000,000	1,025	1,025	Note K
Coretronic (Suzhou)	Financial assets (liabilities) at fair value through profit or loss, current	Forward foreign exchange contract	Selling USD	From Jan, 2020 to Sep, 2020	USD 41,000,000	8,622	8,622	Note B
Nano Precision (Suzhou)	Financial assets (liabilities) at fair value through profit or loss, current	Forward foreign exchange contract	Selling USD	From Jan, 2020 to Sep, 2020	USD 19,000,000	3,592	3,592	Note C
Optoma Corporation	Financial liabilities at fair value through profit or loss-current	Forward cross currency contract	—	From Jan, 2020 to Feb, 2020	USD 30,500,000	(7,127)	(7,127)	Note C
Optoma Europe	Financial liabilities at fair value through profit or loss-current	Forward foreign exchange contract	Sell GBP/Buy USD	From Jan, 2020 to Feb, 2020	USD 11,500,000	(5,312)	(5,312)	Note E
Optoma USA	Financial liabilities at fair value through profit or loss-current	Forward foreign exchange contract	Sell CAD/Buy USD	From Jan, 2020 to May, 2020	CAD 2,100,000	(1,059)	(1,059)	Note F
Dynamic Time	Derivative financial assets for hedging-current	Forward foreign exchange contract	Sell GBP/Buy USD	Jan, 2020	GBP 5,500,000	4,207	4,207	Note G

Note A : Coretronic Corporation entered into forward foreign exchange contracts and acquired realized profit amounted to NT\$75,127 thousands for the year ended December 31, 2019.

Note B : Associate Coretronic (Suzhou) entered into forward foreign exchange contracts and acquired realized loss amounted to NT\$-9,525 thousands for the year ended December 31, 2019.

Note C : Nano Precision (Suzhou) entered into forward foreign exchange contracts and acquired realized loss amounted to NT\$-1,266 thousands for the year ended December 31, 2019.

Note D : Optoma Corporation entered into forward foreign exchange contracts and acquired realized profit amounted to NT\$7,014 thousands for the year ended December 31, 2019.

Note E : Associate Optoma Europe entered into forward foreign exchange contracts and acquired realized profit amounted to NT\$19,398 thousands for the year ended December 31, 2019.

Note F : Associate Optoma USA entered into forward foreign exchange contracts and acquired realized profit amounted to NT\$333 thousands for the year ended December 31, 2019.

Note G : Associate Dynamic Time entered into forward foreign exchange contracts and acquired realized profit amounted to NT\$1,913 thousands for the year ended December 31, 2019.

Note H : Associate Coretronic (Ningbo) entered into forward foreign exchange contracts and acquired realized profit amounted to NT\$2,467 thousands for the year ended December 31, 2019.

Note I : Associate Coretronic Display (Suzhou) entered into forward foreign exchange contracts and acquired realized loss amounted to NT\$-64 thousands for the year ended December 31, 2019.

Note J : Associate Coretronic Optotech (Suzhou) entered into forward foreign exchange contracts and acquired realized profit amounted to NT\$404 thousands for the year ended December 31, 2019.

Note K : Subsidiary Champ Vision Display Inc. entered into forward foreign exchange contracts and acquired realized loss amounted to NT\$-299 thousands for the year ended December 31, 2019.

ATTACHMENT 9 (Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTS\$300 million or 20 percent of the capital stock for the years ended December 31, 2019.)
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee company	Marketable Securities Type and Name	Financial statement account	Counter-party	Relationship	Beginning balance		Addition		Disposal			December 31, 2019	
					Units / shares	Amount	Units / shares	Amount	Units / shares	Selling Price	Carrying amount	Gain (Loss) from disposal (Note) (Note)	Units / shares
Young Optics (Kunshan)	RMB Structured Deposit of Liduoduo	Financial assets measured at amortized cost-current	Shanghai Pudong Development Bank	-	-	-	RMB 85,000,000	-	-	RMB 85,000,000	RMB 764,282	-	-
Young Optics (Kunshan)	RMB to Public Structured Deposits	Financial assets measured at amortized cost-current	Shanghai Pudong Development Bank	-	-	-	RMB 90,000,000	-	-	RMB 90,000,000	RMB 766,727	-	-
Young Optics (Suzhou)	RMB Structured Deposit of Liduoduo	Financial assets measured at amortized cost-current	Shanghai Pudong Development Bank	-	-	-	RMB 60,000,000	-	-	RMB 60,000,000	RMB 540,998	-	-

Note : To be recognized in interest revenue.



Coretronic Corporation

Chairman : Wade Chang