

# Coretronic Corporation

## 2021 Annual General Shareholder Meeting Minutes

(This document is prepared in accordance with the Chinese version and is for reference only. In the event of any inconsistency between the English version and the Chinese version, the Chinese version shall prevail.)

Time : 9:00 a.m., July 30, 2021

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

Participated Directors : Wade Chang, Chairman ; Ted Tu, Director ; Chual-Hsin Ten, Director ;  
Houn-Gee Chen, Independent Director, Chair of the Audit Committee and  
Compensation Committee

Participated : Shao-Pin Kuo, CPA of E&Y Taiwan ; James Y. Chang Attorney-at-Law, Chang and  
Associates Attorneys-at-Law ; Sarah Lin, President ; Franck Ho, CFO

Attendants: Total outstanding shares: 390,981,110 shares, total shares represented by shareholders  
present in person or by proxy: 302,273,037 shares (e-votes included). Percentage of shares  
held by shareholders present in person or by proxy: 77.31%.

I. Announcing the meeting : The aggregate shareholding of the shareholders present constituted a  
quorum. The Chairman called the meeting to order.

II. Chairman's Address (omitted)

III. Report Items

1. 2020 Annual Business Report (see Attachment 1).
2. 2020 Audit Committee's Review Report (see Attachment 2).
3. The distribution of 2020 employees' compensation.
4. The distribution of 2020 Earnings in cash and additional paid-in capital in cash.
5. Implementation of buying back the company's shares.

The above report items were acknowledged.

IV. Ratification Items

1. Ratification of 2020 Business Report and Financial Statements. (Proposed by the Board of  
Directors)

Description:

- (1) The 2020 financial statements of the Company had been audited by Ernst & Young.
- (2) Please refer to attachment 1 and 3 for 2020 Business Report and financial statements.
- (3) Please resolve.

Resolution: The proposal has been unanimously approved. There were 302,251,175 shares  
represented at the time of voting, which 284,036,870 shares voted for the proposal  
(e-votes included); 1,005,292 shares voted against the proposal (e-votes included);  
17,209,013 shares voted abstained the proposal(e-votes included); 0 shares voted  
invalid the proposal.

2. Ratification of the Proposal for the Distribution of 2020 Earnings. (Proposed by the Board of Directors)

Description:

- (1) Please refer to attachment 4 for the Distribution of 2020 Earnings Table which was approved by the Board of Directors and reviewed by the Audit Committee.
- (2) Please resolve.

Resolution: The proposal has been unanimously approved. There were 302,251,175 shares represented at the time of voting, which 287,212,864 shares voted for the proposal (e-votes included); 7,695 shares voted against the proposal (e-votes included); 15,030,616 shares voted abstained the proposal(e-votes included); 0 shares voted invalid the proposal.

V. Discussion Items

**1. Proposal of formulating the Company's Rules of Procedure for Shareholders' Meetings. (Proposed by the Board of Directors)**

- (1)In accordance with the Sample Template for Rules of Procedure of Shareholders Meetings promulgated by the OTC and the Company's actual business practice, it is proposed to re-establish the "Rules of Procedures of Shareholders Meetings" of the Company, and the original "Rules of Procedures of Shareholders Meetings" shall be abolished.
- (2)Please refer to Appendix 2 for the original "Rules of Procedure of Shareholders Meetings" and the re-establish the "Rules of Procedures for Shareholders Meetings" of the Company is attached as Attachment 5.
- (3) Please resolve.

Resolution: The proposal has been unanimously approved. There were 302,251,175 shares represented at the time of voting, which 287,207,074 shares voted for the proposal (e-votes included); 13,492 shares voted against the proposal (e-votes included); 15,030,609 shares voted abstained the proposal(e-votes included); 0 shares voted invalid the proposal.

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

- (1)In accordance with the Sample Template for Rules Governing Election of Directors promulgated by the OTC and the Company's actual business practice, it is proposed to re-establish the " Rules for Election of Directors " of the Company, and the original " Rules for Election of Directors " shall be abolished.
- (2)Please refer to Appendix 3 for the original " Rules for Election of Directors " and the re-establish the " Rules for Election of Directors " of the Company is attached as Attachment 6.
- (3) Please resolve.

Resolution: The proposal has been unanimously approved. There were 302,251,175 shares represented at the time of voting, which 287,205,088 shares voted for the proposal (e-votes included); 15,478 shares voted against the proposal (e-votes included); 15,030,609 shares voted abstained the proposal(e-votes included); 0 shares voted invalid the proposal.

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

- (1) To comply with the Company's business practice, it is proposed to amend the Procedures of Acquisition or Disposal of Assets.
- (2) The comparison table of amendments to the Procedures of Acquisition or Disposal of Assets is attached as Attachment 7.
- (3) Please resolve.

Resolution: The proposal has been unanimously approved. There were 302,251,175 shares represented at the time of voting, which 287,204,443 shares voted for the proposal (e-votes included); 15,118 shares voted against the proposal (e-votes included); 15,031,614 shares voted abstained the proposal (e-votes included); 0 shares voted invalid the proposal.

VI. Motions: None.

VII. Adjournment: 9:12 am.

This minutes of the 2021 Annual General Shareholders' Meeting stated the meeting and only the outcomes of proposals. The content, the process and the shareholders' statements of the meeting shall be referred to audio and video conference records.

Chairman: Wade Chang

Recorder: Franck Ho

## Coretronic Corporation

### 2020 Business Report

For the fiscal year of 2020, Coretronic reported a consolidated sales revenue of NT\$42,438 million, drop 12.9% YoY. Consolidated operating income totaled NT\$692 million with a pre-tax income of NT\$1,837 million. Net income was reported at NT\$1,395 million. Net income attributable to equity holders of the parent Company was NT\$1,560 million, up 35% YoY, and the EPS in 2020 was NT\$3.59.

Sales breakdowns by product lines in 2020 as below: (Consolidated)

Product	2020	2019	Diff.
Energy Saving Products (unit/pc)	45,723,717	41,753,561	9.51%
Visual Solutions Products (unit)	779,195	954,532	(18.37%)

Reflecting to 2020, 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 40% higher than traditional Laser pattern optimize LGP. In hot embossing LGP, after overcoming process difficulties through constant technological advancement, Coretronic successfully developed the PC/PMMA 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 512-4608 zones with optical density (OD) of  $\approx$  0mm -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 special structure diffuser plate & 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. At present, more and more models are in continuous mass production and development. 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 continually 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 signage 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. Such signage displays have been installed in Taipei and Kaohsiung public areas, projects cooperation with Taiwan local partners. The retail solution composed by adding build-in AI recognition assist retailers to accomplish precise marketing plan. The overseas market demand for outdoor Kiosk display is soaring progressively, the development of our new product has been completed, and under testing by the customers, planned to launch next year. 2020 2H PoC in Taipei City Mall, underground street market at Taipei Main Station, capturing the customer foot traffic flow by using the camera in the market field, to become basis of business operation plan.

We also developed software “RISE.cm” for the broadcast, editing, plug-and-play, and cloud management of contents for advertising companies. 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. This year, working with AI medical startup to provide accurate diagnosis for surgeons by adopting image captures and AI image spectrum analysis on larger sized medical AIO.

In the e-Sports 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. Lighting features on the personal computers by applying the advantage of the optical design and manufacturing technology, accompany with software and sound control to show many eye-catching parts on various 3C peripherals. 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, solid state light source implementation is still on going in the projector world. Coretronic keeps solid state light source technology-based product portfolio as the major shipment and that has been last leading position. World latest pure RGB laser-based projector, Coretronic had kicked it off go mass-production delivery since 2020. It has also established a technical benchmark for adequate color gamut image in the market. Upon enterprise and education market, we improve both image quality and extend smart features for the field applications, and that upgrades end user experience and trust.

To contribute to the sustainable earth, the power supply design adopts analog with digital technology, and the laser driver also fully introduces accurate current detection technology to strengthen the safety of the projector. Besides, the digital simulation technology is widely used to improve the design quality. All these efforts we present a new generation of low-power consumption and safe projection products.

To continually pursue much smaller, more noiseless and lower temperature projectors, apart from enhancing material researching and thermal technology development (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. Besides, to increase projector life

spam and reliability, the component temperature control system is implemented in all projectors.

The improvement of phosphor wheel excitation efficiency is based on the inorganic glue formula of fluorescent excitation layer & diffuse reflection layer which provides higher heat resistance, thermal conductivity and light transmittance. The development of wheel disk's material & surface treatment also raises the phosphor wheel's heat resistance and reliability. Therefore, the high-end laser projector sustains harsh operating conditions and projects bright images.

In order to meet different field application needs, the development of multiple solid-state light source modules is committed to improving the cost-effectiveness of key components and modules and raising the threshold of solid-state light source technology to ensure the leading position of 1DLP projectors. The future key development topic will focus on high efficiency Solid-state light source module, high contrast, wide color gamut, to meet the needs of large-screen high brightness, high resolution applications.

Due to the rapid growth of small pixel-pitch LED displays, the high-quality All-in-One LED display products gained their reputations and were installed in high-end corporate meeting room, command center in government institution and renowned international bank in 2020. In the second half of 2020, the 163-inch all-in-one smart LED display won the 2020 Taiwan Digital Signage innovative product award again, and also won the Taiwan Excellence Award at the end of the year, successfully demonstrating the innovation and technological breakthrough of Coretronic Corporation in LED display products. In terms of product development, we continue to develop new generation All-in-one LED display products. In the first quarter of 2021, we will have mass produced 163-inch 4K model, 130-inch common-cathode driving model, and 130-inch and 163-inch entry-level models which featured power saving, low temperature, excellent grayscale performance, wide color gamut and higher contrast. The development of the new generation products will help to construct a versatile product range and enhance future growth momentum.

Due to the impact of Covid19, most client field verification is limited, and the commercialization schedule is delayed. However, we continue to develop the "NIR Quick Screening" market with the advantages of cost-effectiveness, compact size and mobility, focusing on Fast-growing applications such as Falsifide Drug Screening/Petrochemical online testing/Precision Agriculture applications/Dairy quality testing, etc., continue to expand new applications with global partners. In addition to continuing to develop new hardware products, we also strengthen modeling capabilities. In order to provide customers with complete application solutions. New modeling services can not only increase profit sources, but also assist customers in quickly assessing application feasibility, speeding up secondary development, in order to facilitate the commercialization process and promote platform business models."

In drone solutions, we successfully developed the intelligent security and facility inspection 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 5G data transmission 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, mainly focus on the application for inspection and smart logistics. 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 latest achievements in 2H 2020 include: built up the first 5G compatible drone with Chunghwa Telecom, and setup the first police drone patrol team with New Taipei City Police Station.

In addition, we successfully entered the smart signage, 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 2020, CiCS has successfully conducted solution into Taiwan largest elevator signage operator, and deployed solutions in 20,000 elevators. In smart retail, we have developed exclusively solutions including the recommendation system, virtual shelf, repeat customer system, skin analysis, and e-label. Apart from earning the favor of leading retailers in Taiwan, these solutions have been implemented in their channels. In smart healthcare, we have successfully introduced the technology and solutions of the immersive motion platform to fitness center chains in Asia Pacific. Through collaboration with fitness centers, we have increased the adoption of the immersive motion solution. In addition, we will collect, analyze, use and add value to the offline data and maintain close cooperation with customers, industries, and the academia to develop exclusive field-specific data analysis technology to realize the data-based service platform and further the business model.

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

- (1) Intensely develop optical core technology to extend the cross-sector application of optical components, system products and semi-system products to increase product added value and price competitiveness and secure global competitiveness in the display and visual technology fields.
- (2) In BLM technology, apart from constantly developing various new type LGPs, direct type LGLs, special optical control films, and mini-LED BLMs; we will continue to reduce the thickness, bezel width, optical films and LEDs and enhance the optical efficiency of BLMs to develop slim, small, lightweight, energy-efficient, HDR, and high-value added displays with privacy protection, for game consoles, tablets, notebooks, industrial monitors, automotive HUDs and touch screens, advanced monitors for medical and gaming, AIO monitors, slim and smart high-end TVs and smart home display modules.
- (3) In response to the changes in market business models and customer demands, product development has turned from BLMs to semi-system and integrated system products designed and manufactured in combination with tablets/notebooks/ automotive HUDs and displays, and TV outer parts. This move aims to provide the best possible design, production, and global after-sales services for Brand Name/SI, and panel customers through a highly flexible business model.
- (4) 4K has been moved to the mainstream market and replaced 1080p products, SSI light source products with 4K resolution will bring higher revenue and growth momentum to Coretronic. In addition, we earned positive market feedbacks for the laser TVs which launched last year, also there was a well-known brand customer joined in 2020, it helped to obtain a good results in technology and revenue. In 2021, we will continue to improve laser TV products to approach more new branded customers to expand market share.
- (5) Continuously working towards increasing Pro-AV competitive advantages with the experience of optical, thermal and system integration, to provide the smart large venue projection solution with two key directions : a. Enhancing the user experience with Smart / AI design and Cloud service, extending the application with smart SW design for easy installation, projector self-diagnosis. b. Developing entry ProAV product with exceptional engineering experiences and innovative products, offers customer various applications to expand the market share constantly.
- (6) Keep expending the business of education and specific field application by speeding up the transition from lamp to laser light source in the education market and pushing the short throw and ultra-short throw projector to cover the different projection screen size application. By

integrating the Android smart platform with customized software, we can fulfill various applications and highlight customer values, as well as to enhance the product flexibility and user experience.

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

Goals include building consensus through engagement to enable teamwork, innovation and execution, materializing the vision to build a technologies foundation for sustainable business and pursuing the ultimate interest of shareholders and employees.

Sincerely,

Chairman: Wade Chang

President: Sarah Lin, SY Chen

Accounting Officer: Franck Ho

## **Audit Committee's Review Report**

To: 2021 General Annual Shareholders' Meeting of Coretronic Corporation

The Board of Directors of the Company has delivered the 2020 business report, the financial statements and the proposed 2020 earnings distribution. The aforesaid 2020 financial statements of the Company and the consolidated financial statements had been audited by Ernst & Young. The Audit Committee has examined the above statements and found nothing out of order and thus prepared this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act for your ratification.

Coretronic Corporation

Chairman of the Audit Committee : Houn-Gee Chen

April 26, 2021



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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, 2020 and 2019, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, and its financial performance and cash flows for the years ended December 31, 2020 and 2019, 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 2020 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\$52,729 thousand for the year ended December 31, 2020, due to the rapid technological changes and innovation for projectors, backlight, and FPD-related products. 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\$15,521,518 thousand for the year ended December 31, 2020. 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\$(29,408) thousand and NT\$(16,074) thousand, representing (0.08)% and (0.05)% of total assets as of December 31, 2020 and 2019, respectively. The related shares of loss from the associates and joint ventures under the equity method amounted to NT\$37,868 thousand and NT\$26,894 thousand, representing (2.37)% and (2.19)% of the net income before tax for the years ended December 31, 2020 and 2019, 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 2020 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 8, 2021

#### **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, 2020 and 2019

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2020	%	December 31, 2019	%
<b>Current assets</b>					
Cash and cash equivalents	4, 6(1)	\$ 59,330	0.15	\$ 1,511,802	4.32
Financial assets at fair value through profit or loss-current	4, 6(2)	271,118	0.71	71,081	0.20
Financial assets at fair value through other comprehensive income-current	4, 6(3)	1,330	-	-	-
Trade receivables, net	4, 6(4), 15	5,046,503	13.26	2,975,981	8.50
Trade receivables-related parties, net	4, 6(4), 7	2,059,110	5.41	2,326,416	6.64
Other receivables	4, 8	120,960	0.32	79,499	0.23
Other receivables-related parties	4, 7	113,772	0.30	148,035	0.42
Inventories, net	4, 5, 6(5)	577,161	1.52	741,367	2.12
Prepayments		198,424	0.52	123,935	0.35
Other current assets		18,846	0.05	33,653	0.10
<b>Total current assets</b>		<b>8,466,554</b>	<b>22.24</b>	<b>8,011,769</b>	<b>22.88</b>
<b>Non-current assets</b>					
Financial assets at fair value through profit or loss-noncurrent	4, 6(2)	-	-	35,412	0.10
Financial assets at fair value through other comprehensive income-noncurrent	4, 6(3)	-	-	628	-
Investments accounted for using equity method	4, 6(6), 6(19)	26,827,504	70.48	24,349,455	69.53
Property, plant and equipment, net	4, 6(7)	1,691,218	4.44	1,692,769	4.83
Right-of-use assets	4, 6(16)	743,198	1.95	737,434	2.11
Intangible assets	4, 6(8)	151,957	0.40	27,041	0.08
Deferred tax assets	4, 5, 6(20)	166,431	0.44	147,742	0.42
Other noncurrent assets		19,876	0.05	17,613	0.05
<b>Total non-current assets</b>		<b>29,600,184</b>	<b>77.76</b>	<b>27,008,094</b>	<b>77.12</b>
<b>Total assets</b>		<b>\$ 38,066,738</b>	<b>100.00</b>	<b>\$ 35,019,863</b>	<b>100.00</b>

(continued)

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

CORETRONIC CORPORATION  
 PARENT COMPANY ONLY BALANCE SHEETS  
 As of December 31, 2020 and 2019  
 (Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2020	%	December 31, 2019	%
<b>Current liabilities</b>					
Short-term borrowings	6(9)	\$ 4,631,133	12.17	\$ 6,903,495	19.71
Financial liabilities at fair value through profit or loss-current	4, 6(10)	16,068	0.04	139,609	0.40
Contract liabilities-current	6(14)	36,539	0.09	91,716	0.26
Accounts payable		1,956,003	5.14	1,331,957	3.80
Accounts payable-related parties	7	3,346,116	8.79	811,049	2.32
Other payables		1,393,415	3.66	1,581,784	4.52
Other payables-related parties	7	1,983,581	5.21	935,213	2.67
Current tax liabilities	4, 5, 6(20)	474,221	1.25	458,483	1.31
Provisions-current	4, 5, 6(12)	175,864	0.46	259,970	0.74
Lease liabilities-current	4, 6(16)	58,448	0.15	44,051	0.13
Other current liabilities		212,185	0.56	227,865	0.65
Total current liabilities		14,283,573	37.52	12,785,192	36.51
<b>Non-current liabilities</b>					
Deferred tax liabilities	4, 5, 6(20)	49,100	0.13	8,646	0.02
Lease liabilities-noncurrent	4, 6(16)	695,821	1.83	698,815	2.00
Net defined benefit liabilities-noncurrent	5, 6(11)	53,279	0.14	91,378	0.26
Other noncurrent liabilities	6(6)	89,481	0.23	52,637	0.15
Total non-current liabilities		887,681	2.33	851,476	2.43
Total liabilities		15,171,254	39.85	13,636,668	38.94
<b>Equity</b>					
Share capital					
Common stock	6(13)	4,344,231	11.41	4,344,231	12.41
Capital surplus	6(13)	3,548,559	9.32	3,727,475	10.64
Retained earnings	6(13), 20				
Legal reserve		3,889,871	10.22	3,774,564	10.78
Special reserve		2,469,437	6.49	2,469,437	7.05
Unappropriated retained earning		10,229,840	26.87	9,429,258	26.92
Total retained earnings		16,589,148	43.58	15,673,259	44.75
Other equity		(1,586,454)	(4.16)	(2,361,770)	(6.74)
Total equity		22,895,484	60.15	21,383,195	61.06
<b>Total liabilities and equity</b>		<b>\$ 38,066,738</b>	<b>100.00</b>	<b>\$ 35,019,863</b>	<b>100.00</b>

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, 2020 and 2019

(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	
		2020	%	2019	%
Net sales	4, 5, 6(14), 7	\$ 15,521,518	100.00	\$ 17,837,272	100.00
Operating costs	4, 5, 6(5), 6(8), 6(11), 6(17), 7	13,338,302	85.94	15,109,537	84.71
Gross profit		2,183,216	14.06	2,727,735	15.29
Unrealized gross profit on sales	6(6)	128,637	0.83	231,000	1.30
Realized gross profit on sales		231,000	1.49	280,243	1.57
Gross profit, net		2,283,579	14.72	2,776,978	15.56
Operating expenses	6(8), 6(11), 6(17)				
Selling expenses		273,629	1.76	350,165	1.96
General and administrative expenses		992,275	6.39	1,083,209	6.07
Research and development expenses		1,595,227	10.28	1,791,304	10.04
Total operating expenses		2,861,131	18.43	3,224,678	18.07
Operating loss		(575,552)	(3.71)	(447,700)	(2.51)
Non-operating income and expenses					
Interest income	6(18)	13,948	0.09	23,853	0.14
Other income	4, 6(18)	248,219	1.60	133,972	0.86
Other gains and losses	6(18)	343,386	2.21	185,055	1.04
Finance costs	6(18)	(128,262)	(0.83)	(265,154)	(1.48)
Share of gain of subsidiaries, associates and joint ventures for using equity method	4, 6(6)	1,699,241	10.95	1,579,873	8.86
Total non-operating income and expenses		2,176,532	14.02	1,677,599	9.42
Income before income tax		1,600,980	10.31	1,229,899	6.91
Income tax expense	4, 5, 6(20)	(40,562)	(0.26)	(76,829)	(0.43)
Net income		1,560,418	10.05	1,153,070	6.48
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Remeasurements of defined benefit pension plans	6(19)	31,318	0.20	3,367	0.02
Unrealized gain (loss) from equity instrument investments measured at fair value through other comprehensive income	6(19)	701	0.01	(132)	-
Remeasurements of defined benefit pension plans of subsidiaries, associates and joint ventures accounted for using equity method	6(19)	(8,141)	(0.05)	(15,650)	(0.09)
Unrealized gain 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(19)	470,156	3.03	88,650	0.50
Income tax related to items that will not be reclassified	6(19), 6(20)	(6,264)	(0.04)	(674)	(0.01)
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	6(19)	304,459	1.96	(837,201)	(4.69)
Gain on hedging instruments	6(19)	-	-	913	0.01
Income tax related to items that may be reclassified subsequently to profit or loss	6(19), 6(20)	-	-	(182)	-
Other comprehensive income (loss), net of tax		792,229	5.11	(760,909)	(4.26)
Total comprehensive income		\$ 2,352,647	15.16	\$ 392,161	2.22
Basic Earnings Per Share (in New Taiwan Dollars)	6(21)	\$ 3.39		\$ 2.65	
Diluted Earnings Per Share (in New Taiwan Dollars)	6(21)	\$ 3.54		\$ 2.62	

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

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

CORETRONIC CORPORATION  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2020 and 2019

(Amounts in thousands of New Taiwan Dollars)

Description	Common stock	Capital surplus	Retained earnings			Exchange differences on translation of foreign operations	Other equity		Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings		Unrealized gains or losses on financial assets at fair value through other comprehensive income(loss)	Gains or losses on hedging instruments	
Balance as of January 1, 2019	\$ 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)	-	-	-	-
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
Share of changes in net of associates and joint ventures accounted for using equity method	-	1,407	-	-	-	-	-	-	1,407
Acquisition or disposal of the interest of subsidiaries	-	36,889	-	-	(9,808)	-	-	-	27,081
Appropriation and distribution of 2019 earnings:(Note)									
Legal reserve	-	-	115,307	-	(115,307)	-	-	-	-
Cash dividends	-	-	-	-	(651,634)	-	-	-	(651,634)
Cash dividends distributed from capital surplus	-	(217,212)	-	-	-	-	-	-	(217,212)
Net income for the year ended December 31, 2020	-	-	-	-	1,560,418	-	-	-	1,560,418
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	16,913	304,459	470,857	-	792,229
Total comprehensive income	-	-	-	-	1,577,331	304,459	470,857	-	2,332,647
Balance as of December 31, 2020	\$ 4,344,231	\$ 3,548,559	\$ 3,889,871	\$ 2,469,437	\$ 10,229,840	\$ (2,020,488)	\$ 434,034	\$ -	\$ 22,895,484

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

Note : The amounts of employees' compensation was NT\$228,711 thousand and NT\$175,700 thousand for the years ended December 31, 2020 and 2019, 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, 2020 and 2019  
(Amounts in thousands of New Taiwan Dollars)

Description	For the years ended December 31		Description	For the years ended December 31	
	2020	2019		2020	2019
Cash flows from operating activities :			Cash flows from investing activities :		
Net income before tax	\$ 1,600,980	\$ 1,229,899	Acquisition of investments accounted for using the equity method	\$ (219,972)	\$ (392,000)
Adjustments for:			Disposal of investments accounted for using the equity method	72,518	181,387
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 losses (gain)	16,205	(1,294)	Acquisition of financial assets at fair value through profit or loss	(59,320)	(15,415)
Depreciation (including right-of-use-assets)	162,199	173,936	Acquisition of property, plant and equipment	(123,468)	(554,877)
Amortization (including other noncurrent assets)	17,415	19,852	Proceeds from disposal of property, plant and equipment	3,918	60,029
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	(228,846)	106,546	Acquisition of intangible assets	(142,276)	(17,992)
Interest expenses	128,262	265,154	Proceeds from disposal of intangible assets	-	4,769
Interest income	(13,948)	(23,853)	Proceeds from disposal of other assets	-	39,126
Share of gain of subsidiaries, associates and joint ventures for using equity method	(1,699,241)	(1,579,873)	(Increase) decrease in other noncurrent assets	(2,318)	2,988
Gain on disposal of property, plant and equipment	(174)	(409)	Net cash used in investing activities	(470,918)	(494,992)
Gain on lease modification	(389)	-			
Gain on disposal of other assets (recognized in other income)	(16,558)	(17,004)	Cash flows from financing activities :		
Impairment loss of non-financial assets	6,507	-	(Decrease) increase in short-term borrowings	(2,272,362)	1,430,082
Unrealized gain from sales	128,637	231,000	Increase (decrease) in other payables-related parties	1,013,337	(232,635)
Realized gain from sales	(231,000)	(280,243)	Cash payment for the principle portion of lease liabilities	(35,973)	(27,854)
Changes in operating assets and liabilities:			Increase (decrease) in other noncurrent liabilities	158	(8,163)
Accounts receivables	(2,086,727)	2,116,888	Cash dividends	(868,846)	(1,520,481)
Accounts receivables-related parties	267,306	11,759	Net cash used in financing activities	(2,163,686)	(359,051)
Other receivables	(41,936)	58,995			
Other receivables-related parties	34,263	(37,963)	Net decrease in cash and cash equivalents	(1,452,472)	(1,443,671)
Inventories	164,206	518,774	Cash and cash equivalents at the beginning of the period	1,511,802	2,955,473
Prepayments	(72,620)	1,336	Cash and cash equivalents at the end of the period	\$ 59,330	\$ 1,511,802
Other current assets	14,807	5,826			
Contract liabilities-current	(55,177)	(79,756)			
Accounts payable	624,046	(1,072,108)			
Accounts payable-related parties	2,335,067	(2,496,853)			
Other payables	(188,559)	(342,408)			
Other payables-related parties	35,031	101,810			
Provisions-current	(84,106)	(28,228)			
Other current liabilities	(15,680)	(76,544)			
Net defined benefit liabilities	(6,781)	(34,887)			
Cash generated from (provided by) operating activities	993,189	(1,229,648)			
Interest received	14,423	22,713			
Dividend received	319,213	969,002			
Interest paid	(135,371)	(263,367)			
Income tax paid	(9,322)	(88,328)			
Net cash provided by (used in) operating activities	1,182,132	(589,628)			

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

## Independent Auditors' Report

To Coretronic Corporation

### Opinion

We have audited the accompanying consolidated balance sheets of Coretronic Corporation and its subsidiaries ("the Group") as of December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, and its consolidated financial performance and cash flows for the years ended December 31, 2020 and 2019, 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 2020 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\$682,646 thousand for the year ended December 31, 2020, due to the rapid technological changes and innovation for projectors, backlight, and FPD-related products. 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\$42,438,336 thousand for the year ended December 31, 2020. 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\$125,002 thousand and NT\$125,772 thousand, representing 0.26% and 0.25% of consolidated total assets as of December 31, 2020 and 2019, respectively; and total operating revenues amounted to NT\$21,408 thousand and NT\$51,677 thousand, representing 0.05% and 0.11% of the consolidated total operating revenues for the years ended December 31, 2020 and 2019, 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\$46,433 thousand and NT\$22,934 thousand, representing 0.10% and 0.05% of consolidated total assets as of December 31, 2020 and 2019, respectively. The related shares of (loss) gain from the associates and joint ventures under the equity method amounted to NT\$(1,708) thousand and NT\$783 thousand, representing (0.09)% and 0.05% of the consolidated net income before tax for the years ended December 31, 2020 and 2019, respectively.

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

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

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

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

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

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

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

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 2020 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, 2020 and 2019.

Hsu, Hsin-Min

Chen, Chih-Chung

Ernst & Young, Taiwan

February 8, 2021

### 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, 2020 and 2019

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Note	December 31, 2020	%	December 31, 2019	%
<b>Current assets</b>					
Cash and cash equivalents	4, 6(1)	\$ 18,300,564	38.71	\$ 20,161,863	40.88
Financial assets at fair value through profit or loss-current	4, 6(2)	372,859	0.79	84,321	0.17
Financial assets at fair value through other comprehensive income-current	4, 6(4)	1,330	-	-	-
Hedging financial assets-current	4, 6(3)	-	-	4,207	0.01
Notes receivables, net	4, 6(5), 6(19)	25,200	0.05	41,467	0.08
Trade receivables, net	4, 6(6), 6(19)	11,659,562	24.66	11,687,611	23.70
Trade receivable-related parties, net	4, 6(6), 6(19), 7	-	-	201	-
Other receivables	4, 8	337,856	0.71	252,722	0.51
Current tax assets	4, 5, 6(24)	15,315	0.04	12,527	0.03
Inventories, net	4, 5, 6(7)	4,886,148	10.34	6,062,756	12.29
Prepayments		591,335	1.25	532,824	1.08
Other current assets		95,414	0.20	139,196	0.28
Total current assets		36,285,583	76.75	38,979,695	79.03
<b>Non-current assets</b>					
Financial assets at fair value through profit or loss-noncurrent	4, 6(2)	-	-	35,412	0.07
Financial assets at fair value through other comprehensive income-noncurrent	4, 6(4)	911,750	1.93	447,469	0.91
Investments accounted for using equity method	4, 6(8)	46,433	0.10	22,934	0.05
Property, plant and equipment, net	4, 6(9), 8	7,158,625	15.14	6,930,269	14.05
Right-of-use assets	4, 6(20)	1,742,299	3.69	1,977,056	4.01
Investment property, net	4,5,6(10), 8	160,354	0.34	168,406	0.34
Intangible assets	4, 6(11)	408,646	0.86	281,674	0.57
Deferred tax assets	4, 5, 6(24)	338,374	0.72	303,144	0.61
Net defined benefit assets-noncurrent	4, 5, 6(15)	15,135	0.03	12,603	0.03
Other noncurrent assets	8	207,864	0.44	164,458	0.33
Total non-current assets		10,989,480	23.25	10,343,425	20.97
<b>Total assets</b>		\$ 47,275,063	100.00	\$ 49,323,120	100.00

(continued)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

CORETRONIC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 2020 and 2019

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Note	December 31, 2020	%	December 31, 2019	%
<b>Current liabilities</b>					
Short-term borrowings	6(12)	\$ 5,137,417	10.87	\$ 8,521,341	17.28
Financial liabilities at fair value through profit or loss-current	4, 6(13)	35,854	0.08	153,107	0.31
Hedging financial liabilities-current	4, 6(13)	4,702	0.01	-	-
Contract liabilities-current	6(18)	250,475	0.53	294,152	0.60
Notes payable		333	-	507	-
Accounts payable		8,148,600	17.24	8,441,190	17.11
Accounts payable-related parties	7	11,383	0.02	23,445	0.05
Other payables	7	4,213,229	8.90	4,092,358	8.30
Current tax liabilities	4, 5, 6(24)	763,137	1.61	789,088	1.60
Provisions-current	4, 5, 6(16)	700,964	1.48	767,350	1.55
Lease liabilities-current	4, 6(20)	229,241	0.49	335,921	0.68
Other current liabilities		541,799	1.15	453,986	0.92
Current portion of long-term borrowings	6(14)	116,728	0.25	6	-
Total current liabilities		20,153,862	42.63	23,872,451	48.40
<b>Non-current liabilities</b>					
Long-term borrowings	6(14)	552,751	1.17	183,427	0.37
Deferred tax liabilities	4, 5, 6(24)	94,446	0.20	24,637	0.05
Lease liabilities-noncurrent	4, 6(20)	1,325,181	2.80	1,439,424	2.92
Net defined benefit liabilities-noncurrent	4, 5, 6(15)	165,113	0.35	196,891	0.40
Other noncurrent liabilities		44,275	0.10	53,730	0.11
Total non-current liabilities		2,181,766	4.62	1,898,109	3.85
Total liabilities		22,335,628	47.25	25,770,560	52.25
<b>Equity attributable to owners of the parent</b>					
Share capital					
Common stock	6(17)	4,344,231	9.19	4,344,231	8.81
Capital surplus	6(17)	3,548,559	7.51	3,727,475	7.55
Retained earnings	6(17), 6(25)				
Legal reserve		3,889,871	8.23	3,774,564	7.65
Special reserve		2,469,437	5.22	2,469,437	5.01
Unappropriated retained earning		10,229,840	21.64	9,429,258	19.12
Total retained earnings		16,589,148	35.09	15,673,259	31.78
Other equity		(1,586,454)	(3.36)	(2,361,770)	(4.79)
Total equity attributable to owners of the parent		22,895,484	48.43	21,383,195	43.35
<b>Non-controlling interests</b>	6(17)	2,043,951	4.32	2,169,365	4.40
Total equity		24,939,435	52.75	23,552,560	47.75
<b>Total liabilities and equity</b>		\$ 47,275,063	100.00	\$ 49,323,120	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, 2020 and 2019

(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	
		2020	%	2019	%
Net sales	4, 5, 6(18), 7	\$ 42,438,336	100.00	\$ 48,711,259	100.00
Operating costs	4, 5, 6(7), 6(11), 6(21), 7	35,031,579	82.55	39,904,813	81.92
Gross profit		7,406,757	17.45	8,806,446	18.08
Operating expenses	6(11), 6(15), 6(19), 6(21)				
Selling expenses		1,651,248	3.89	1,969,687	4.04
General and administrative expenses		1,910,930	4.50	2,183,108	4.48
Research and development expenses		3,152,490	7.43	3,452,548	7.09
Total operating expenses		6,714,668	15.82	7,605,343	15.61
Operating income		692,089	1.63	1,201,103	2.47
Non-operating income and expenses					
Interest income	6(22)	434,719	1.02	466,602	0.96
Other income	4, 6(22)	570,998	1.35	231,985	0.47
Other gains and losses	6(22)	334,540	0.79	149,075	0.31
Finance costs	6(22)	(193,942)	(0.46)	(347,636)	(0.71)
Share of gain of associates and joint ventures accounted for using equity method	4, 6(8)	(1,708)	-	783	-
Total non-operating income and expenses		1,144,607	2.70	500,809	1.03
Income before income tax		1,836,696	4.33	1,701,912	3.50
Income tax expense	4, 5, 6(24)	(441,540)	(1.04)	(343,605)	(1.12)
Net income		1,395,156	3.29	1,358,307	2.38
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Remeasurements of defined benefit pension plans	6(23)	20,558	0.05	(16,864)	(0.03)
Unrealized gain from equity instrument investments measured at fair value through other comprehensive income	6(23)	469,433	1.11	89,230	0.18
Income tax related to items that will not be reclassified subsequently to profit or loss	6(23), 6(24)	(2,688)	(0.01)	2,661	0.01
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	6(23)	307,030	0.72	(876,580)	(1.80)
Gain on hedging instruments	6(23)	-	-	913	-
Income tax related to items that may be reclassified subsequently to profit or loss	6(23), 6(24)	-	-	(182)	-
Other comprehensive income (loss), net of tax		794,333	1.87	(800,822)	(1.64)
Total comprehensive income		\$ 2,189,489	5.16	\$ 357,485	0.74
Net income for the periods attributable to:					
Shareholders of the parent	6(25)	\$ 1,560,418		\$ 1,153,070	
Non-controlling interests	6(17), 6(26)	\$ (165,262)		\$ 5,237	
Total comprehensive income (loss) for the periods attributable to:					
Shareholders of the parent		\$ 2,352,647		\$ 392,161	
Non-controlling interests		\$ (163,158)		\$ (34,676)	
Basic Earnings Per Share (in New Taiwan Dollars)	6(25)	\$ 3.59		\$ 2.65	
Diluted Earnings Per Share (in New Taiwan Dollars)	6(25)	\$ 3.54		\$ 2.62	

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, 2020 and 2019

(Amounts in thousands of New Taiwan Dollars)

Description	Equity attributable to owners of the parent								Total	Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings			Other equity					
			Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign operations	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income (loss)	Gains or losses on hedging instruments			
Balance as of January 1, 2019	\$ 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
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	1,407	-	-	-	-	-	-	1,407	-	1,407
Acquisition or disposal of the interest of subsidiaries	-	36,889	-	-	(9,808)	-	-	-	27,081	43,362	70,443
Appropriation and distribution of 2019 earnings:											
Legal reserve	-	-	115,307	-	(115,307)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(651,634)	-	-	-	(651,634)	-	(651,634)
Cash dividends distributed from capital surplus	-	(217,212)	-	-	-	-	-	-	(217,212)	-	(217,212)
Net income (loss) for the year ended December 31, 2020	-	-	-	-	1,560,418	-	-	-	1,560,418	(165,262)	1,395,156
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	16,913	304,459	470,857	-	792,229	2,104	794,333
Total comprehensive income (loss)	-	-	-	-	1,577,331	304,459	470,857	-	2,352,647	(163,158)	2,189,489
Decrease of non-controlling interests	-	-	-	-	-	-	-	-	-	(5,618)	(5,618)
Balance as of December 31, 2020	\$ 4,344,231	\$ 3,548,559	\$ 3,889,871	\$ 2,469,437	\$ 10,229,840	\$ (2,020,488)	\$ 434,034	\$ -	\$ 22,895,484	\$ 2,043,951	\$ 24,939,435

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, 2020 and 2019

(Amounts in thousands of New Taiwan Dollars)

Description	For the years ended December 31		Description	For the years ended December 31	
	2020	2019		2020	2019
Cash flows from operating activities :			Cash flows from investing activities :		
Net income before tax	\$ 1,836,696	\$ 1,701,912	Acquisition of investments accounted for using equity method	(23,800)	(22,000)
Adjustments for:			Acquisition of financial assets at fair value through profit or loss	(59,320)	(15,415)
The profit or loss items which did not affect cash flows:			Acquisition of property, plant and equipment	(1,146,872)	(1,574,149)
Expected credit loss (gain)	4,272	(80,347)	Proceeds from disposal of property, plant and equipment	8,276	35,137
Depreciation (including investment property and right-of-use assets)	1,270,434	1,338,965	Acquisition of intangible assets	(237,573)	(237,432)
Amortization (including other noncurrent assets)	111,032	108,654	Proceeds from disposal of intangible assets	-	4,770
Interest expenses	193,942	347,636	(Increase) decrease in other noncurrent assets	(29,883)	35,180
Interest income	(434,719)	(466,602)	Net cash used in investing activities	(1,489,172)	(1,773,909)
Transfer of property, plant and equipment to expense	908	1,542			
Loss (gain) on disposal of property, plant and equipment	3,213	(7,971)	Cash flows from financing activities:		
Gain on disposal of intangible assets	-	(2)	(Decrease) increase in short-term borrowings	(3,383,924)	2,106,700
Gain on disposal of other noncurrent assets	(89)	-	Increase (decrease) in long-term borrowings (including current portion of long-term borrowings)	486,046	(268,866)
(Gain) loss on disposal of investments	(24)	24,564	Decrease in guarantee deposits	(8,068)	(1,611)
Transfer of intangible assets to expense	-	896	Decrease in other noncurrent liabilities	(1,387)	(7,430)
Share of loss (gain) of associates and joint ventures accounted for using equity method	1,708	(783)	Cash dividends	(868,846)	(1,520,481)
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	(311,059)	110,048	Repayment of the principle portion of lease liabilities	(316,294)	(299,301)
Impairment of non-financial assets	28,276	-	Proceeds from disposal of subsidiaries' ownership (without a change of control)	72,664	452,231
Changes in operating assets and liabilities:			Change in non-controlling interests	(5,618)	(1,061)
Note receivables	16,267	215,326	Net cash (used in) provided by financing activities	(4,025,427)	460,181
Accounts receivables	23,777	1,754,330			
Accounts receivables-related parties	201	1,711	Effect of exchange rate changes on cash and cash equivalents	284,603	(781,913)
Other receivables	(139,770)	287,694			
Inventories	1,177,367	1,835,140	Net (decrease) increase in cash and cash equivalents	(1,861,209)	2,935,813
Prepayments	(56,642)	(48,996)	Cash and cash equivalents at the beginning of the period	20,161,863	17,226,050
Other current assets	43,782	30,959	Cash and cash equivalents at the end of the period	\$ 18,300,564	\$ 20,161,863
Other operating assets	(37,944)	-			
Contract liabilities	(43,677)	(59,376)			
Notes payable	(174)	507			
Accounts payable	(292,590)	(830,936)			
Accounts payable-related parties	(12,062)	(16,977)			
Other payables	127,660	(461,759)			
Provisions-current	(66,386)	(59,441)			
Other current liabilities	87,813	(89,898)			
Net defined benefit assets/liabilities	(13,752)	(14,623)			
Cash generated from operating activities	3,518,460	5,622,173			
Interest received	489,355	435,637			
Interest paid	(200,731)	(346,721)			
Income tax paid	(438,387)	(679,635)			
Net cash provided by operating activities	3,368,697	5,031,454			

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

**Coretronic Corporation**  
**2020's Earnings Distribution Table**

Unit : NTD

Item	Amount	
	Subtotal	Total
Beginning of Unappropriated Retained Earnings		8,662,316,331
Plus: Remeasurement of Defined Benefit Obligation	16,912,367	
Minus: Adjustment of Retained Earnings Accounted for Under the Equity Method	9,808,366	
Cumulative of Unappropriated Earnings		8,669,420,332
Net income of 2020	1,560,417,501	
Minus: Appropriated For Legal Reserve	156,752,150	
2020's Earnings Available For Distribution		1,403,665,351
Earnings Available For Distribution (Cumulative)		10,073,085,683
Cash Dividends To Shareholders (NTD3.0per share)		1,172,943,330
End of Unappropriated Retained Earnings		8,900,142,353
<p>Note 1 : According to the ruling issued by MOF on April 30, 1998 (Ref. 871941343), when distributing earnings it should be taxed as per the year that the earnings were gained. Coretronic adopts last in first out method when distributing earnings, which is to say, first distribute earnings from the most current year and then the previous year's when not sufficient.</p> <p>Note 2 : Cash dividend distribution ratio is calculated on the basis of whole NT dollar, rounded down to whole NT dollar, for total fractional dollars less than whole NT dollar, arrogant by decimal digit to low and account number from the front to rear adjustment order to meet the total cash dividend.</p>		

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

## Coretronic Corporation

### Rules of Procedure for Shareholders Meeting

#### Article 1

The Company's procedure of meeting of shareholders shall be conducted in accordance with these Rules. Matters not specified in these Rules shall be handled in accordance with relevant laws and regulations.

#### Article 2

The meeting of shareholders shall be held at the registered office of the Company or at a venue convenient for shareholders to attend and suitable for holding the meeting of shareholders. The starting time of the meeting may not be earlier than 9 a.m. or later than 3 p.m.

#### Article 3

The Company shall prepare an attendance book for shareholders present to sign in, or the shareholders present may hand in a sign-in card in lieu of signing on the attendance book.

When a government agency or a juristic person acts as a shareholder, its representatives to attend the meeting of shareholders may not be limited to one person. When a juristic person is appointed to attend a meeting of shareholders by proxy, it may designate only one representative to attend the meeting.

#### Article 4

If the meeting of shareholders is convened by the board of directors, the meeting shall be chaired by the chairman of the board. When the chairman of the board is on leave or unable to exercise his/her powers and authority for any cause, the chairman of the board shall designate one of the directors to act on his/her behalf. Where the chairman of the board does not make such a designation, the directors shall elect from among themselves one person to serve as the chairman.

If the meeting of shareholders is convened by any other person having the convening right other than the board of directors, the chairman shall be acted by such person having the convening right. If there are two or more persons having the convening right, one chairman of the meeting shall be elected from among themselves.

The Company may designate lawyers, certified public accountants or related personnel appointed by it to attend the meeting of shareholders.

#### Article 5

The Company shall conduct a continuously and uninterrupted audio and video recording of the procedures of shareholders' sign-in at the reception, the progress of the meeting, and voting and counting of votes, beginning from the time of accepting the sign-in of shareholders.

The audio-visual materials stated in the preceding Paragraph shall be kept for at least one year. However, if a shareholder files a lawsuit in accordance with Article 189 of the Company Act, it shall be kept until the conclusion of the lawsuit.

#### Article 6

Attendance at a meeting of shareholders shall be calculated on the basis of number of shares. The number of shares in attendance is calculated in accordance with the number of shares specified on the attendance book or the sign-in cards handed in, plus the number of shares whose voting rights are exercised in writing or by electronic means.

At the scheduled meeting time, the chairman shall immediately call the meeting to order and announce the relevant information, such as the number of non-voting rights and the number of shares present. However, when the attending shareholders do not represent more than half of the total issued shares, the chairman may announce the postponement of the meeting. The number of postponements shall be limited to twice, and the total postponement time may not exceed one hour in aggregate. After the second postponement, if the attending shareholders still represent less than

one-third of the total issued shares, the chairman shall announce the meeting adjourned.

If the quorum is still not met after the second postponement stated in the preceding Paragraph while the attending shareholders represent one-third or more of the total number of issued shares, a tentative resolution may be adopted in accordance with Paragraph 1, Article 175 of the Company Act; a notice of such tentative resolution shall be given to each of the shareholders, and a meeting of shareholders shall be reconvened within one month.

Before the conclusion of the meeting, if the shareholders present represent a majority of the total number of issued shares, the chairman may resubmit the tentative resolution to the meeting of shareholders for voting in accordance with Article 174 of the Company Act.

#### Article 7

If the meeting of shareholders is convened by the board of directors, the agenda shall be set by the board of directors. The meeting shall proceed in the order set by agenda, which may not be altered without a resolution of the meeting of shareholders.

The provisions stated in the preceding Paragraph shall apply *mutatis mutandis* to the meeting of shareholders convened by any other person having the convening right.

Before concluding the meeting discussions (including provisional motions) set in the agenda under the preceding two Paragraphs, the chairman may not arbitrarily announce the meeting adjourned without a resolution; if the chairman violates the rules of procedure and announces the meeting adjourned, other members of the board of directors shall promptly assist the attending shareholders in electing a new chairman by a majority of votes represented by attending shareholders in accordance with the statutory procedure, and continue the meeting.

The chairman shall give ample opportunities for full explanations and discussions of the proposals and the amendments or provisional motions proposed by shareholders. When the chairman believes that a proposal has been discussed sufficiently and may be put to vote, he may announce the cessation of discussion, put it forward for voting, and arrange adequate and sufficient time for voting.

#### Article 8

An attending shareholder shall complete a speaker's slip stating the main points of the speech, shareholder account number (or attendance certificate number) and account name, and the sequence of speeches by shareholders shall be determined by the chairman.

An attending shareholder who has only submitted a speaker's slip but does not actually speak shall not be deemed to have spoken. If the contents of the speech are inconsistent with that stated on the speaker's slip, the contents of the speech shall prevail.

Without the consent of the chairman, each shareholder's speech on the same proposal shall not exceed twice, and each time may not exceed five minutes. However, if the shareholder's speech violates the rules or exceeds the scope of the discussion topic, the chairman may stop his/her speech.

When an attending shareholder is speaking, other shareholders may not speak or interfere except with the consent of the chairman and the shareholder having the floor. The chairman shall stop any such violations.

When a juristic person shareholder designates two or more representatives to attend a meeting of shareholders, only one person may speak on the same proposal.

After an attending shareholder has spoken, the chairman may respond personally or designate relevant personnel to respond.

#### Article 9

The voting at a shareholders meeting shall be calculated on the basis of shares.

The shares held by shareholders having no voting right shall not be counted in the total number of issued shares while adopting a resolution at a meeting of shareholders.

Shareholders shall have one voting right per share, except when shares are restricted shares or have no voting rights stated in Paragraph 2, Article 179 of the Company Act.

#### Article 10

Unless otherwise provided in the Company Act or the Company's Articles of Incorporation, the voting of proposal shall be passed by a majority of the total number of the attending shareholders. In case of a voting, the chairman or his/her designated person shall announce the total number of voting rights of the attending shareholders, and then the shareholders shall vote. And on the same day of the meeting of shareholders is held, the results of shareholders' approval, opposition and waiver shall be entered into the MOPS. If the total number of voting rights of the shareholders present does not reach the statutory or stipulated number of shares stated in the Articles of Incorporation, the chairman may declare that the proposal is not approved, and it is unnecessary to vote.

Where there is an amendment or alternative to the same proposal, the chairman shall combine the amended or alternative proposal with the original proposal and decide the order of voting. If one of the proposals has been passed, the other proposals shall be deemed rejected and no further voting shall be required.

The monitors and ballot counters for voting shall be designated by the chairman; however, only such persons who are shareholders may serve as monitors.

The counting of votes for meeting of shareholders or election proposals shall be conducted in a public place at the venue of the meeting of shareholders; after the counting of votes is completed, the voting results shall be immediately announced on the spot, including statistical weights, and shall be recorded.

#### Article 11

The chairman may direct monitors or security guards to help maintain order in the venue of meeting.

If the venue of meeting is equipped with sound amplifying equipment, the chairman may stop the shareholder who does not use the equipment configured by the company to speak.

If a shareholder violates the rules of procedure and disobey the chairman's correction, obstructs the progress of the meeting and still disobeys despite being stopped, the chairman may direct the scrutineers or security guards to ask him/her to leave the venue of meeting.

#### Article 12

During the progress of the meeting, the chairman may announce an appropriate time of break at his/her discretion. In the event of force majeure, the chairman may rule to suspend the meeting temporarily and announce a time when the meeting will be resumed, depending on the circumstances.

Before concluding all the meeting discussions (including provisional motions) set on the agenda set by the meeting of shareholders, if the venue of meeting is no longer available for continued use at that time, the meeting of shareholders may adopt a resolution to find another venue to resume the meeting.

The meeting of shareholders may resolve to defer or resume the meeting within five days in accordance with Article 182 of the Company Act.

#### Article 13

These Rules shall be implemented after a resolution is adopted at the meeting of shareholders, and the same shall apply when any amendment is made thereto.

**Coretronic Corporation**  
**Rules for Election of Directors**

Article 1

The election of the Company's directors shall be handled in accordance with these Rules. Matters not stipulated in these Rules shall be handled in accordance with relevant laws and regulations.

Article 2

The election of the Company's directors shall adopt cumulative voting system. The number of votes exercisable in respect of one share shall be the same as the number of directors to be elected, and the total number of votes per share may be consolidated for electing a single candidate or may be split for electing multiple candidates.

Article 3

The board of directors shall prepare separate ballots for directors in number identical to that of the directors to be elected, and the number of voting rights associated with each ballot shall be specified on the ballots. The ballots shall be distributed to the shareholders present at the meeting of shareholders. The recording of the name of a voter may be replaced by the attendance card number printed on the ballots.

Article 4

The voting rights of independent directors and non-independent directors shall be separately calculated in accordance with number of directors stated in the Company's Articles of Incorporation. A candidate to whom the ballots cast represent a prevailing number of votes shall be deemed a director elect. If two or more candidates obtain the same number of votes, but the number of positions exceeds the required number, they shall draw lots to decide the winner. The chair shall conduct the drawing for the candidates who are absent.

Article 5

Before the election begins, the chair shall appoint a number of monitors and ballot counters with shareholder status to perform various related duties. The ballot box shall be prepared by the Company and publicly opened and exhibited by the monitor before voting begins.

Article 6

Ballots shall be invalid under any of the following circumstances:

1. The ballot used is not that prepared by the person having the convening right.
2. A blank ballot is placed in the ballot box.
3. The writing on the ballot is illegible and unrecognizable or is altered.
4. The verification indicates that the name of the candidate entered on the ballot is inconsistent with that appeared on the list of director candidates.
5. Other words are entered on the ballot in addition to entering the number of voting rights allotted.

Article 7

Ballots shall be calculated on the spot after the voting, and the results of the balloting, the list of elected directors, shall be announced on the spot by the chair.

The ballots for the election matters stated in the preceding Paragraph shall be properly kept in custody and for at least one year. However, if a shareholder files a lawsuit in accordance with Article 189 of the Company Act, it shall be kept until the conclusion of the lawsuit.

Article 8

These Rules shall be implemented after a resolution is adopted at the meeting of shareholders, and the same shall apply when any amendment is made thereto.

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

Current Provisions			Proposed Amendments		
6.5 Procedures for engaging in derivatives trading 6.5.1~6.5.2(Skip) 6.5.3 Operating procedures : 1)Authorized amount, level and executive department : a. Hedging FX trading limit : authorized level and limit of exercising FX :			6.5 Procedures for engaging in derivatives trading 6.5.1~6.5.2(Skip) 6.5.3 Operating procedures : 1)Authorized amount, level and executive department : a. Hedging FX trading limit : authorized level and limit of exercising FX :		
Authorized Level	Daily Limit	Accumulated unoffset position trading authority	Authorized Level	Daily Limit	Accumulated unoffset position trading authority
Chairman	USD 100 million <del>or more</del>	USD 1,000 million	Chairman	USD 100 million	USD 1,500 million (Note)
CFO	USD 40 million	USD 400 million	CFO	USD 40 million	USD 400 million
Authorized person of Finance Dept	USD 20 million	USD 150 million	Authorized person of Finance Dept	USD 20 million	USD 150 million
If the daily transaction amount or the accumulated un-offset position exceeds the authorized limit, it must be reported to the authorized personnel for approval before execution. If the transaction exceeds the above authorization, the board of directors must approve in advance. b 、 c and 2) Transaction process (Skip) 6.5.4~6.5.6(Skip)			If the daily transaction amount or the accumulated un-offset position exceeds the authorized limit, it must be reported to the authorized personnel for approval before execution. If the transaction exceeds the above authorization, the board of directors must approve in advance. b 、 c and 2) Transaction process (Skip) 6.5.4~6.5.6(Skip)		

Note : It is expected that the successive additions of production capacity in Vietnam and Wujiang plants in China will drive the increase in Sales Revenue/AR/AP, thus, in order to meet the demand for hedging, it is proposed to increase the trading authority of Accumulated unoffset position from US\$1 billion to US\$1.5 billion.