

Stock Code: 8249

Taiwan Stock Exchange Market Observation Post System

<http://mops.twse.com.tw>

Corporate Website

<http://www.csi-sensor.com.tw>

Creative Sensor Inc.

2022 Annual Report

Printed on: April 30, 2023

I. Name, title, phone number, and email address of the spokesperson and the acting spokesperson

Name of Spokesperson:

Chi-Chang Yang

Title: Vice Chairman

TEL.: (02)8912-1289

Email: spokesperson@csi-sensor.com.tw

Name of Acting Spokesperson:

Chien-Chung Hung

Title: Senior Manager

TEL.: (02)8912-1289

II. Address and phone number of the headquarters, branch, and factory

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III. Name, address, website and phone number of the stock transfer agency

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IV. Name of the CPA and name, address, website and phone number of the accounting firm for the financial report in the most recent year

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Accounting firm: PwC Taiwan

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Website: <http://www.pwc.com/tw>

TEL.: (02)2729-6666

V. Name(s) of the exchange(s) where our securities are traded offshore, and the method(s) with which the information of the offshore securities is/are accessed: None.

VI. Official website: <http://www.csi-sensor.com.tw>

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ONE. LETTER TO SHAREHOLDERS

I. 2022 Operational Overview

The uncertainties in the global economy in 2022 have increased due to war, energy crises, the geopolitical struggles between China and the United States, difficulties posed by different waves of the pandemic, economic issues in the United States, inflation, and interest rate hikes. These factors have reduced global shipments for consumer electronics and reduced the demand for multi-function printer (MFPs).

Main customers continued to reduce the shipments of low-end products starting from the second half of the year, but the demand for medium to high-end commercial models continued to grow. Therefore, the increase in the proportion of high-margin models in the production and sales portfolio also contributed to the increase in the gross margin of the year. In terms of the supply of materials, demand for semiconductors has been reversed since the second quarter due to a decline in global demand for consumer electronics such as laptop computers and mobile phones. It also relieved the shortage of wafer supply since the beginning of 2021, making it possible to resolve the shortages in material supply this year. However, when China suddenly suspended the zero-COVID policy and canceled requirements for PCR tests in December, the number of infected employees in the plants increased quickly. It led to short-term impact on the production capacity of the month but did not affect the annual output. In 2022, Creative Sensor was affected by the aforementioned factors and the appreciation of the USD was better than expected. Therefore, we attained growth in the implementation results of the business plan as compared to the same period in the previous year.

(I) Business plan implementation outcome and profit analysis are as follows:

Unit: NTD thousands

Year \ Item	2022	2021	Growth rate
Operating revenue	4,256,952	3,951,319	+7.7%
Gross profit	758,787	523,269	+45.0%
Earnings per share	3.22	1.50	114.6%

(II) Revenue, profit, and loss:

2022 revenues amounted to NTD 4.26 billion, up 7.7% from the NTD 3.95 billion in 2021. The gross profit in 2022 was NTD 760 million, an increase of 45% from NTD 520 million in 2021. The gross profit grew more than expected due to the strong USD, changes in product portfolio, and increased efficiency in plant management. The net profit per share after tax was NTD 3.22, up 114.6% from NTD 1.5 in 2021.

2022 R&D results:

1. We completed the certification of the preliminary mold samples for next-generation light source modules, which reached the target brightness and we shall proceed with the mass production plan.

2. We completed the design and optical verification of the module with high field of depth and optical certification. We will complete module certification and deliver samples to customers for tests in 2023.
3. We completed the high-speed digital output format design certification.
4. We integrated the product shipment test items for different CISM models to enhance resource integration and reduce cost.
5. We completed the pilot production for infrared imaging and temperature measurement core module engineering, and introduced the image post-processing algorithms with detail enhancement and parameter settings and sent samples.
6. We applied for a patent for next-generation light source modules and image sensor modules with high field of depth.
7. We worked with strategic partners and completed the development of human body identification algorithms.

II. 2023 Outlook

The changes in 2022 continue to affect the global economy as risks of recession persisted and the IMF reduced its forecast for economic growth in 2023 to 2.9%. According to forecasts by the *Economist*, it is difficult to say whether the global economy can stabilize in the second half of 2023.

Therefore, the Company's operational priorities for 2023 are as follows. The management team must maintain existing customer relationships and develop new business opportunities. It must strengthen the management of raw materials and inventories of finished products while improving relations with key suppliers and ensuring the stable supply of materials. The factories must continue to reduce staff turnover to increase production and strengthen quality control to reduce defect rates. They must enhance the flexibility and response to changes of automated production, promote process optimization, and improve product yields to ensure profitability. In terms of new product research and development, the Company shall focus on "security monitoring applications" and "industrial inspection applications". We will use modular design and incorporate AI image processing to create product differentiation and increase product competitiveness.

The following will be the focuses of the Company's operations in 2023:

1. In response to the possible changes in demand for shipments due to the expected downturn in the global economy, we will actively control and monitor the inventory of raw materials and finished products and monitor the changes in market demand at all times.
2. Reduce the turnover rate of factory personnel and increase the flexibility and change ratio of automated production.
3. Complete the next-generation light source module and high-depth-of-field modules and commence mass production. Proceed with the independent development of high-brightness light source modules.
4. Develop linear light sensor and key components and gain independent capabilities in technologies and products.
5. Complete the preparation for mass production of the infrared imaging and temperature measurement core module, introduce algorithms for adjustment of parameters for artificial intelligence image processing, and develop the dual-light imaging module.
6. Continue plans for a second production site to increase the self-production rate of components and establish fully automatic smart production lines.

Yu-Jen Huang, Chairman

Two. Company Profile

I. Establishment Date: June 15, 1998

II. Corporate Milestones

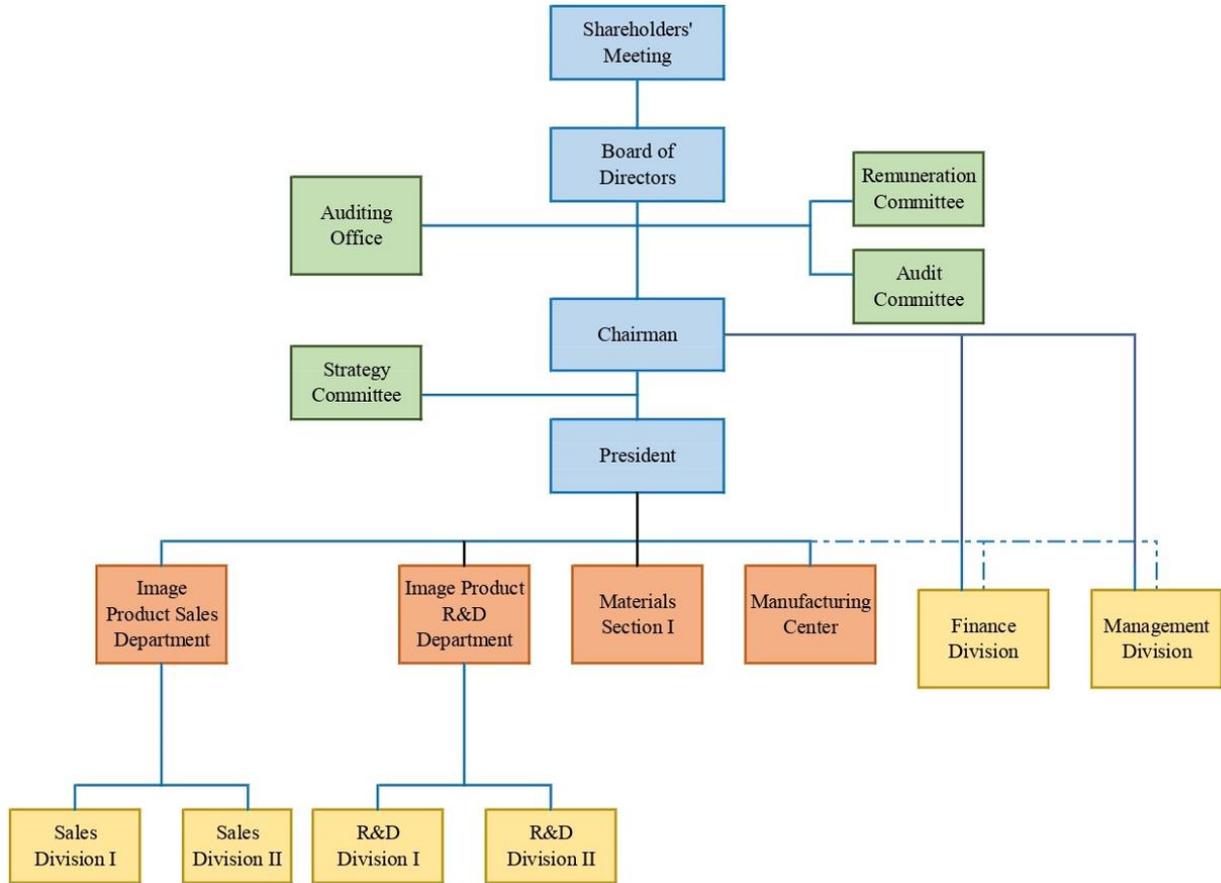
- 1998 - The Company was founded in Wenshan District, Taipei City. The registered capital was NTD 40 million and the paid-in capital was NTD 10 million.
- 1999 - The Company moved to Xizhi City, Taipei County.
- The cash capital increase was NTD 50 million and the paid-in capital was NTD 60 million.
- 2000 - The cash capital increase was NTD 300 million and the paid-in capital reached NTD 360 million.
- The Company then carried out supplemental public issuance.
- The Company moved to Xindian City, Taipei County.
- The Company obtained the ISO9001 certificate.
- 2001 - The Company entered into the “Development Project of New Leading Products” agreement with the Industrial Development Bureau, Ministry of Economic Affairs.
- 2002 - The Company finished a complete strategic alliance arrangement in the CIS industry with global leading manufacturers and customers.
- The English name of the Company was changed to “CREATIVE SENSOR INC.”
- The cash capital increase was NTD 140 million and the paid-in capital reached NTD 500 million.
- A subsidiary was founded in Wuxi, China the support the Company's marketing strategy and low production cost.
- The cash capital increase was NTD 200 million and the paid-in capital reached NTD 700 million.
- 2003 - The Company developed a 2400 DPI High Resolution Chromatic CIS. It was the first developed and mass-produced leading model of 2400 DPI in the market.
- 2004 - Inauguration of Wuxi 2nd factory in China.
- The Company obtained the ISO14001 certificate.
- 2005 - The Company received approval from the Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan for listing as a public company.
- The first domestic unsecured convertible corporate bonds amounting to NTD 200 million were issued.
- The Company invested and founded a subsidiary in the USA.
- 2006 - The Company obtained the qualification of business operation headquarters.
- The Company obtained the TS16949 quality system certificate in the automobile industry.
- Successful mass production of the world's first liquid lens.
- 2007 - The Company invested in and founded the NanChang Creative Sensor Technology Co., Ltd.
- The Company obtained the technology research and development project from the Ministry of Economic Affairs (research and development project of autofocus liquid lens module).
- 2008 - Opening of NanChang Creative Sensor Technology Co., Ltd.
- 2009 - Wuxi Creative Sensor Technology Co., Ltd. passed the high-tech enterprise certification.
- 2010 - Part of the ELCC new packaging process for sensors entered the mass production stage.
- 2012 - NanChang Creative Sensor Technology Co., Ltd. passed the high-tech enterprise certification.
- 2013 - The Company received the 2012 best quality award for suppliers from Brother.
- 2014 - The Company received the 2013 remarkable supplier award from Epson.
- The Company moved to Neihu District, Taipei City.

- 2015 - The company received the 2015 remarkable quality and process supplier award from HP.
- 2016 - The Company received the 2016 quality advancement supplier award from HP.
- The Company received the 2016 quality advancement award from Samsung.
- The Company received the 2016 remarkable supplier award from Brother.
- The Company received the 2016 remarkable supplier award from Epson.
- 2017 - Successfully developed infrared thermal imaging ceramic packaging technology.
Successfully developed independent sensor light sources and it entered mass production.
- 2018 - Successfully developed 660mm automatic optical inspection module.
- 2019 - Successfully integrated thermal imaging driving ASIC and sensor, developed thermal imaging module2020
- 2020 - Received the appreciation award from HP for supplier's assistance during the pandemic period
- 2021 - Successfully developed the AI for temperature measurement software used for crowd disease prevention including face/mask identification.
- 2022 - The Company received the 2021 outstanding supplier award from Brother.

Three. Corporate Governance Report

I. Organization System

(I) Organization structure



(II) Responsibilities of Main Departments:

Department	Responsibilities and Duties
Auditing Office	Review and evaluate the Company's internal control system, establish and revise internal audit system, and periodically execute audits on various company's internal management system operations and prepare reports.
Strategy Committee	<ol style="list-style-type: none"> 1. Responsible for identifying and evaluating new strategic investment targets. 2. Responsible for the preparation and planning of new business development strategies.
President's Office	Plan and establish the Company's vision, business policies, and medium and long-term development strategies.
Image Product Sales Department	<ol style="list-style-type: none"> 1. Responsible for the promotion of optoelectronic product business development, customer development and maintenance, collect and analyze market information as well as product development and design. 2. Establish the Company's marketing strategies according to the company's strategy direction, market information, and customer demands. 3. Management of customer information, quotations and orders, sales report and control of RMA progress. 4. Shipping notice issuance, sales return customer contact, and follow-up. 5. Development of testing system and established a repair system. 6. Collection of information of product market trends and technologies etc. as well as analysis and responsive strategies.
Image Product R&D Department	<ol style="list-style-type: none"> 1. Responsible for the research and development as well as business development of new products. 2. Development, design and specification establishment of new products. 3. Implementation and introduction of new technologies and new suppliers, and planning for reduction of production costs.
Manufacturing Center	<ol style="list-style-type: none"> 1. Production goal management, production operation process evaluation planning and execution. 2. Manufacturing process technical evaluation, planning and design, coordination and resolution of various manufacturing process issues. 3. Establishment and management of quality activities, factory equipment maintenance, occupational safety, and environmental protection.
Finance Division	<ol style="list-style-type: none"> 1. Manage financial, accounting, cost, investments and board of directors related affairs of the entire company. 2. Responsible for the investment analysis, budget management, operation performance analysis and strategy recommendations, business planning.
Management Division	<ol style="list-style-type: none"> 1. Manage human resources, general administration, asset management, legal, stock affairs and information management affairs etc. for the entire company. 2. Provide necessary support and service to all departments to improve operational performance.

II. Information Concerning the Directors, General Managers, Vice Presidents, Assistant Vice Presidents, and Department and Branch Managers

(I) Directors

1. Information of Directors

April 2, 2023

Title	Nationality or Place of Registration	Name	Gender Age	Date of Election (Appointment)	Term (years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shares Held in the Name of Other Persons		Education and Selected Past Positions	Other Current Positions within the Company and in Other Companies	Executives, Directors or Supervisors who are Spouses or Within Two Degrees of Kinship			Remarks
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Chairman	Republic of China	TECO Image Systems Co., Ltd.		July 9, 2021	3	June 20, 2003	21,928,260	17.26%	28,906,260	19.39%	0	0	0	0	Chairman and president of TECO Image Systems Co., Ltd.	(Note 1)	None	None	None	
	Japan	Representative: Yu-Jen Huang	Male 51-60 years old	July 9, 2021	3	June 20, 2003	0	0.00%	150,000	0.10%	0	0	0	0	CEO of TECO Group, IT Business Unit M.E.E. of Columbia University		None	None	None	
Vice Chairman	Republic of China	TECO Image Systems Co., Ltd.		July 9, 2021	3	June 20, 2003	21,928,260	17.26%	28,906,260	19.39%	0	0	0	0	Sales Director of Sunplus Technology Co., Ltd. MBA of Keio University		None	None	None	
	Republic of China	Representative: Chi-Chang Yang	Male 51-60 years old	July 9, 2021	3	October 22, 2019	0	0.00%	118,209	0.08%	0	0	0	0	Sales Director of Sunplus Technology Co., Ltd. MBA of Keio University		None	None	None	
Director	Republic of China	Koryo Electronics Co., Ltd.		July 9, 2021	3	June 14, 2006	3,787,000	2.98%	5,701,000	3.82%	0	0	0	0	President, Universal Cement Corporation PhD in Electrical Engineering,		None	None	None	
	Republic of China	Representative: Chih-Sheng Hou	Male 41-50 years old	March 13, 2023	3	March 13, 2023	0	0.00%	0	0.00%	0	0	0	0	Massachusetts Institute of Technology		None	None	None	

Director	Republic of China	Koryo Electronics Co., Ltd.		July 9, 2021	3	June 13, 2012	3,787,000	2.98%	5,701,000	3.82%	0	0	0	0	Partner, Cheng & Ku Law Firm Master of Intellectual Property Law, Franklin Pierce Law Center (U.S.A.)	None	None	None	
	Republic of China	Representative: Mu-Yao Ku	Male 51-60 years old	July 9, 2021	3	July 9, 2021	0	0.00%	0	0.00%	0	0	0	0		None	None	None	
Independent Director	Republic of China	Hsiu-Ming Wang	Male 61-65 years old	July 9, 2021	3	June 16, 2009	0	0.00%	0	0.00%	0	0	0	0	Chairman of Ming Shing Creativity Management Consultant Co., Ltd. MBA, University of Leicester	None	None	None	
Independent Director	Republic of China	Shih-Ing Huang	Female 41-50 years old	July 9, 2021	3	July 9, 2021	0	0.00%	0	0.00%	0	0	0	0	Independent Director, Uni Pharma Co., Ltd. Independent Director, M31 Technology Corporation PhD in Financial Management, Guangzhou Jinan University	None	None	None	
Independent Director	Republic of China	Yun-Hsiang Hsiao	Male 51-60 years old	November 29, 2022	3	November 29, 2022	0	0.00%	0	0.00%	0	0	0	0	Chairman, Taoyuan City Autism Association Management Group, In-Service Master's Program, School of Business, Kainan University	None	None	None	

Note 1: Other current positions within the Company and in other companies thereof

Title	Name	Other Current Positions within the Company and in Other Companies	
Chairman	Yu-Jen Huang	Chairman:	Creative Sensor Inc.; TECO Image Systems Co., Ltd.; TECO Pro-Systems (JiangXi) Co., Ltd.
		Director:	Independent Director of Genetics Generation Advancement Corp.; Wuxi Creative Sensor Technology Co., Ltd.; NanChang Creative Sensor Technology Co., Ltd.; Creative Sensor (USA) Co.; Creative Sensor Co., Ltd. (HK); Creative Sensor Inc. (BVI)
		Others:	Chief Strategist, Creative Sensor Inc.; Chief Strategist, TECO Image Systems Co., Ltd.
Vice Chairman	Chi-Chang Yang	Chairman:	Sun Semiconductor Corporation
		Director:	NanChang Creative Sensor Technology Co., Ltd.; Wuxi Creative Sensor Technology Co., Ltd.; Creative Sensor (USA) Co.
Director	Chih-Sheng Hou	Director:	Universal Cement Corporation, Tainan Spinning Co., Ltd., Universal Cement Investment Co., Ltd.
		Supervisor:	Huanchung Cement International Corporation, Lio Ho Machine Works Ltd.
Director	Mu-Yao Ku	Director:	Independent Director of Lotus Pharmaceutical Co., Ltd., Hua VI Venture Capital Corporation; You Jin Management Consulting Co., Ltd.; Chu Xi Investment Co., Ltd. Fuli Commercial Co., Ltd.
		Supervisor:	Shanghai Koryo Electronics Co., Ltd.; Lien Chen Limited; Ecwin Green Energy Technology Co., Ltd.
		Others:	Partner, Cheng & Ku Law Firm
Independent Director	Hsiu-Ming Wang	Chairman:	Ming Shing Creativity Management Consultant Co., Ltd.
		Director:	FIT Holding Co., Ltd.; Independent Director of King Yuan Electronics Co., Ltd.
		Supervisor:	Kuo Kuang Power Co., Ltd.
		Others:	Director, Taiwan Electrical and Electronic Manufacturers' Association
Independent Director	Shih-Ing Huang	Director:	Independent Director, Uni Pharma Co., Ltd.; Independent Director, M31 Technology Corporation; Independent Director, Alliance Material Co., Ltd.
		Others:	CPA Partner, Zhixin Co., CPAs
Independent Director	Yun-Hsiang Hsiao	Others:	Chairman, Taoyuan City Autism Association Founding Chairman, Hutoushan Lions Clubs, Taoyuan City Placement Committee Member, Committee for the Identification and Placement of Students with Physical and Mental Disabilities in Senior High Schools, Department of Education, Taoyuan

2. Names of top 10 institutional shareholders and shareholding percentage

Major shareholders of institutional shareholders

April 2, 2023

Institutional Shareholder	Major Shareholders of Institutional Shareholders
TECO Image Systems Co., Ltd.	Creative Sensor Inc. (29.69%); Koryo Electronics Co., Ltd. (10.15%); Tien Da Investment Co., Ltd. (9.75%); An-Fu International Investment Co., Ltd. (9.41%), Tong-An Investment Co., Ltd. (7.28%), TECO International Investment Co., Ltd. (5.67%); Guang Yuan Industrial Co., Ltd. (4.24%); Hong--Li, Chen(1.44%); An-Tai International Investment Co., Ltd. (1.13%); Employee Stock Ownership Trust Asset Account of TECO Image Systems Co., Ltd. managed by CTBC Bank in trust (0.94%)
Koryo Electronics Co., Ltd.	TECO Image Systems Co., Ltd. (19.29%); Creative Sensor Inc. (19.07%); Multilite International Co., Ltd. (11.30%); Chuan-Fu Lu (10.95%); Tien Da Investment Co., Ltd. (9.82%) Tse-Hang Yang (2.91%); Joyce Worldwide Ltd. (2.91%); Lin-Ho-Hui Huang (2.22%); Jing-Feb Yang(2.06%); Mao-Hsiung Huang (0.94%)

Major shareholders of the major shareholders who are juristic persons

April 2, 2023

Name of Juristic Person	Major Shareholders of the Juristic Person
Tien Da Investment Co., Ltd.	Creative Sensor Inc. (29.85%); Koryo Electronics Co., Ltd. (27.27%); TECO Image Systems Co., Ltd. (25.17%); Lien Chang Electronic Enterprise Co., Ltd. (9.79%); Multilite International Co., Ltd. (6.99%); Victron Technology Co., Ltd. (0.92%)
An-Fu International Investment Co., Ltd.	Yuban International Investment Co., Ltd. (35%); Tung-Kuang Investment Co., Ltd. (31%); An-Shin Food Services Co., Ltd. (30%); Guang Yuan Industrial Co., Ltd. (4%)
Tong-An Investment Co., Ltd.	TECO Electric & Machinery Co., Ltd. (99.6%); An-Tai International Investment Co., Ltd. (0.2%); TECO International Investment Co., Ltd. (0.2%)
TECO International Investment Co., Ltd.	TECO Electric & Machinery Co., Ltd. (100%)
Guang Yuan Industrial Co., Ltd.	Ho-Hui Huang Lin (51.58%); Tung-Kuang Investment Co., Ltd. (34.46%); Hong Kong Mingye Investment Co., Ltd. (10%); Tong Ho Global Investment Co., Ltd. (0.74%); Others (3.22%)
An-Tai International Investment Co., Ltd.	TECO Electric & Machinery Co., Ltd. (100%)
Multilite International Co., Ltd.	Guang Yuan Industrial Co., Ltd. (22.28%); Joyce Investment Corp. (18.38%); Joyce Worldwide Ltd. (15.19%); Mao-Hsiung Huang (10.04%); Tung Kuang Investment Co., Ltd. (9.88%); Hsin-Pei Lin (5.11%); Li-Chun Chang (3.80%); Ho-Hui Huang Lin (3.74%); Li-Yu Chang (3.74%); Ping-Yen Chang (2.27%)
Joyce Investment Corp.	Ming Zheng Investment Co., Ltd. (75.75%), Kai Yue Industrial Co., Ltd. (17.25%); Others (7%)

3. Disclosure of information on the professional qualifications of Directors and independence of Independent Directors

Name	Qualifications	Professional Qualifications and Experience (Note 1)	Compliance with Independence Criteria (Note 2)	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Yu-Jen Huang, Chairman	1. Refer to "Information of Directors" on page 7	Not applicable	1	
Chi-Chang Yang, Vice Chairman	for the professional qualifications and		0	
Chih-Sheng Hou, Director	experience of Directors.		0	
Mu-Yao Ku, Director	2. No Director meets conditions specified in Article 30 of the Company Act.		1	
Hsiu-Ming Wang, Independent Director	1. Refer to "Information of Directors" on page 7 for the professional qualifications and experience of	All Independent Directors meet the criteria specified below: 1. Compliance with related regulations in Article 14-2 of the Securities and Exchange Act and "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" promulgated by the Financial Supervisory Commission 2. They (or with shares held in the name of others), their spouses, or underage children do not hold shares of the Company 3. They did not provide business, legal, financial, or accounting services provided for the Company or its affiliates or receive compensation for such services in the last two years	1	
Shih-Ing Huang, Independent Director	Directors.		3	
Yun-Hsiang Hsiao, Independent Director	2. No Director meets conditions specified in Article 30 of the Company Act.		0	

Note 1: A person who is under any of the following circumstances shall not act as a managerial personnel of a company. If he has been appointed as such, he shall be dismissed ipso facto:

1. Having committed an offence as specified in the Statute for Prevention of Organizational Crimes and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or five years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
2. Having committed the offence in terms of fraud, breach of trust or misappropriation and subsequently convicted with imprisonment for a term of more than one year, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
3. Having committed the offense as specified in the Anti-corruption Act and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
4. Having been adjudicated bankrupt or adjudicated of the commencement of liquidation process by a court, and having not been reinstated to his rights and privileges;
5. Having been dishonored for unlawful use of credit instruments, and the term of such sanction has not expired yet; or
6. Having no or only limited disposing capacity.
7. Having been adjudicated of the commencement of assistantship and such assistantship having not been revoked yet.

Note 2:

1. Not a government agency, juristic person, or its representative as specified in Article 27 of the Company Act.
2. Does not serve as an independent director in more than three other public companies.
3. During the two years before being elected or during the term of office, an independent director may not have been or be any of the following:
 - (1) An employee of the Company or any of its affiliates.
 - (2) A director or supervisor of the company or any of its affiliates.
 - (3) A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
 - (4) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial personnel under subparagraph (1) or any of the persons in subparagraphs (2) or (3).
 - (5) A director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27 of the Company Act.
 - (6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company.

- (7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution.
- (8) A director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
- (9) A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NTD 500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee.

4. Diversity of the Board of Directors:

To strengthen corporate governance and ensure the sound development of the composition and structure of the Board of Directors, the Company established the "Corporate Governance Best Practice Principles", which state that the composition of the Board of Directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as company officers not exceed one-third of the total number of the board members, and that an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:

- I. Basic requirements and values: Gender, age, nationality, and culture.
- II. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

All members of the board shall have the knowledge, skills, and experience necessary to perform their duties.

To achieve the ideal goal of corporate governance, the Board of Directors as a whole shall possess the following abilities:

- I. Ability to lead.
- II. Ability to make policy decisions.
- III. An international market perspective.
- IV. Knowledge of the industry.
- V. Ability to conduct crisis management.
- VI. Ability to conduct management administration.
- VII. Ability to perform accounting and financial analysis.
- VIII. Ability to make operational judgments.
- IX. Environmental sustainability.
- X. Social engagement.

Management Target

The Board of Directors of the Company shall direct company strategies, supervise the management, and be responsible to the Company and shareholders. The Board of Directors shall comply with all laws and regulations, the provisions of the Articles of Incorporation, and the operations and arrangements for corporate governance to ensure the performance of its duties. The members of the Company's Board of Directors shall have the knowledge, skills, knowledge of the industry, and decision-making and management skills necessary to perform their duties. The Company has established the following diverse management objectives to attain the functional objectives of the Board of Directors.

- (I) Gender diversity with a target of at least one female director.
- (II) Discipline diversity with talents for at least four of the core items including management, leadership and decision making, knowledge of the industry, accounting, and financial analysis.

Implementation status of the diversity policy

- The seven members of the Board of Directors of the Company includes one female director.
- Of the three Independent Directors, two have served for less than three years and one has served for three to six years. Of all directors of the Company, one is between 61 and 65 years old, four are between 51 and 60 years old, and two are between 41 and 50 years old, which represent a wide distribution of directors by age group.
- The academic qualifications of the current seven Directors include a master's degree in electrical engineering, master's degree in economic research, master's degree in intellectual property rights, and PhD degree in financial management. Each Director has a different professional background. The Directors Yu-Jen Huang, Chi-Chang Yang, Chih-Sheng Hou, Mu-Yao Ku and Yun-Hsiang Hsiao specialize in business judgments, leadership and decision making, management, crisis management, environmental sustainability, and international market perspective. The Directors Shih-Ing Huang also have accounting and financial analysis expertise. The Director Hsiu-Ming Wang has experience in relevant industries.
- The members of the Company's Board of Directors have complementary academic qualifications and expertise as well as diversity in terms of their disciplines and gender, which meet the target set in the Company's diversity policy for the Board of Directors.

Independence of the Board of Directors:

The Company's goal is to ensure that Independent Directors account for at least one third of all Directors, Directors who are also managers of the Company should not exceed one third of all Directors, and no more than two Directors of the Company have a spousal or familial relationship within the second degree of kinship with any other Director. The Company's seven Directors come from diverse backgrounds, including different industries, academic, and legal professional backgrounds, including one female Director. Among the seven Directors, three are Independent Directors who account for more than one third of all Directors. In addition, Directors do not have spousal or familial relationships within the second degree of kinship with any other Director. Therefore, the Board of Directors of the Company retains its independence. The implementation status of the diversity policy for board members is shown in the table below:

Title	Chairman	Vice Chairman	Director	Director	Independent Director	Independent Director	Independent Director
Name	Yu-Jen Huang	Chi-Chang Yang	Chih-Sheng Hou	Mu-Yao Ku	Hsiu-Ming Wang	Yun-Hsiang Hsiao	Shih-Ing Huang
Gender	Male	Male	Male	Male	Male	Male	Female
Nationality	Japan	Republic of China	Republic of China	Republic of China	Republic of China	Republic of China	Republic of China
Age	51-60	51-60	41-50	51-60	61-65	51-60	41-50
Concurrent role as company employee	v	v					
Professional knowledge and skills							
Business	v	v	v	v	v	v	v
Technology	v	v	v		v		
Financial/accounting							v
Law				v			
Marketing	v	v	v		v	v	
Information security				v		v	v
Skills and experience							
Leadership abilities	v	v	v	v	v	v	v
Decision-making abilities	v	v	v	v	v	v	v
International market perspective	v	v	v	v	v	v	v
Industry knowledge	v	v	v		v		
Crisis management abilities	v	v	v	v	v	v	v
Business management abilities	v	v	v	v	v	v	v
Accounting and financial analysis abilities	v						v
Ability to make sound business judgments	v	v	v	v	v	v	v
Environmental sustainability	v	v	v	v	v	v	v
Social engagement	v	v	v	v	v	v	v

(II) Information concerning the president, vice presidents, assistant vice presidents, and department and branch managers

April 2, 2023

Title	Nationality	Name	Gender	Date of Election (Appointment)	Shareholding		Spouse & Minor Shareholding		Shares Held in the Name of Other Persons		Education and Selected Past Positions	Other Current Positions in Other Companies	Managers who are Spouses or Relatives Within the Second Degree of Kinship			Remarks
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Chief Strategist	Japan	Yu-Jen Huang (Note 1)	Male	April 26, 2022	150,000	0.10%	0	0	0	0	Chairman and president of TECO Image Systems Co., Ltd. CEO of TECO Group, IT Business Unit M.E.E. of Columbia University	(Note 7)	None	None	None	
Acting President	Republic of China	Chi-Chang Yang	Male	November 9, 2015	118,209	0.08%	0	0	0	0	Sales Director of Sunplus Technology Co., Ltd. MBA of Keio University	(Note 7)	None	None	None	
Vice President	Republic of China	Hsien-Fu Hsiao (Note 2)	Male	November 2, 2022	0	0	0	0	0	0	President, NanChang Creative Sensor Technology Co., Ltd. Post-doctoral research, Georgia Institute of Technology	None	None	None	None	
Assistant Vice President	Republic of China	Hung-Chi Chen (Note 3)	Male	February 15, 2017	30,790	0.02%	0	0	0	0	President, NanChang Creative Sensor Technology Co., Ltd. Department of Electronic Engineering, Hwa Hsia University of Technology	None	None	None	None	
Assistant Vice President	Republic of China	Chi-Wen Chen (Note 4)	Male	March 18, 2020	0	0	0	0	0	0	Assistant Vice President, Foxlink Co., Ltd. American Graduate School of International Management	(Note 7)	None	None	None	
Assistant Vice President	Republic of China	Shao-Yang Wu	Male	December 30, 2020	0	0	0	0	0	0	Chief Operating Officer of Asia Air Precision Technology Ltd. Department of Mechanical Engineering, National Central University	None	None	None	None	
Director	Republic of China	Chun-Mei Yen (Note 5)	Female	July 6, 2018	164,806	0.11%	0		0	0	Deputy Director, TECO Image Systems Co., Ltd. Department of Accounting, Fu-Jen Catholic University	(Note 7)	None	None	None	

Senior Manager	Republic of China	Chien-Chung Hung	Male	November 9, 2021	50,000	0.03%	0	0	0	0	Director, Paonan Biotech Co., Ltd. Department of Accounting, Fu-Jen Catholic University	None	None	None	None	
Manager	Republic of China	Chi-Ping Lin (Note 6)	Female	March 13, 2023	50,000	0.03%	0	0	0	0	Deputy Manager, Creative Sensor Inc. Department of Accounting, Ming Chuan University	None	None	None	None	
Corporate Governance Officer	Republic of China	Chiao-Pei Mai	Female	November 9, 2021	30,000	0.02%	5,000	0.003%	0	0	Senior Management Specialist, Taiwan Mobile Master of International Business, National Taiwan University	None	None	None	None	

Note 1: Yu-Jen Huang was appointed as the Chief Strategist on April 26, 2022.

Note 2: Hsien-Fu Hsiao was appointed as Vice President on November 2, 2022.

Note 3: Hung-Chi Chen was reassigned from his position as Assistant Vice President to Advisor on September 27, 2022.

Note 4: Chi-Wen Chen was reassigned from his position as Assistant Vice President to Advisor on September 27, 2022.

Note 5: Chun-Mei Yen was reassigned from her position as Director to Advisor on March 13, 2023.

Note 6: Chi-Ping Lin was appointed as Accounting Manager on March 13, 2023.

Note 7: Other current positions within the Company and in other companies

Title	Name	Other Current Positions within the Company and in Other Companies	
Chief Strategist	Yu-Jen Huang	Chairman:	TECO Image Systems Co., Ltd., TECO Pro-Systems (JiangXi) Co., Ltd.
		Director:	Independent Director of Genetics Generation Advancement Corp., Wuxi Creative Sensor Technology Co., Ltd.; NanChang Creative Sensor Technology Co., Ltd., Creative Sensor (USA) Co., Creative Sensor Co., Ltd. (HK), Creative Sensor Inc. (BVI)
		Others:	Chief Strategist, TECO Image Systems Co., Ltd.
Acting President	Chi-Chang Yang	Chairman:	Sun Semiconductor Corporation
		Director:	Wuxi Creative Sensor Technology Co., Ltd.; NanChang Creative Sensor Technology Co., Ltd.; Creative Sensor (USA) Co.
Director	Chun-Mei Yen	Director:	NanChang Creative Sensor Technology Co., Ltd.
Assistant Vice President	Chi-Wen Chen	Director	Creative Sensor (USA) Co

(III) Remuneration paid to directors, supervisors, presidents, and vice presidents in the most recent year

1. Remuneration of Directors and Independent Directors

Unit: NTD thousands

No.	Title	Name	Remuneration to Directors								Sum of A, B, C, and D as percentage of net income (%)		Remuneration in the capacity as employees								Sum of A, B, C, D, E, F and G as percentage of net income (%)		Compensation from investees or parent company other than subsidiaries received
			Remuneration (A)		Pension (B)		Remuneration to Directors (C)		For professional practice (D)				Salary, bonuses and special allowances (E)		Pension (F)		Employee compensation (G)						
			The Company	All companies in the Financial Report	The Company	All companies in the Financial Report	The Company	All companies in the Financial Report	The Company	All companies in the Financial Report	The Company	All companies in the Financial Report	The Company	All companies in the Financial Report	The Company	All companies in the Financial Report	Cash	Stock	Cash	Stock	The Company	All companies in the Financial Report	
1	Chairman	TECO Image Systems Co., Ltd.	667	667	0	0	14,574	14,574	455	490	15,696 (4.36%)	15,731 (4.37%)	18,824	18,824	0	0	2,008	0	2,008	0	36,528 (10.16%)	36,563 (10.17%)	16,514
2		Representative: Yu-Jen Huang																					
3	Vice Chairman	TECO Image Systems Co., Ltd.																					
4		Representative: Chi-Chang Yang																					
5	Director	Koryo Electronics Co., Ltd.																					
6		Representative: En-Kuo Wang																					
7	Independent Director	Hsiu-Ming Wang																					
8	Independent Director	Shih-Ing Huang																					
9	Independent Director	En-Hsin Hsiao (Note 1)																					
10	Independent Director	Yun-Hsiang Hsiao (Note 2)																					

Note 1: The Independent Director En-Hsin Hsiao resigned on June 24, 2022.

Note 2: The Independent Director Yun-Hsiang Hsiao was appointed on November 29, 2022.

Breakdown of remuneration

Breakdown of Remuneration to Directors	Name of Director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All companies in the Financial Report	The Company	All investees included in the financial statements
Under NTD 1,000,000	9, 10	9, 10	9, 10	9, 10
NTD 1,000,000 (inclusive) to NTD 2,000,000 (exclusive)	7, 8	7, 8	7, 8	7, 8
NTD 2,000,000 (inclusive) to NTD 3,500,000 (exclusive)	3, 5, 6	3, 5, 6	6	6
NTD 3,500,000 (inclusive) to NTD 5,000,000 (exclusive)	2	2	5	5
NTD 5,000,000 (inclusive) to NTD 10,000,000 (exclusive)	1, 4	1, 4	1, 3, 4	1, 3, 4
NTD 10,000,000 (inclusive) to NTD 15,000,000 (exclusive)	—	—	2	2
NTD 15,000,000 (inclusive) to NTD 30,000,000 (exclusive)	—	—	—	—
NTD 30,000,000 (inclusive) to NTD 50,000,000 (exclusive)	—	—	—	—
NTD 50,000,000 (inclusive) to NTD 100,000,000 (exclusive)	—	—	—	—
Over NTD 100,000,000	—	—	—	—
Total	10	10	10	10

* Expressed by each Director No.

* Remuneration disclosed herein is different from the term “income” as defined in the Income Tax Act; this table is for information disclosure, and not for taxation purposes.

2. Remuneration to Presidents and Vice Presidents

Unit: NTD thousands

No.	Title	Name	Salary (A)		Pension (B) (Note 1)		Bonuses and special allowances (C)		Employee compensation (D)				Sum of A, B, C, and D as percentage of net income (%)		Quantity of shares entitled under employee stock option		Quantity of new restricted employee shares		Compensation from investees or parent company other than subsidiaries received	
			The Company	All companies in the Financial Report	The Company	All companies in the Financial Report	The Company	All companies in the Financial Report	The Company		All companies in the Financial Report		The Company	All companies in the Financial Report	The Company	All companies in the Financial Report	The Company	All companies in the Financial Report		
									Cash dividends	Stock dividends	Cash dividends	Stock dividends								
1	Chairman and Chief Strategist	Yu-Jen Huang (Note 1)																		Yes
2	Vice Chairman and Acting President	Chi-Chang Yang	7,104	7,104	0	0	10,366	10,366	2,007	0	2,007	0	19,477 5.42%	19,477 5.42%	0	0	0	0	No	
3	Vice President	Hsien-Fu Hsiao (Note 2)																	No	

Note 1: Yu-Jen Huang started serving concurrently as the Chief Strategist on April 26, 2022.

Note 2: Hsien-Fu Hsiao was appointed as Vice President on November 2, 2022.

Breakdown of remuneration

Breakdown of Remuneration to Presidents and Vice Presidents	Names of Presidents and Vice Presidents	
	The Company	All companies in the Financial Report
Under NTD 1,000,000	3	3
NTD 1,000,000 (exclusive) to NTD 2,000,000 (exclusive)	—	—
NTD 2,000,000 (exclusive) to NTD 3,500,000 (exclusive)	—	—
NTD 3,500,000 (exclusive) to NTD 5,000,000 (exclusive)	2	2
NTD 5,000,000 (exclusive) to NTD 10,000,000 (exclusive)	1	1
NTD 10,000,000 (exclusive) to NTD 15,000,000 (exclusive)	—	—
NTD 15,000,000 (exclusive) to NTD 30,000,000 (exclusive)	—	—
NTD 30,000,000 (exclusive) to NTD 50,000,000 (exclusive)	—	—
NTD 50,000,000 (exclusive) to NTD 100,000,000 (exclusive)	—	—
Over NTD 100,000,000	—	—
Total	1.2.3	1.2.3

* Expressed by each managerial personnel No.

* Remuneration disclosed herein is different from the term “income” as defined in the Income Tax Act; this table is for information disclosure, and not for taxation purposes

3. Name of the managerial personnel whom the employee remuneration was allocated to, and status of the allocation

Unit:NTD thousands

	Title	Name	Stock dividends	Cash dividends	Total	Total amount as percentage of net income after tax (%)
Managerial personnel	Vice Chairman and Acting President	Chi-Chang Yang	0	11,725 (Estimated)	11,725 (Estimated)	3.26%
	Chairman and Chief Strategist	Yu-Jen Huang (Note 2)				
	Vice President	Hsien-Fu Hsiao (Note 3)				
	Assistant Vice President	Chi-Wen Chen (Note 4)				
	Assistant Vice President	Hung-Chi Chen (Note 5)				
	Assistant Vice President	Shao-Yang Wu				
	Director	Chun-Mei Yen (Note 6)				
	Senior Manager	Chien-Chung Hung				
	Manager	Chi-Ping Lin (Note 7)				
	Corporate Governance Officer	Chiao-Pei Mai				

Note 1: Please specify the employee remuneration allocated to managerial personnel (including stock dividend and cash dividend) upon resolution by the Board of Directors meeting in the most recent year. If it is impossible to forecast the same, please calculate the amount allocated based on the allocation percentage adopted last year. The net income after tax refers to the net income after tax for the most recent year.

Note 2: Yu-Jen Huang started serving concurrently as the Chief Strategist on April 26, 2022.

Note 3: Hsien-Fu Hsiao was appointed as Vice President on November 2, 2022.

Note 4: Chi-Wen Chen was reassigned from his position as Assistant Vice President to Advisor on September 27, 2022.

Note 5: Hung-Chi Chen was reassigned from his position as Assistant Vice President to Advisor on September 27, 2022.

Note 6: Chun-Mei Yen was reassigned from her position as Director to Advisor on March 13, 2023.

Note 7: Chi-Ping Lin was appointed as Accounting Manager on March 13, 2023.

(IV) Specify and compare the remuneration to Directors, Supervisors, Presidents, and Vice Presidents of the Company paid by the Company and companies included in the consolidated financial statements in proportion to the net income after tax referred to in the individual financial statements or consolidated financial statements in the past two (2) years, and specify the policies, standards, combinations, procedure of

decision-making of remuneration and their relation to business performance and future risk.

1. The remuneration to Directors, Supervisors, Presidents, and Vice Presidents of the Company paid by the Company and companies included in the individual financial statements in proportion to the net income after tax referred to in the individual financial statements or consolidated financial statements in the past two (2) years is stated as following:

Title	The remuneration to Directors, Supervisors, Presidents, and Vice Presidents of the Company paid by the Company and companies included in the standalone financial statements in proportion to the net income after tax referred to in the individual financial statements in 2021.	The remuneration to Directors, Supervisors, Presidents, and Vice Presidents of the Company paid by the Company and companies included in the standalone financial statements in proportion to the net income after tax referred to in the individual financial statements in 2022.
Director	13.02%	13.02%
Supervisor		
President		
Vice President		

2. The policies, standards, combinations, procedure of decision-making of remuneration and their relation to business performance and future risks

The Company paid remuneration to directors and supervisors in accordance with the Company's Articles of Incorporation. Meanwhile, the Company's Remuneration Committee established the "Regulations Governing Allocation of Remuneration to Directors" to govern the allocation of remuneration to the Company's directors, which have been passed upon resolution by the Company's Board of Directors meeting. The remuneration and salary paid to the Company's managerial personnel were based on their business performance, the standard prevailing in the same trade and relation to future risk, and reviewed by the Company's Remuneration Committee members, allocated in accordance with the regulations governing salary, bonus and reward, and authorized by the Chairman of Board authorized by the Company's Board of Directors.

III. Status of Corporate Governance

(I) Operation of the Board of Directors

In 2022, the 9th Board of Directors convened 9 meetings. The attendance of Directors is summarized as follows:

Title	Name	Actual attendance (B)	Attendances by proxy	Actual attendance rate (B/A) (%)	Remarks
9th Board of Directors (term: July 9, 2021 to July 8, 2024)					
Chairman	TECO Image Systems Co., Ltd. Representative: Yu-Jen Huang	9	0	100	Attendance required for 9 meetings
Vice Chairman	TECO Image Systems Co., Ltd. Representative: Chi-Chang Yang	9	0	100	Attendance required for 9 meetings
Director	Koryo Electronics Co., Ltd. Representative: En-Kuo Wang	9	0	100	Attendance required for 9 meetings
Director	Koryo Electronics Co., Ltd. Representative: Mu-Yao Ku	9	0	100	Attendance required for 9 meetings
Independent Director	Hsiu-Ming Wang	9	0	100	Attendance required for 9 meetings
Independent Director	Shih-Ing Huang	9	0	100	Attendance required for 9 meetings
Independent Director	En-Hsin Hsiao	3	0	100	Resigned on June 24, 2022 (Attendance required for 3 meetings)
Independent Director	Yun-Hsiang Hsiao	1	0	100	Elected in by-election on November 29, 2022, newly elected (Attendance required for 1 meeting)
Other items to be stated:					
I. Board of Directors meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, opinions of all Independent Directors and the Company's resolution of said opinions:					
(I) The circumstances referred to in Article 14-3 of the Securities and Exchange Act: None applied to the 8th Board of Directors. The Company has established the Audit Committee starting from the 9th Board of Directors.					

Therefore, the requirements in Article 14-3 of the Securities and Exchange Act do not apply. Please refer to the Operations of the Audit Committee in the Annual Report for detailed information.

(II) Any other resolution(s) passed but with Independent Directors voicing opposing or qualified opinions on the record or in writing: None.

II. Directors recusing himself/herself due to a conflict of interest:

1. 9th Board of Directors 14th meeting (April 26, 2022)

Name of Director: Chairman Yu-Jen Huang

Proposal Content: Appointment of senior executives.

Reason for recusal of conflict of interest and voting participation status: Chairman Yu-Jen Huang left the meeting temporarily without participation in the discussion and voting.

Resolution: Except for Chairman Yu-Jen Huang who recused himself due to conflict of interest. The proposal was approved as proposed by the rest of the attending Directors.

2. 9th Board of Directors 15th meeting (May 11, 2022)

Name of Director: Chairman Yu-Jen Huang and Vice Chairman Chi-Chang Yang

Proposal Content: The Company's buyback of shares for transfer to employees in 2022.

Reason for recusal of conflict of interest and voting participation status:

The Chairman Yu-Jen Huang and Vice Chairman Chi-Chang Yang left the meeting temporarily without participation in the discussion and voting.

Resolution: Except for Chairman Yu-Jen Huang and Vice Chairman Chi-Chang Yang who recused themselves due to conflict of interest, the proposal was approved as proposed by the rest of the attending Directors.

III. The company listed on TWSE/TPEX shall disclose the evaluation cycle and duration, scope of evaluation, methodology, and evaluation contents of the evaluation of the Board of Directors: The Company's Board of Directors passed the "Regulations for Performance Evaluation of the Board of Directors" on December 16, 2019 and has executed the performance evaluation of the Board of Directors, individual Directors, and functional committees since 2020. Refer to the Board of Directors Evaluation Execution Status for details of the 2022 evaluation.

IV. Measures undertaken during the current year and most recent year to strengthen the functions of the Board of Directors (such as the establishment of an audit committee and improvement of information transparency, etc.) and assessment of their implementation:

1. In addition to the appropriate number of hours of continuing education each year, each director may also take a variety of courses in areas outside his or her professional field.

(II) Board of Directors Evaluation Execution Status

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Executed once a year	January 1, 2022 - December 31, 2022	Performance Evaluation of Board of Directors, Individual Board Members and Functional Committees	"Board of Directors Performance Self-Evaluation Questionnaire" for Internal Self-evaluation of Board of Directors	The "Board of Directors Performance Self-Evaluation Questionnaire" measurement items include the five aspects of participation level in the Company's operation, an increase in decision making quality of the Board of Directors, composition and structure of the Board of Directors, election and continuing education of directors, and internal control.

< 2022 Board of Directors Performance Evaluation Result >

(1) Board of Directors as a whole:

Scope of Assessment	Number	Score
A. Level of participation in the Company's operations	12	24.8
B. Improvement of the quality of the Board of Directors' decision making	12	26.1
C. Composition and structure of the Board of Directors	7	14.3
D. Election and continuing education of Directors	7	14.0
E. Internal control	7	14.9
Total	45	94.2

(2) Individual Board Members:

Scope of Assessment	Number	Score
A. Knowledge of the goals and mission of the Company	3	12.8
B. Awareness of the duties of a Director	3	13.0
C. Level of participation in the Company's operations	8	33.3
D. Management of internal relationship and communication	3	12.4
E. Director's professionalism and continuing education	3	12.0
F. Internal control	3	12.5
Total	23	96.1

(3) Functional committees:

Scope of Assessment	Number	Score
A. Level of participation in the Company's operations	4	16.4
B. Knowledge of the duties of the functional committee	7	28.1
C. Improvement of the quality of the functional committee's decision making	7	28.9
D. Composition of the functional committee and election of its members	3	11.9
E. Internal control	3	11.7
Total	24	96.9

(III) Information on the operation status of the Audit Committee:

(1) The main function of the Audit Committee is to supervise the following matters:

- Fair presentation of the financial reports of the Company.
- Evaluation of the appointment (dismissal) of the CPA and his/her independence and performance.
- Effective implementation of the internal control system of the Company.
- Compliance with relevant laws and regulations by the Company.
- Management of the existing or potential risks of the Company.

(2) The powers of the Committee are as follows:

- Adoption or amendment of internal control systems pursuant to Article 14-1 of the Securities and Exchange Act.
- Evaluation of the effectiveness of internal control systems.
- Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.
- A matter involving the personal interest of Directors.
- A material asset or derivatives transaction.
- A major monetary loan, endorsement, or provision of guarantee.
- The offering, issuance, or private placement of equity-type securities.
- The hiring or dismissal of an attesting CPA, or the compensation given thereto.
- The appointment or discharge of a financial, accounting, or internal auditing officer.
- Annual financial reports and second quarter financial reports that must be audited and attested by a CPA, which are signed or sealed by the chairperson, managerial personnel, and accounting officer.
- Any other material matter so required by the company or the Competent Authority.

(3) The Audit Committee of the Company has 3 members.

(4) Term of office: July 9, 2021 till the expiry of the term of the Board of Directors that appointed the members of the Committee. The Audit Committee convened 10 meetings (A) in the most recent year as of the publication date of the Annual Report. The qualifications and attendance of members are as follows:

Title	Name	Actual attendance (B)	Attendances by proxy	Actual attendance rate (B/A) (%)	Remarks
Convener/ Independent Director	Shih-Ing Huang	10	0	100	Attendance required for 10 meetings
Independent Director	Hsiu-Ming Wang	10	0	100	Attendance required for 10 meetings

Independent Director	En-Hsin Hsiao	4	0	100	Resigned on June 24, 2022 (Attendance required for 4 meetings)
Independent Director	Yun-Hsiang Hsiao	3	0	100	Elected on November 29, 2022 (Attendance required for 3 meetings)

Other items to be stated:

I. The date of the meeting of the Audit Committee, the term, contents of the proposals, objections, qualified opinions, and important recommendations of Independent Directors, resolutions of the Audit Committee, and the Company's handling of the resolutions of the Audit Committee shall be specified under any of the following circumstances in the operations of the Audit Committee.

(I) Items listed in Article 14-5 of the Securities and Exchange Act.

Audit Committee Date and Term	Proposal Content	Audit Committee Resolution	The Company's response to the opinions of the Audit Committee
January 26, 2022 1st term 8th meeting	Chiu-Chen Lin, a Supervisor of the 8th Board of Directors, filed a civil suit against the Chairman Yu-Jen Huang for losses and damages on behalf of the Company. Ms. Lin is no longer authorized to represent the Company and the Independent Directors of the current Board of Directors are set to take over this case.	Passed as proposed by all members of the Committee in attendance.	Passed as proposed by all members of the Board of Directors in attendance on January 26, 2022, and passed as proposed in the first special shareholders' meeting in 2021.
March 17, 2022 1st term 9th meeting	1. Approved the Company's 2021 business report and financial statements. 2. Approved the Company's 2021 earnings distribution. 3. Approved the Company's 2021 "Statement on Internal Control System". 4. Approved the Company's replacement of the certifying CPA for financial statements.	Passed as proposed by all members of the Committee in attendance.	Passed as proposed by all members of the Board of Directors in attendance on March 17, 2022.
April 26 1st term 10th meeting	1. Approved the amendment of the Company's 2021 earnings distribution.	Passed as proposed by all members of the Committee in attendance.	Passed as proposed by all members of the Board of Directors in attendance on April 26, 2022.

	2. Approved the amendment to the "Procedures for Acquisition or Disposal of Assets" of the Company.		
May 9, 2022 1st term 11th meeting	1. Approved the Q1 2022 consolidated financial statements. 2. Approved the Internal Control System Review Report. 3. Approved the Company's buyback of shares for transfer to employees in 2022. 4. Approved the motion to amend the Company's "Corporate Social Responsibility Best Practice Principles". 5. Approved the disposal of securities.	Passed as proposed by all members of the Committee in attendance.	Passed as proposed by all members of the Board of Directors in attendance on May 11, 2022.
August 3, 2022 1st term 12th meeting	1. Approved the Q2 2022 consolidated financial statements. 2. Approved the 2022 bank financing contract.	Passed as proposed by all members of the Committee in attendance.	Passed as proposed by all members of the Board of Directors in attendance on August 3, 2022.
September 21, 2022 1st term 13th meeting	Chiu-Chen Lin, a Supervisor of the 8th Board of Directors, filed a civil suit against the Chairman Yu-Jen Huang for losses and damages on behalf of the Company. As Ms. Lin is no longer authorized to represent the Company, all Independent Directors resolved to take over the case proceedings in the 8th meeting of the 1st-term Audit Committee on January 26, 2022. They proposed to discuss the withdrawal of the suit in this meeting.	Passed as proposed by all members of the Committee in attendance.	Passed as proposed by all members of the Board of Directors in attendance on September 21, 2022.
November 2, 2022 1st term 14th meeting	1. Approved the 2023 audit plan. 2. Approved the Q3 2022 consolidated financial statements.	Passed as proposed by all members of the Committee in attendance.	Passed as proposed by all members of the Board of Directors in attendance on November 2, 2022.

<p>December 21, 2022 1st term 15th meeting</p>	<ol style="list-style-type: none"> 1. Approved the Company's 2023 budget. 2. Approved the Company's 2023 bank financing contract. 3. Approved the evaluation of the independence and competence of the Company's certifying CPAs. 4. Approved the proposal for the Company's appointment of the CPA firm for 2023 and its remuneration. 5. Approved the "Internal Material Information Handling Operation Procedure". 6. Passed the amendment of "CT-11 Management for Preventing Insider Trading". 	<p>Passed as proposed by all members of the Committee in attendance.</p>	<p>Passed as proposed by all members of the Board of Directors in attendance on December 21, 2022.</p>
<p>February 3, 2023 1st term 16th meeting</p>	<ol style="list-style-type: none"> 1. Approved the amendment of "CT-08 Management of the Preparation Process of Financial Statements". 2. Passed the Company's Investment Project A. 	<p>Passed as proposed by all members of the Committee in attendance.</p>	<p>Passed as proposed by all members of the Board of Directors in attendance on February 3, 2023.</p>
<p>March 13, 2023 1st term 17th meeting</p>	<ol style="list-style-type: none"> 1. Approved the Company's 2022 business report and financial statements. 2. Approved the Company's 2022 earnings distribution. 3. Approved the Company's 2022 "Statement on Internal Control System". 4. Approved the Company's buyback of shares for transfer to employees. 5. Approved the appointment of senior executives. 6. Approved the Company's Internal Control System Review Report. 	<p>Passed as proposed by all members of the Committee in attendance.</p>	<p>Passed as proposed by all members of the Board of Directors in attendance on March 13, 2023</p>

(II) Except for the aforementioned matters, other resolutions which were not approved by the Audit Committee but passed in a resolution by more than two thirds of all Directors: None.

II. For the recusal of Independent Directors to motions due to conflicts of interests, the name of the

Independent Director, content of the motion, reason for recusal, and participation of the resolution shall be listed: No such circumstances.

III. Communications between the Independent Directors, the Company's chief internal auditor and CPAs (information should include the material items, methods and results of audits of corporate finance or operations, etc.).

1. The chief auditor submitted an audit report to the Independent Directors in the month after the completion of the audit of items and attended the regular Audit Committee meeting to report the auditing matters. No Independent Director expressed dissent.
2. Communication between Independent Directors and the Company's chief internal auditor is as follows:

Audit Committee Date and Term	Communication Item	Communication Results
March 17, 2022 1st term 9th meeting	Audit report.	Acknowledged by all Independent Directors in attendance
	2021 "Statement of Internal Control System".	Reviewed and passed by all Independent Directors, and submitted to the Board of Directors for resolution
April 26, 2022 1st term 10th meeting	Audit report.	Acknowledged by all Independent Directors in attendance
May 9, 2022 1st term 11th meeting	Audit report.	Acknowledged by all Independent Directors in attendance
	Internal Control System Review Report	Reviewed and passed by all Independent Directors, and submitted to the Board of Directors for resolution
August 3, 2022 1st term 12th meeting	Audit report.	Acknowledged by all Independent Directors in attendance
November 2, 2023 1st term 14th meeting	Audit report.	Acknowledged by all Independent Directors in attendance

(IV) Status of corporate governance, deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons for such deviations

Scope of Assessment	Status			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
I. Has the Company established and disclosed the governance practice principles according to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has approved the amendment of the “Corporate Governance Best Practice Principles” in the 22nd meeting of the 9th Board of Directors’ Meeting (February 3, 2023) and has disclosed it in the Market Observation Post System and on the Stakeholders section of the Company’s website.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
II. Equity structure and shareholders’ rights of the Company (I) Has the Company defined some internal operating procedure to deal with suggestions, questions, disputes and legal actions from shareholders, and implemented the procedure? (II) Does the Company have the list of the major shareholders who actually control the Company and the persons who control the major shareholders?	✓ ✓		(I) The Group has established the shareholder service and spokesperson systems. The spokesperson or the acting spokesperson will handle the suggestions, questions, and disputes from the shareholders. Relevant matters have been handled in accordance with the internal operating procedures. (II) The Group reports on a monthly basis any change of the shareholding status of the Directors, Supervisors, managerial personnel, and shareholders who hold more than 10% of the shares in the Market Observation Post System designated by the competent authority according to Article 25 of the Securities and Exchange Act.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
(III) Has the Company established or implemented some risk control and firewall mechanisms between the Company and its affiliates?	✓		(III) The Group has established the “Regulations Governing Operations Related to Financial Transactions with Affiliated Companies” to ensure sound financial transactions with affiliated companies and the prevention of any abnormality or	

<p>(IV) Has the Company established internal regulations to prohibit Company insiders from using information not available to the market to trade securities?</p>	<p>✓</p>		<p>improper transfer of benefits between affiliated companies in sales and purchasing transactions, acquisition and disposal of assets, endorsements and guarantees, and loans.</p> <p>(IV) We have established the “Management Procedures for Prevention of Insider Trading” and “Code of Ethical Conduct for Directors and Managers” to prohibit Company insiders from using information not available to the market to trade securities. Insiders of the Company may not trade shares during the closed period of 30 days prior to the publication of the annual financial reports and 15 days prior to the publication of the quarterly financial reports. They also serve as the basis for the handling and disclosing mechanism of our important information to prevent the occurrence of insider trading.</p>	
<p>III. Composition and responsibilities of Board of Directors</p> <p>(I) Has the Company formulated a policy of diversity for the formation of the Board of Directors and implemented it thoroughly?</p>	<p>✓</p>		<p>(I) The Group has specified the board member composition diversity policy in the “Corporate Governance Best-Practice Principles,” and the Company elects directors with the knowledge, skills, and qualifications necessary for execution of duties according to the professional background and field. All board members are elites from the industry and academic sectors such that in addition to sufficient experience in corporate governance and industrial technologies, they also have expertise in finance, financial affairs, and accounting. Board members attend board meetings and perform</p>	<p>In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies</p>

			supervision and understand the execution of operational plans. Please refer to "Diversity and independence of the Board of Directors" on page 14 for the Company's specific management targets and implementation status.	
(II) Is the Company, in addition to establishing the remuneration committee and audit committee, pursuant to laws, willing to voluntarily establish any other functional committees?		✓	(II) The Group has established the Remuneration Committee, and established the Audit Committee after the election of the Directors in the shareholders' meeting in 2021. The Company shall establish other functional committees based on future requirements.	
(III) Has the Company established guidelines for evaluating the performance of the Board of Directors and conducted regular performance evaluations every year? Does the Company submit results of evaluations to the Board of Directors and use results as the basis for the salary, remuneration, nomination and reappointment of individual Directors?		✓	(III) To improve the function and operation efficiency of the Board of Directors, the Board of Directors passed the "Regulations for Performance Evaluation of Board of Directors" on December 16, 2019, specifying that the performance evaluation must be completed before the end of the first quarter of the following year. The performance evaluation report of the Board of Directors, individual Directors, and functional committees for 2022 was reported to the 23rd meeting of the 9th Board of Directors. Refer to "Board of Directors Evaluation Execution Status" for details.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
(IV) Does the Company assess the CPAs for their independence on a regular basis?		✓	(IV) The Company evaluates the independence and competence of the CPAs regularly every year, examining whether they are shareholders or have received a salary from the Company to	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies

			<p>ensure they are not our stakeholders. We also ensure that they are not involved in any lawsuit. The Company also obtains the declaration of independence and Audit Quality Indicators (AQIs) issued by the CPA. The financial and accounting department of the Company conducts the preliminary review on the independence and competence of the CPAs, and it is then reported to the Board of Directors for approval. CPAs are replaced periodically based on the adjustments of the accounting firm. Refer to Appendix 1 for the 2022 evaluation procedures.</p>	
<p>IV. Does the TWSE/TPEX listed company set up designated (concurrent) corporate governance units or personnel responsible for related matters (including but not limited to providing information required for Directors and Supervisors to perform their duties, handling matters related to Board of Directors' and shareholders' meetings, dealing with company and change registration, and making minutes of the Board of Directors' and shareholders' meetings, etc.)?</p>	✓		<p>The Group resolved in the 11th meeting of the 9th Board of Directors on November 9, 2021 to appoint Chiao-Pei Mai as the Corporate Governance Officer to take charge of related corporate governance affairs. The main responsibilities include handling matters related to Board of Directors' meetings and shareholders' meetings according to the laws, preparing meeting minutes of the Board of Directors' meetings and shareholders' meetings, assisting assumption of office and continuing education of Directors, providing documents necessary for Directors to perform duties, assisting Directors in legal compliance, and enhancing the functions of the Board of Directors.</p>	<p>In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies</p>

<p>V. Does the Company establish channels for communication with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), design special web pages for the stakeholders on the website, and appropriately respond to important CSR issues of interest to the stakeholders?</p>	<p>✓</p>		<p>The Group has appointed a spokesperson, acting spokesperson, and shareholder service personnel. We also publish contact information on our website to communicate directly with stakeholders, providing them knowledge on our operational status. The “Stakeholder” page was set up on the Company's website.</p>	<p>In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies</p>
<p>VI. Does the Company commission a professional registrar to deal with the affairs of shareholders' meetings?</p>	<p>✓</p>		<p>The Group entrusted the professional stock affairs to the Stock Affairs Agency Department of Yuanta Securities Co., Ltd. (Tel: (02) 2586-5859, Address: B1, No. 210, Sec. 3, Chengde Rd., Datung Dist., Taipei City) to handle various stock affairs on behalf of the Company.</p>	<p>In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies</p>
<p>VII. Information disclosure (I) Has the Company built a website to disclose the financial and corporate governance information of the Company?</p>	<p>✓</p>		<p>(I) The Group has set up a website to disclose financial and corporate governance information. URL of the Company's website: http://www.csi-sensor.com.tw</p>	<p>In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies</p>
<p>(II) Does the Company use other information disclosure methods (e.g., English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, and the broadcasting of investor conferences via the company website)? (III) Does the Company publish and report its annual financial report within two months after the end of a fiscal</p>	<p>✓</p>		<p>(II) The Group has established an English website (http://www.csi-sensor.com.tw/index.php/en). We also designated personnel responsible for collecting and announcing all kinds of information and implement the spokesperson system. (III) The Group publicly announces and reports the annual financial statements (within three months), the first, second, and third</p>	<p>In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies There are minor deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” but the</p>

<p>year, and publish and report its financial reports for the first, second, and third quarters as well as its operating status for each month ahead of schedule before the specified deadline?</p>			<p>quarter financial statements (within 45 days) and the business status of each month (before the 10th of each month) according to the time limits specified in Article 36 of the Securities and Exchange Act. Presently, the Group is temporarily unable to publicly announce and report the annual financial report within two months after each fiscal year. The 2022 financial statements have been publicly announced and reported on March 31, 2023.</p>	<p>Company meets the requirements set in the Securities and Exchange Act.</p>
<p>VIII. Does the Company have additional important information that is helpful to understand the operation of the corporate governance (including but not limited to the interests and care of employees, investor relationships, supplier relationships, rights of stakeholders, continuing education of Directors and Supervisors, implementation of risk management policies and risk assessment standards, implementation of customer policies, and liability insurance coverage for Directors and Supervisors)?</p>	<p>✓</p>		<p>(1) Employee interests and care of employees: We have always treated our employees sincerely. We have developed positive relationships with our employees through all kinds of employee welfare measures and training courses. Please refer to the “Relations Between Laborers and Employer” of this annual report for details. (2) Investor Relations: The Company set up the investor relations page on its website to provide access to information of the Group to investors. We also have set up a spokesperson mailbox to process shareholders’ suggestions. (3) Supplier relations: The Company always maintains a good relationship with suppliers. (4) Rights of stakeholders: Stakeholders can communicate with the Company and provide advice to protect their legal rights. (5) Continuing Education for Directors and Supervisors: The Directors and Supervisors have taken continuing education courses in accordance with the “Directions for the</p>	<p>In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies</p>

			<p>Implementation of Continuing Education for Directors and Supervisors of TWSE and TPEX Listed Companies” (Note).</p> <p>(6) Implementation status of risk management policies and risk assessment standards: Please refer to the “Risk Assessment Evaluation” description of this annual report for details.</p> <p>(7) Implementation of customer policies: We always maintain stable and good relationships with our customers to create profits for the Company.</p> <p>(8) Liability insurance coverage for Directors and Supervisors: The Company has bought liability insurance for all Directors and Supervisors.</p>
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IX. Please specify the status of the improvement made, based on the corporate governance assessment report released by the Corporate Governance Center of TWSE in the most recent year, and the priority corrective actions and measures for any issues that are yet to be rectified. (Not required, if the Company is not included in the companies to be evaluated.)

In 2022, the status of improvements already made by the Company was as follows: (1) Specified in the "Management for Preventing Insider Trading" that insiders of the Company may not trade shares during the closed period of 30 days prior to the publication of the annual financial reports and 15 days prior to the publication of the quarterly financial reports. (2) Continue to update issues of concern and communication results in the stakeholders section on the Company's website.

Note:1. Directors and Supervisors' Continuing Education in 2022

Title	Name	Course date	Organizing agency	Course name	Course hours
Chairman	Yu-Jen Huang	December 22, 2022	Taiwan Investor Relations Institute	Green Digital Transformation	3
		December 28, 2022	Corporate Operation and Sustainable Development Association	Launch of Corporate Governance Roadmap 3.0 in Taiwan	3
Vice Chairman	Chi-Chang Yang	December 22, 2022	Taiwan Investor Relations Institute	Green Digital Transformation	3
Director	En-Kuo Wang	December 21, 2022	Taiwan Investor Relations Institute	Problematic Canceled Orders: How to Process Semi-Finished Products and Materials	3
		December 22, 2022	Taiwan Investor Relations Institute	Green Digital Transformation	3
Director	Mu-Yao Ku	August 3, 2022	Taiwan Corporate Governance Association	Obligations and Responsibilities of Companies, Directors, and Supervisors under the Securities and Exchange Act	3
		August 3, 2022	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulations	3
Independent Director	Shih-Ing Huang	June 21, 2022	Securities and Futures Institute	Training commissioned by Uni Pharma Co., Ltd. - Advanced Seminar on the Operations of Directors, Supervisors (including Independent Directors) and Corporate Governance Officers - Trade Secrets and Non-Compete for Directors and Supervisors	3
		September 29, 2022	Taiwan Stock Exchange Corporation	Publication and Communication Seminar of Directors and Supervisors for the Guidelines for Independent Directors and Audit Committee in the Exercise of Their Duties	3
Independent Director	Hsiu-Ming Wang	January 11, 2022	Securities and Futures Institute	Advanced Seminar on the Operations of Directors, Supervisors (including Independent Directors) and Corporate	3

				Governance Officers - Corporate Merger Case Studies - Hostile Takeovers	
		April 22, 2022	Taiwan Institute for Sustainable Energy	Taishin Transformation to Net Zero by 2030 (3 hours)	3
Independent Director	Yun-Hsiang Hsiao	December 20, 2022	The Business Development Foundation of the Chinese Straits	Review of Corporate Business Policies and Performance by Directors and Supervisors	3
		December 20, 2022	Accounting Research and Development Foundation	Taxation and Case Studies of Controlled Foreign Company (CFC)	3
		December 26, 2022	Accounting Research and Development Foundation	Corporate Ethics and Sustainable Development	3
		December 28, 2022	Corporate Operation and Sustainable Development Association	Launch of Corporate Governance Roadmap 3.0 in Taiwan	3

2. Continuing education of managerial personnel

Title	Name	Course date	Organizing agency	Course name	Course hours
Director	Chun-Mei Yen	August 29, 2022	Accounting Research and Development Foundation	Professional Development Course for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12
		December 22, 2022	Taiwan Investor Relations Institute	Green Digital Transformation	3
		December 28, 2022	Corporate Operation and Sustainable Development Association	Launch of Corporate Governance Roadmap 3.0 in Taiwan	3
Senior Manager	Chien-Chung Hung	December 22, 2022	Taiwan Investor Relations Institute	Green Digital Transformation	3
		December 28, 2022	Corporate Operation and Sustainable Development Association	Launch of Corporate Governance Roadmap 3.0 in Taiwan	3
Corporate Governance Officer	Chiao-Pei Mai	June 22, 2022	Securities and Futures Institute	Advanced Seminar on the Operations of Directors, Supervisors (including Independent Directors) and Corporate Governance Officers	12
		July 19, 2022	Taiwan Corporate Governance Association	Carbon Management Trends and Response Measures for Attaining Net Zero	3
		October 25, 2022	Taiwan Corporate Governance Association	Interpretation of Judgments on Corporate Governance: Responsibilities of Directors	3
		December 22, 2022	Taiwan Investor Relations Institute	Green Digital Transformation	3
		December 28, 2022	Corporate Operation and Sustainable Development Association	Launch of Corporate Governance Roadmap 3.0 in Taiwan	3

Appendix 1: Report on the Evaluation of the independence and competence of the Company's certifying CPAs

According to the regulations in the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", the Company is required to evaluate the independence and competence of CPAs periodically (once every year). The Company thus evaluated the independence and competence of CPAs Po-Chuan Lin and Chun-Yao Lin of PwC Taiwan and did not discover any matter that may affect the independence and competence of the certifying CPAs.

Evaluation of the independence and competence of the Company's certifying CPAs are as follows:

I. Independence evaluation					
Item No.	Evaluation content	Yes	No	Not applicable	Remarks
01	Does the CPA, or the spouse or a minor child thereof, have an investment relationship with the Company?	V			
02	The CPA, or the spouse or a minor child thereof, does not engage in financing or guarantee related to the Company.	V			
03	The CPA or members of the audit service team do not have shareholding or investment relationship with the Company.	V			Verified by the Company and the shareholder stock affairs service provider in December 2022.
04	The CPA or members of the audit service team do not serve as the Company's Director, Supervisor, managerial personnel, or positions that may have significant impact on the audit.	V			The Company obtained the Independence Statement issued by the certifying CPAs of PwC Taiwan and the results are specified therein in December 2022.
05	The CPA or members of the audit service team do not act as an intermediary for the stocks or other securities issued by the Company.	V			
06	The CPA or members of the audit service team do not serve as a defense counsel of the Company or represents the Company in mediating conflicts with third parties.	V			
07	The CPA or members of the audit service team do not have familial relationships with the Company's Director, Supervisor, managerial personnel, or personnel in positions that may have significant impact on the audit.	V			
08	No CPA in the same CPA firm that has resigned within the past year has served as	V			

	the Company's Director, Supervisor, managerial personnel, or other positions that may have significant impact on the audit.				
09	The CPA or members of the audit service team have not received gifts of significant value or special preferential treatment from the Company, its managerial personnel, or major shareholders.	V			
10	The CPA has not engaged in routine work at the Company or received fixed salary from the Company.	V			
11	The CPA has recused him/herself and declined to provide service if he/she has a direct or significant indirect relationship with or interest in a matter he/she is appointed to perform that may affect his/her fairness and independence.			V	There have been no cases where the CPA has a direct or significant indirect relationship with or interest in a matter he/she is appointed to perform that may affect his/her fairness and independence.
12	The CPA has not provided auditing services to the Company for a duration of more than seven consecutive years.	V			CPA Po-Chuan Lin is providing services for the first year this year and CPA Chun-Yao Lin is providing services for the third year this year. No such conditions occurred.

I. Independence evaluation

Item No.	Evaluation content	Yes	No	Not applicable	Remarks
13	Members of the audit service team, other CPAs of the firm, shareholders of the firm, the firm, and the affiliate enterprises or joint CPA firms of the firm have also maintained independence from the Company.	V			
14	The Company has obtained the formal written independence report produced by the certifying CPA firm.	V			PwC Taiwan issued the Independence Statement on November 22, 2022.
15	The CPA maintains a fair and objective attitude when providing professional services and prevents bias or conflicts of interest from affecting his/her professional judgment.	V			
16	The CPA's firm does not have business collaboration relationships with the	V			

	Company's Group.				
17	The CPA's firm does not have litigation relationships with the Company's Group?	V			
II. Competence evaluation					
Item No.	Evaluation content	Yes	No	Not applicable	Remarks
01	The CPA has not been disciplined by the CPA Discipline Committee in the last two years. The CPA firm is not currently involved or has been involved in significant litigation in the last two years.	V			
02	The CPA has the expertise to provide professional advice and training services to the firm and provides information on regulatory updates in a timely manner.	V			The CPA has the expertise to provide consultation and training services to the firm.
03	The CPA has the experience and expertise in the relevant industry sector to perform his or her duties.	V			The CPA has several years of audit experience and expertise in the relevant industry sector.
04	The CPA firm has sufficient scale, resources, and regional coverage to process corporate audit services and meet the auditing requirements of the Company.	V			PwC Taiwan is one of the top four accounting firms in China. It has an excellent reputation and currently has no significant litigation.
05	The CPA firm has created specific quality control procedures to ensure the quality of financial reports.	V			PwC Taiwan implements strict quality control policies to ensure quality.
06	The CPA firm and its personnel have performed their confidentiality obligations with respect to the Company's confidential information, particularly personal information.	V			The firm and its personnel have fulfilled their confidentiality obligations and there have been no related disputes.
Overall evaluation conclusion:					
Based on the aforementioned evaluation results, there has been no incident that affected the independence and competence of the Company's certifying CPAs.					

(IV) If the Company has established the Remuneration Committee, the composition, responsibilities, and operations of the Remuneration Committee shall be disclosed

1. Information about members of the Remuneration Committee

Title	Criteria Name	Professional qualifications and experience	Compliance with Independence Criteria	Number of positions as a Remuneration Committee Member in other public listed companies
Independent Director (Convener)	Hsiu-Ming Wang	Please refer to "Disclosure of information on the professional qualifications of Directors and independence of Independent Directors" on page 14.		2
Independent Director	Shih-Ing Huang			3
Independent Director	En-Hsin Hsiao (Note 1)			2
Independent Director	Yun-Hsiang Hsiao (Note 2)			0

Note 1: The Committee Member En-Hsin Hsiao resigned on June 24, 2022.

Note 2: The Committee Member Yun-Hsiang Hsiao was appointed on September 21, 2022.

2. Duties of the Remuneration Committee

The Remuneration Committee shall faithfully fulfill the following functions and powers with the duty of a good manager according to procedures, and submits recommendations to the Board of Directors for discussion:

- (1) Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors, supervisors and managerial personnel.
- (2) Periodically evaluate and prescribe the remuneration of directors, supervisors, and managerial personnel.

3. Information on the operation status of the Remuneration Committee

I. The Company's 5th Remuneration Committee consists of 3 members.

II. The term of the current members: From July 9, 2021 to the expiration date of the term of office of the appointee in such term of board of directors. The Remuneration

Committee of **this term** convened 5 meetings (A) in 2022 and the qualification of the members and their attendance status are described below:

Title	Name	Actual attendance (B)	Attendances by proxy	Actual attendance rate (%) (B/A) (Note)	Remarks
Convener	Hsiu-Ming Wang	5	0	100%	Re-elected
Committee Member	Shih-Ing Huang	5	0	100%	Re-elected
Committee Member	En-Hsin Hsiao	3	0	100%	Resigned on June 24, 2022 (Attendance required for 3 meetings)
Committee Member	Yun-Hsiang Hsiao	2	0	100%	Appointed on September 21, 2022 (Attendance required for 2 meetings)

Other items to be stated:

- I. If the Board of directors does not adopt or revise the Remuneration Committee's proposals, date, period, motion contents, and resolution decisions of the board meeting as well as the method in which the Company handles the Remuneration Committee's opinions shall be disclosed in detail (e.g., if the salary rate passed by the Board of Directors is superior to that proposed by the remuneration committee, the differences and reasons shall be explained): None.
- II. If the members of the Remuneration Committee have any dissenting opinion or qualified opinions on the resolutions of the Remuneration Committee, where such opinions are documented or issued through written statements, the date and session of the meeting of the Remuneration Committee, resolutions, all the members' opinions and handling of these opinions should be stated: None.

Remuneration Committee	Committee Member in Attendance	Proposal Content and Subsequent Handling	Resolution	Response to the Opinions of the Remuneration Committee
5th term 4th meeting March 17, 2022	Hsiu-Ming Wang, Convener Shih-Ing Huang, Committee Member En-Hsin Hsiao, Committee Member	The Company's 2021 remuneration distribution proposal for Directors and employees was filed for discussion.	Proposal approved by all members of the Committee.	Submitted to the Board of Directors' meeting and approved by all attending Directors
5th term 5th meeting	Hsiu-Ming Wang,	The recommendation of the salary and	Proposal approved by all	Submitted to the Board of Directors' meeting

April 26, 2022	Convener Shih-Ing Huang, Committee Member En-Hsin Hsiao, Committee Member	remuneration for the Company's Chief Strategist was filed for discussion.	members of the Committee.	and approved by all attending Directors
5th term 6th meeting May 9, 2022	Hsiu-Ming Wang, Convener Shih-Ing Huang, Committee Member En-Hsin Hsiao, Committee Member	1. The proposal for the review of the buyback and transfer of treasury stock to managers and employees was filed for discussion. 2. The proposal for the "talent retention incentive" to the Company's managers was filed for discussion. 3. The renaming and amendment of the "Regulations for the Issuance of Bonuses to Legal Representatives Assigned to Affiliates" was filed for discussion.	Proposal approved by all members of the Committee.	Submitted to the Board of Directors' meeting and approved by all attending Directors.
5th term 7th meeting November 2, 2022	Hsiu-Ming Wang, Convener Shih-Ing Huang, Committee Member Yun-Hsiang Hsiao, Committee Member	The recommendation of the salary and remuneration for the Company's newly appointed Vice President Mr. <u>Hsien-Fu Hsiao</u> was submitted for discussion.	Proposal approved by all members of the Committee.	Submitted to the Board of Directors' meeting and approved by all attending Directors.
5th term 8th meeting March 13, 2023	Hsiu-Ming Wang, Convener Shih-Ing Huang, Committee Member Yun-Hsiang Hsiao, Committee Member	1. The Company's 2022 remuneration distribution proposal for Directors and employees was filed for discussion. 2. The proposal for the review of the buyback and transfer of treasury stock to managers and employees was filed for discussion. 3. The proposal for the "talent retention incentive" to the Company's managers was filed for discussion.	Proposal approved by all members of the Committee.	Submitted to the Board of Directors' meeting and approved by all attending Directors.

		4. The recommendation of the salary and remuneration for the Company's Accounting Manager was filed for discussion.		
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(V) Discrepancies between the implementation of social responsibility status and the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons

Implementation Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
I. Has the Company set up a governance structure for sustainable development, established an exclusively (or concurrently) dedicated unit to implement sustainable development, and have senior executives appointed by the Board of Directors to be in charge of corporate social responsibility and to report the implementation status to the Board of Directors?		✓	I. The Group has not yet set up a dedicated unit to implement sustainable development. For now, each department promotes sustainable development within the scope of its functions.	Setup depending on the operation status and scale of the Company
II. Does the Company implement the risk assessment of environmental, social, and corporate governance issues related to corporate operation and establish relevant risk management policies or strategies based on the principle of materiality?		✓	II. Currently, the Group has only established the environmental analysis and risk control procedures to perform the analysis of the Company’s operational environmental internal and external factors, and the identification of risks and opportunities.	Setup depending on the operation status and scale of the Company
III. Environmental issues (I) Has the Company established environmental policies suitable for characteristics of the industry?	✓		(I) The Group does not have any production activity in Taiwan. The production activity of oversea subsidiaries in China have passed all the inspections conducted by the environmental agencies and no air, water, waste, poison, noise and other hazardous elements that damage the environment are produced.	In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies

<p>(II) Is the Company committed to improving the efficiency of the use of resources and using recycled materials which have a low impact on the environment?</p> <p>(III) Does the company assess the potential risks and opportunities of climate change for its current and future operations and undertake response measures with respect to climate change?</p> <p>(IV) Has the Company analyzed the statistics of greenhouse gas emission, water usage and waste total weight over the past years, and has the Company established policies for energy saving, carbon reduction, greenhouse emission reduction, reduction of water usage or other waste management?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>The department that is responsible for the matters related to environmental management regularly reviews on whether the Company complies with related environmental regulations.</p> <p>(II) The Group endeavors to promote the efficient use of available resources. We also sort, recycle, and reduce waste to increase the environmental awareness for protecting the Earth.</p> <p>(III) The Group's air conditioner system has a timer setting, and the subsidiaries overseas set up the operating regulations based on temperature. We also encourage employees to save energy and reduce carbon emissions by turning off lights when leaving and recycling waste.</p> <p>(IV) The Group currently has not analyzed the statistics of greenhouse gas emission, water consumption and waste total weight. However, the air conditioners of the Group have the timer settings for shutdown and we also encourage employees to avoid using disposable tableware or other disposable items that generate waste.</p>	<p>Setup depending on the operation status and scale of the Company</p>
<p>IV. Social issues</p> <p>(I) Does the Company develop management policies in accordance with relevant regulations and international human rights conventions?</p>	<p>✓</p>		<p>(I) The Company supports and voluntarily complies with the United Nations Universal Declaration of Human Rights, United Nations Global Compact, Conventions of the International Labour Organization, and other international human rights</p>	<p>In compliance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies</p>

<p>(II) Has the Company established and implemented reasonable employee welfare measures (including remuneration, leave and other welfare etc.), and has the Company appropriately reflected the operation performance or outcome in the remuneration of employees?</p>	<p>✓</p> <p>✓</p>	<p>conventions to fulfill corporate social responsibilities and protect the basic human rights of employees, suppliers, and partners. We prohibit all infringements and violations of human rights to ensure that all individuals receive fair and dignified treatment. We comply with labor regulations of the places of operations, establish human rights protection and labor policies, and implement related measures to protect the legal rights of employees. We offer equitable and fair opportunities for employment, remuneration and benefits, training, performance evaluation, and promotions. We also provide effective and suitable complaint mechanisms to prevent and respond to issues that harm employee rights and interests. We organize human rights training to enhance and improve the human rights awareness of employees and stakeholders.</p> <p>(II) The Company has established the work rules and relevant personnel management regulations to specifically regulate the remuneration, working hours, leave, pension payment, labor and health insurance payment, occupational disaster compensation etc. for employees in compliance with the labor law. in addition, the Company also established the Employee</p>	
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			<p>Welfare Committee to handle welfare affairs. The Company pays close attention to the diversity in the workplace. Female employees account for approximately 43% of the employees and 17% of senior executives. The performance bonus system of the Company is linked to the contribution of an individual to the Company and to the overall business operation in order to provide reasonable incentives and rewards.</p>	
<p>(III) Does the Company provide a safe and healthy work environment for its employees? Does the Company regularly provide its employees with safety and health education?</p>	<p>✓</p>		<p>(III) The Group established the “Safety and Health Work Rules” and other regulations and operating procedures. We commission external contractors to implement monthly labor safety and health inspections, biannual drinking water inspection, and annual lighting, fire control and carbon dioxide detection, and thorough sterilization of the working environment regularly to provide a safe and healthy working environment for employees. We also organize staff health checkups and educational training on labor safety and health every year.</p>	
<p>(IV) Has the Company established effective career development training plans for employees?</p>	<p>✓</p>		<p>(IV) The Group organizes supervisor training and courses that help improve their core and professional ability. Related course information is announced on the real time electronic bulletin board for employees to make suitable plans for their career development.</p>	
<p>(V) Has the Company complied with laws and international</p>	<p>✓</p>		<p>(V) The Group has fully introduced the EU</p>	

<p>standards with regards to the customer health and safety of products and services, customer privacy, marketing and labeling of products and services, and has the Company established policies and reporting procedure related to consumer right and benefit protection?</p> <p>(VI) Has the company established supplier management policy, requested suppliers to comply with relevant regulations with regards to the issues of the environmental protection, occupational safety and health or labor rights etc. and the implementation status thereof?</p>	<p>✓</p>	<p>Restriction of Hazardous Substances in Electrical and Electronic Equipment (RoHS). All of our products comply with the RoHS regulations, ISO14001 and related REACH regulations. Moreover, our suppliers have also established regulations in line with the RoHS and dedicated themselves to promoting corporate social responsibility with us. The Group's website provides information on our products and service, and we have also designated personnel and an email account serving as channels for receiving customer complaints.</p> <p>(VI) All suppliers of the Group follow the corporate social responsibility policies and we request improvement if any supplier creates a significant impact on the environment and society. We request them to improve and to assign the Electronic Industry Citizenship Coalition (EICC) team to perform periodic evaluations of suppliers.</p>	
<p>V. Has the company stipulated standards or guidelines according to internationally accepted reporting standards or guidelines, prepared sustainability report, and other reports for disclosing non-financial information of the Company? Has the Company obtained assurance from a third-party verification unit for the aforementioned reports?</p>	<p>✓</p>	<p>V. The Group has not yet prepared a sustainability report and will proceed depending on the operation status and scale of the Company.</p>	<p>Setup depending on the operation status and scale of the Company</p>
<p>VI. If the Company has established sustainable development principles based on the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” please describe any discrepancy between the principles and their implementation: None.</p>			
<p>VII. Other information material to the understanding of sustainable development practices:</p>			

1. Environmental protection: The Group has obtained ISO14001 environmental management system certification. Our environment policies are:
 - (1) Following and complying with environmental laws and other requirements.
 - (2) Promoting recycling and reuse of resources, and endeavoring to reduce industrial waste to prevent pollution.
 - (3) Reducing the use of hazardous materials, being thorough on pollution control and management, and endeavoring on the design and manufacturing of green products.
 - (4) Preventing accidents and disasters and enhancing disaster prevention drill. Moreover, we take measures such as waste recycling and reduction and conservation of water and electricity to increase the environmental awareness for protecting the Earth.
2. Community participation, society contribution, and social service and welfare: The Group made donations to sponsor the Taiwan Association of Cardiovascular Surgery Research in 2022.
3. Consumers' rights: We have designated personnel to provide product consulting and assistance for each customer to maintain a stable and positive relationship with the customers.
4. Human rights: We established the "Measures of Prevention, Correction and Punishment of Sexual Harassment" to defend gender equality and human dignity, and reported it to the competent authority for reference.
5. Safety and health: The Group established the "Safety and Health Work Rules" and other regulations and operating procedures. We commission external contractors to implement monthly labor safety and health inspections, biannual drinking water inspection, and annual lighting, fire control and carbon dioxide detection, and thorough sterilization of the working environment regularly to provide a safe and healthy working environment for employees. We also organize staff health checkups and educational training on labor safety and health every year.

(VI) Deviations from "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons

Evaluation Item	Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
I. Enactment of ethical management policy and program (I) Has the Company established ethical management policies approved by the board of directors' meeting and stated in its memorandum or external correspondence about the policies and practices it has to maintain business integrity? Are the Board of Directors and the management committed in fulfilling this commitment?	✓		(I) The Group has resolved at 19th meeting of the 8th Board of Directors to establish the "Corporate Ethical Management Best-Practice Principles" and disclosed the same on the MOPS and the Company's website.	In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies

<p>(II) Has the Company established assessment mechanism for unethical conduct risk, performed periodic analysis and assessed operating activities of relatively higher unethical conduct risk in the scope of business, and has established unethical conduct solution accordingly, and at least covering the preventive measures for the conducts described in each subparagraph of Paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?”</p>	✓	<p>(II) The Group has established the “Work Rules” and a series of ethical systems requiring that employees shall not accept money or financial gift from customers or suppliers, and any employee violating the Rules under the circumstance deemed material, the Company may discharge the employee without prior notice and the employee should indemnify the Company against the loss therefor.</p>	
<p>(III) Has the Company established any operational procedures, behavioral guidelines, disciplinary actions and complaint systems in the plan for preventing unethical conducts, and is such plan implemented properly? In addition, is the aforementioned plan reviewed periodically before amendment?</p>	✓	<p>(III) The Group’s “Work Rules,” “Business Secrets Management regulations,” and “Reward & Punishment Rules” have defined the policy against unethical conduct. The Company’s overseas subsidiaries also established the same and performed employees’ educational training and promotion periodically to enable the employees to understand the Company’s determination, policy and preventive program for ethical management, and the consequence of unethical conduct.</p>	
<p>II. Implementation of ethical management (I) Has the Company assessed a trading counterpart’s ethical management record, and</p>	✓	<p>(I) The Group regularly checks the financial and credit positions of the customers to avoid trading with anyone</p>	<p>In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</p>

<p>expressly states the ethical management clause in the contract to be signed with the trading counterpart?</p> <p>(II) Has the Company established a dedicated unit for promoting the corporate ethical management under the Board of Directors and reporting its ethical management policy and plan for preventing unethical conducts as well as the supervision of implementation status to the Board of Directors periodically (at least once annually)?</p>	<p>✓</p>		<p>with unethical conduct record, and also set forth the ethical conduct-related provisions in its business contracts.</p> <p>(II) The Group appointed its Auditing Office to act as the unit dedicated to promoting ethical corporate management, which shall be responsible for reporting the status thereof to the Board of Directors periodically, and also urged its HR Section to handle the amendments, execution, interpretation and advice about ethical management rules.</p>	
<p>(III) Has the Company established policies to prevent conflicts of interests, provided adequate communication channels, and implemented such policies and communication channels?</p>	<p>✓</p>		<p>(III) The employment agreement between the Group and its employees included non-competition provisions. The overseas subsidiaries also set up the conflict of interest reporting system under which the employees may declare the conflict of interest independently. Meanwhile, the Directors recuse themselves from any motions proposed at a board meeting if they have a conflict with their own interest or the interest of the juristic persons they represent pursuant to laws for preventing conflicts of interest. The Group also set up the mailbox for</p>	

<p>(IV) Has the Company implemented effective accounting system and internal control system for the purpose of maintaining ethical operation? Has the internal audit unit established relevant audit plan according to the assessment result of unethical conduct risk and audit the status of compliance with the prevention against unethical conduct plan, or entrust CPA to perform audit?</p> <p>(V) Has the Company organized internal/external education training program for ethical management periodically?</p>	<p>✓</p> <p>✓</p>	<p>workers and the “employee complaint management system” to provide the employees with appropriate channels to state their opinions.</p> <p>(IV) In order to ensure the fulfillment of ethical management, the Group established an effective accounting system and internal control system, and had its internal audit officers audit the compliance with the accounting system and internal control system periodically, and report the status thereof to the Board of Directors on a quarterly basis.</p> <p>(V) The Group organizes relevant programs periodically to help employees understand the ideas and regulations regarding ethical corporate management.</p>	
<p>III. Status of the Company’s complaint system</p> <p>(I) Has the Company defined a specific complaints and rewards system, and established some convenient complaint channel, and assigned competent dedicated personnel to deal with the situation?</p>	<p>✓</p>	<p>(I) The Group has established the “Operating Procedure for Handling the Complaints Against Illegal and Unethical or Dishonest Conduct”. We also set up the complaint mailbox and hotline, delegated the dedicated personnel by different issues, and had its HR unit render reward or punishment based on the investigation results.</p>	<p>In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</p>
<p>(II) Has the Company established any investigation standard operation procedures for accepting reported misconducts, subsequent</p>	<p>✓</p>	<p>(II) The Group maintains the confidentiality of all complaints, and specifies the</p>	

measures and relevant confidentiality measures required to be performed after the completion of the investigation?			non-disclosure obligation in the non-disclosure agreement signed with employees.	
(III) Has the Company adopted any measures to prevent the complainants from abuse after filing complaints?	✓		(III) The Company adopted strict measures to maintain the confidentiality of the complainant's information and prevent the complainant from abuse or unfair treatment.	
IV. Enhancing information disclosure (I) Has the Company has disclosed the Ethical Management Principles it established and the effect of implementation thereof on its website and Market Observation Post System?	✓		The Group set up its official website to disclose the Group's business overview, product information, and financial information. The Company's information is promptly and publicly disclosed on the MOPS for the Company to engage in business activities in a fair and transparent manner.	The Company shall process the disclosure based on actual needs or regulatory requirements.
V. If the Company has established ethical management principles based on "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies," please describe any discrepancy between the principles and their implementation: None.				
VI. Other information material to the understanding of ethical management operation (e.g., discussion of an amendment to the ethical management best practice principles defined by the Company): The Group assigns Directors and Supervisors to attend training programs related to ethical management and corporate governance, and the competitive actions which the Directors Supervisors and managerial personnel were engaged in were already reported to and approved by shareholders' meetings and Board of Directors meetings.				

(VII) If the Company has established the corporate governance principles and relevant regulations, the inquiry method thereof shall be disclosed: Please refer to the Company's website at www.csi-sensor.com.tw and the Market Observation Post System website at mops.twse.com.tw.

(VIII) Other information enabling better understanding of the Company's corporate governance: Please visit the Company's website at www.csi-sensor.com.tw, and the MOPS at mops.twse.com.tw.

(IX) Operation Status of the Internal Control System

1. Statement on Internal Control System

Creative Sensor Inc.
Statement on Internal Control System

Date: March 13, 2023

We make the following statement based on the result of the self-inspection of the internal control system in 2022:

- I. We acknowledge that the Board of Directors and managers are responsible for the establishment, operation and maintenance of the internal control system. We have established such a system to provide reasonable assurance for achievement of the objectives concerning the effectiveness and efficiency of operations (including profits, performance and protection of asset security), reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws.
- II. Any internal control system has its inherent limitations. No matter how well an internal control system is designed, it can only provide reasonable assurance for the achievement of the above three objectives. Moreover, the effectiveness of an internal control system may vary as a result of changes in the environment and circumstances. However, our internal control system has a self-monitoring mechanism, and we take corrective actions immediately once a nonconformity is identified
- III. We judge the design and operation of the internal control system for their effectiveness with reference to the items to be judged for the effectiveness of the internal control system specified in the “Regulations Governing Establishment of Internal Control Systems by Public Companies” (hereinafter referred to as the “Regulations”). The internal control systems are divided into the following five constituent elements in the management control process in terms of the items to be judged pursuant to the “Regulations”: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communications; and 5. monitoring activities. Each constituent element contains a number of items. Refer to the provisions of the above-mentioned “Regulations.
- IV. We have adopted the judgment items of the internal control system to assess its design and operation for their effectiveness.
- V. Based on the results of the above-mentioned assessment, we confirm that our internal control system on December 31, 2022 (including monitoring and management of subsidiaries) was effective in terms of its design and operation with respect to understanding the effectiveness and efficiency of operations, the reliability, timeliness, transparency, and regulatory compliance of reporting, and the compliance with applicable laws, regulations, and bylaws in order to reasonably ensure that these objectives are achieved.
- VI. The Statement will be the major part of our annual reports and prospectuses, and will be open to the public. If there is any misrepresentation, nondisclosure or other illegality in the contents open to the public referred to above, legal responsibility specified in Articles 20, 32, 171 and 174 of the Securities and Exchange Act shall apply.
- VII. The Statement was approved at the Board of Directors’ meeting on March 13, 2023. None of the 7 Directors present at the meeting expressed any dissent and all of them approve the contents of the Statement as stated herein.

Creative Sensor Inc.
Chairman: Yu-Jen Huang
Vice Chairman and Acting President: Chi-Chang Yang

2. If a review of the internal control system has been conducted by entrusted CPAs, the CPAs' review report shall be disclosed:

Internal Control System Review

In response to the request from Taiwan Stock Exchange Corporation in Tai-Zheng-Shang-1 No. 1100026645 official letter, Creative Sensor Inc. appointed the CPA to submit a special review report on the Company's internal control system based on the "Regulations Governing Establishment of Internal Control Systems by Public Companies" and generally accepted auditing standards to plan and execute the audit of the Company's internal control from January 1, 2021 to April 30, 2022. The designated scope is specified below:

1. Investment management cycle
2. Management of the discussions and operations of the board of directors
3. Management of shareholder services

Creative Sensor Inc.

Recommendations for the Internal Control Special Review within the Designated Scope

January 1, 2021 to April 30, 2022

Recommendation	Response from Management	CPA Explanation
Investment management cycle		
<p>The review showed that Creative Sensor Inc. failed to specify the maximum aggregate losses or losses on individual contracts in hedging transactions in the procedures for the acquisition or disposal of derivatives in Article 13 of the "Procedures for Acquisition or Disposal of Assets" of the Company in accordance with Article 19, Subparagraph 1 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p> <p>The Company is advised to amend the "Procedures for Acquisition or Disposal of Assets" and set the maximum aggregate losses or losses on individual contracts in hedging transactions.</p>	<p>The Board of Directors passed a resolution on April 26, 2022 for the amendment of the "Procedures for Acquisition or Disposal of Assets" to set the maximum aggregate losses or losses on individual contracts in hedging transactions.</p>	<p>Improvements made.</p>

<p>Creative Sensor Inc. was found to have failed to report in advance the disposal of shares in Taiwan Pelican Express Co., Ltd. on August 6, 2021 when it still served as its director in accordance with the provisions in Article 22-2, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act.</p> <p>The Company is advised to report in advance any future disposal of investments in accordance with Article 22-2, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act</p>	<p>The disposal of the shares in Taiwan Pelican Express Co., Ltd. on August 6, 2021 was affected by the postponement of the shareholders' meeting by Taiwan Pelican Express, which resulted in a failure to comply with Article 22-2, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act. The Company has suspended the disposal immediately and reported in advance all subsequent disposal of assets in accordance with regulations.</p>	<p>Improvements made.</p>
<p>Management of the discussions and operations of the board of directors</p>		
<p>According to the review, the meetings of the Board of Directors of Creative Sensor Inc. on July 15, 2021 and July 21, 2021 were convened by video conferencing. Although audio recordings were kept, it failed to retain the video and audio data of the video conferencing in accordance with Article 18, Subparagraph 3 of the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies".</p> <p>The Company is advised to retain the video and audio data of the Board of Directors convened via video conferencing.</p>	<p>The Company has retained the video and audio data of the Board of Directors convened via video conferencing starting from July 29, 2021.</p>	<p>Improvements made.</p>
<p>According to the review, the meeting minutes for the meetings of the Board of Directors of Creative Sensor Inc. prior to September 3, 2021 did not contain the names and number of directors who were on leave and absent in accordance with Article 17 of the "Regulations Governing Procedure for Board</p>	<p>The Company has maintained records of the names and number of directors who are absent in board meetings starting from September 23, 2021.</p>	<p>Improvements made.</p>

<p>of Directors Meetings of Public Companies".</p> <p>The Company is advised to maintain records of the names and number of directors who are on leave and absent in future board meetings in accordance with Article 17 of the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies".</p>		
<p>According to the review, the internal chief auditor of Creative Sensor Inc. has failed to attend special board meetings and provide the internal audit report in accordance with Article 16, Paragraph 1 of the "Regulations Governing Establishment of Internal Control Systems by Public Companies" and Article 6 of the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies".</p> <p>The internal chief auditor is advised to attend future special board meetings and provide the internal audit report during the meeting.</p>	<p>The internal chief auditor has attended special board meetings starting from November 9, 2021 and provided the internal audit report during the meetings.</p>	<p>Improvements made.</p>
<p>According to the review, the Rules of Procedure for Board of Directors' Meetings of Creative Sensor Inc. failed to set the board authorization principles in accordance with Article 8 of the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies".</p> <p>The Company is advised to set the board authorization principles in accordance with Article 8 of the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies".</p>	<p>The Board of Directors passed the amendment of the Rules of Procedure for Board of Directors' Meetings on December 27, 2021 and set the board authorization principles in accordance with Article 8 of the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies".</p>	<p>Improvements made.</p>
<p>The review found errors in the numbering of articles specified in Articles 5, 12, 14, and 17 of the Rules of Procedure for Board of Directors' Meetings of Creative Sensor Inc. which were not immediately updated, and the Rules did not comply with Article 16, Paragraph 2 of the "Regulations Governing Procedure for Board of Directors Meetings of</p>	<p>The Board of Directors passed the amendment of the Rules of Procedure for Board of Directors' Meetings on December 27, 2021 in compliance with the "Regulations Governing Procedure for Board of</p>	<p>Improvements made.</p>

<p>Public Companies" which was added in the amendment on January 15, 2020. The Rules are thus inconsistent with Article 2 of the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies".</p> <p>The Company is advised to update the numbering of articles of the Rules of Procedure for Board of Directors' Meetings and revise the Rules in accordance with the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies".</p>	<p>Directors Meetings of Public Companies".</p>	
<p>According to the review, the meeting minutes for the meeting of the Board of Directors of Creative Sensor Inc. convened on May 10, 2021 did not include a summary of the comments made by directors in accordance with Article 17, Paragraph 1, Subparagraphs 7 and 8 of the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies".</p> <p>The Company is advised to compile a summary of the comments made by directors in the meeting minutes of subsequent board meetings.</p>	<p>The Company has implemented corrections in accordance with the official letter from the Financial Supervisory Commission and has compiled a summary of the comments made by directors in the meeting minutes of subsequent board meetings.</p>	<p>Improvements made.</p>
<p>According to the review, a director intended to propose an extraordinary motion in the board meeting convened by Creative Sensor Inc. on June 21, 2021. However, the chair of the Board of Directors announced the meeting adjourned without obtaining the approval from a majority of the Directors in attendance, which was a violation of Article 13, Paragraph 2 of the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies".</p> <p>The Company is advised to ask for the opinions of each director regarding the discussions of motions and proposal of extraordinary motions for subsequent board meetings held by video conferencing.</p>	<p>The Company has implemented corrections in accordance with the official letter from the Financial Supervisory Commission and has asked for the opinions of each director regarding the discussions of motions and proposal of extraordinary motions for subsequent board meetings held by video conferencing.</p>	<p>Improvements made.</p>

<p>According to the review, the Board of Directors determined that a director had a conflict of interest in a motion discussed in the board meeting convened by Creative Sensor Inc. on June 21, 2021 without waiting for the Director to actively provide explanation.</p> <p>The Company is advised to clearly explain the requirements to the directors in the event of a conflict of interest in subsequent meetings and maintain records in the meeting minutes.</p>	<p>The Company has implemented corrections in accordance with the official letter from the Financial Supervisory Commission.</p> <p>The Company is required to clearly explain the requirements to the directors in the event of a conflict of interest and maintain records in the meeting minutes.</p>	<p>Improvements made.</p>
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(X) Punishment(s) imposed on the Company or its internal personnel in accordance with law in the most recent year and up to the date of the publication of this annual report; for punishment results that may have material impact on the shareholders' equity or securities price, it is necessary to describe the content of the punishment, the Company's punishment against its internal personnel violating internal control system regulations, main deficiencies, and improvements: No such occurrences.

(XI) Major Resolutions Made by Shareholders' Meetings and Board Meetings in 2022 and Up to the Printing Date of Annual Report

1. Important resolutions made by the general shareholders' meeting and execution thereof

Date	Resolution	Implementation Status
June 10, 2022	Acknowledged 2021 business report and financial statement.	Proposal recognized as proposed according to the voting result.
	Acknowledged 2021 earnings appropriation	1. Proposal recognized as proposed according to the voting result. 2. The cash dividend to be allocated was NTD 1.3 per share. The ex-dividend date was set as June 24, 2022, and the cash dividend to be allocated on August 5, 2022.
	Approved the proposal for amendment to the "Articles of Incorporation" of the Company	Proposal approved as proposed according to the voting result.
	Approved the amendment of the Company's "Rules of Procedure for Shareholders' Meetings".	Proposal approved as proposed according to the voting result.
	Approved the proposal for amendment to the "Procedures for Acquisition or Disposal of Assets" of the Company	Proposal approved as proposed according to the voting result.

2. Important resolutions made by the special shareholders' meeting and execution thereof

Date	Resolution	Implementation Status
November 29, 2022	Approved the by-election of the Company's Independent Director.	Proposal approved as proposed according to the voting result. The changes regarding the newly appointed Directors were approved by the Department of Commerce, Ministry of Economic Affairs on December 16, 2022.
	Approved the resolution to remove the non-compete clause for Directors.	Proposal approved as proposed according to the voting result.

3. Major Resolutions Made by the Board of Directors in 2022 and Up to the Printing Date of Annual Report

Date	Important Resolutions	Dissent and qualified opinion by Independent Directors
9th Board of Directors 13th meeting (March 17, 2022)	1. Approved the Company's 2021 business report and financial statements.	No comment
	2. Approved the Company's 2021 remuneration distribution proposal for Directors, Supervisors, and employees.	No comment
	3. Approved the 2021 earnings appropriation.	No comment
	4. Approved the Company's 2021 "Statement on Internal Control System".	No comment
	5. Approved the organization of the 2022 general shareholders' meeting.	No comment
9th Board of Directors 14th meeting (April 26, 2022)	1. Approved the amendment of the Company's 2021 earnings distribution.	No comment
	2. Approved the new agenda of the 2022 general shareholders' meeting.	No comment
	3. Approved the appointment of senior executives.	No comment
9th Board of Directors 15th meeting (May 11, 2022)	1. Approved the Q1 2022 consolidated financial statements.	No comment
	2. Approved the Internal Control System Review Report.	No comment
	3. Approved the Company's buyback of shares for transfer to employees in 2022.	No comment
9th Board of Directors 16th meeting	1. Approved the Q2 2022 consolidated financial statements.	No comment
	2. Approved related matters for convening the first special shareholders' meeting in 2022.	No comment

(August 3, 2022)		
9th Board of Directors 17th meeting (August 25, 2022)	<ol style="list-style-type: none"> 1. Postponed the nomination for the list of Director candidates and the review of the qualifications of the nominees. 2. Postponed the resolution to remove the non-compete clause for the Company's new Directors. 	No comment No comment
9th Board of Directors 18th meeting (August 26, 2022)	<ol style="list-style-type: none"> 1. Approved the cancellation of the first special shareholders' meeting in 2022. 	No comment
9th Board of Directors 19th meeting (September 21, 2022)	<ol style="list-style-type: none"> 1. Approved the appointment of the members of the Company's 5th Remuneration Committee. 2. Approved related matters for convening the Company's second special shareholders' meeting in 2022. 	No comment No comment
9th Board of Directors 20th meeting (November 2, 2022)	<ol style="list-style-type: none"> 1. Approved the Company's 2023 annual audit plan. 2. Approved the Company's Q3 2022 consolidated financial statements. 3. Approved the list of Director candidates and reviewed the qualifications of the nominees. 	No comment No comment No comment
9th Board of Directors 21st meeting (December 21, 2022)	<ol style="list-style-type: none"> 1. Approved the Company's 2023 bank financing contract. 2. Approved the proposal for the Company's appointment of the CPA firm for 2023 and its remuneration. 	No comment No comment
9th Board of Directors 22nd meeting (February 3, 2023)	<ol style="list-style-type: none"> 1. Approved the amendment of "CT08 Management of the Preparation Process of Financial Statements". 	No comment
9th Board of Directors 23rd meeting (March 13, 2023)	<ol style="list-style-type: none"> 1. Approved the Company's 2022 business report and financial statements. 2. Approved the Company's 2022 remuneration distribution proposal for Directors and employees. 3. Approved the 2022 earnings appropriation. 4. Approved the Company's 2022 "Statement on Internal Control System". 5. Approved the proposal to convene the Company's 2023 general shareholders' meeting. 6. Approved the Company's Internal Control System Review Report. 	No comment No comment No comment No comment No comment

(XII) Recorded or written statements made by any director or supervisor which specified dissent to important resolutions passed by the board meetings in 2022 and up to the printing date of the annual report: None.

(XIII) Resignation or dismissal of the Chairman, President, head of accounting, head of finance, chief internal auditor, or head of R&D in 2022 and up to the printing date of the annual report:

Title	Name	Date of Job Assumption	Date of Dismissal	Reason of Resignation or Dismissal
Director	Chun-Mei Yen	July 6, 2018	March 13, 2023	Job duty adjustment

IV. Information of Independent Auditors Fee

Unit: NTD thousands

Accounting Firm Name	CPA Name	CPA Audit Period	Audit Fees	Non-Audit Fees	Total	Remarks
Pricewaterhouse Coopers Certified Public Accountants	Po-Chuan Lin	January 1, 2022 to December 31, 2022	2,975	50	3,025	Non-audit fees refer to the salary information review table
	Chun-Yao Lin	January 1, 2022 to December 31, 2022				
Pricewaterhouse Coopers Certified Public Accountants	Yen-Tan Tsai	January 1, 2022 to December 31, 2022	0	590	590	Other non-audit fees refer to business income tax audit and certification
KPMG Taiwan	Wei-Chun Yeh	January 1, 2022 to December 31, 2022	0	370	370	Other non-audit fees mainly refer to transfer pricing and Group master file report
	Tsai-Huang Chen	January 1, 2022 to December 31, 2022				

Note: Where any CPA or accounting firm was changed in the current year, the audit period shall be enumerated for each CPA or accounting firm. Reasons for the change shall be indicated in the Remarks column and the information on the payment of the audit and non-audit fees shall be disclosed in sequence. Non-audit fees shall be enumerated by service items.

(I) Replacement of independent auditing firm and reduction in audit fees paid during the year of replacement compared with the previous year: No such occurrences.

(II) The amount of the audit fees is reduced by more than 10% from the previous year: No such occurrences.

V. Information on Change of CPAs:

(I) Information on the previous CPAs:

Date of replacement	Starting from the Q1 2022 financial statements		
Reasons for change and explanation	In compliance with related regulations in Statement of Auditing Standards No. 46, the CPAs responsible for the audit of the financial statements, Shu-Chiung Chang and Chun-Yao Lin, were replaced by the CPAs Po-Chuan Lin and Chun-Yao Lin.		
Statement on whether the client or the CPA terminates or rejects the	Party Situation	CPA	Client

appointment	Termination initiated by client	Not applicable	Not applicable
	CPA declined to accept (continue) the appointment	Not applicable	Not applicable
Audit opinions other than unqualified opinions issued in the past two years and reasons	None		
Different opinions from the issuer	Yes		Accounting principles or practices
			Disclosure of financial statements
			Audit scope or procedures
			Others
	None	V	
Description			
Other matters to be disclosed (Matters to be disclosed in accordance with Article 10, Subparagraph 6, Item 1-4 to 1-7 of the Regulations)	None		

(II) Regarding succeeding CPA

Name of the accounting firm	Pricewaterhouse Coopers Certified Public Accountants
Name of certified public accountants	Po-Chuan Lin, CPA and Chun-Yao Lin, CPA
Date of appointment	Starting from the Q1 2022 financial statements
Consultation given on accounting treatment or accounting principle adopted for any specific transactions and on possible opinion issued on financial report prior to appointment and results	None
Succeeding CPAs' written opinions that are different from those of the previous CPAs	None

VI. The Auditing Firm or Its Affiliates at Which the Company's Chairman, General Managers, or Managers Responsible for Financial or Accounting Matters Was an Employee over the Past Year, His/Her Name, Position and Employment Period Shall Be Disclosed: No such occurrences.

VII. Change of Shares Transferred and Pledged for Directors, Managers and any Shareholder Who Holds More Than 10% of the Company's Shares During the Most Recent Year Until the Date on Which the Annual Report was Printed.

1. Changes in equity of directors, supervisors, managers, and major shareholders

Unit: shares

Title	Name	2022		2023 as of April 2	
		Number of shares held Increase (decrease)	Increase (decrease) in shares pledged Increase (decrease)	Number of shares held Increase (decrease)	Increase (decrease) in shares pledged Increase (decrease)
Director	TECO Image Systems Co., Ltd. representative: Yu-Jen Huang				
Director	TECO Image Systems Co., Ltd. representative: Chi-Chang Yang	0	0	0	0
Major shareholder	TECO Image Systems Co., Ltd.				
Director	Koryo Electronics Co., Ltd. representative: En-Kuo Wang (Note 1)				
Director	Koryo Electronics Co., Ltd. representative: Chih-Sheng Hou	0	0	0	0
Director	Koryo Electronics Co., Ltd. representative: Mu-Yao Ku				
Independent Director	Hsiu-Ming Wang	0	0	0	0
Independent Director	Shih-Ing Huang	0	0	0	0
Independent Director	En-Hsin Hsiao (Note 2)	0	0	0	0
Independent Director	Yun-Hsiang Hsiao (Note 3)	0	0	0	0
Major shareholder	Universal Cement Corporation	0	0	(115,000)	0
Acting President	Chi-Chang Yang	48,346	0	0	0
Chief Strategist	Yu-Jen Huang (Note 4)	150,000	0	0	0
Vice President	Hsien-Fu Hsiao (Note 5)	0	0	0	0
Assistant Vice President	Hung-Chi Chen (Note 6)	30,000	0	0	0
Assistant Vice President	Chi-Wen Chen (Note 7)	0	0	0	0
Assistant Vice President	Shao-Yang Wu	0	0	0	0

Director	Chun-Mei Yen (Note 8)	133,842	0	0	0
Manager	Chi-Ping Lin (Note 9)	0	0	0	0
Senior Manager	Chien-Chung Hung	50,000	0	0	0
Corporate Governance Officer	Chiao-Pei Mai	30,000	0	0	0

Note 1: Koryo Electronics Co., Ltd. assigned Chih-Sheng Hou to serve as the representative of the Director on March 13, 2023 and the term ended on March 13, 2023.

Note 2: The Independent Director En-Hsin Hsiao resigned on June 24, 2022.

Note 3: The Independent Director Yun-Hsiang Hsiao was appointed on November 29, 2022.

Note 4: Yu-Jen Huang was appointed as the Chief Strategist on April 26, 2022.

Note 5: Hsien-Fu Hsiao was appointed as Vice President on November 2, 2022.

Note 6: Hung-Chi Chen was reassigned from his position as Assistant Vice President to Advisor on September 27, 2022.

Note 7: Chi-Wen Chen was reassigned from his position as Assistant Vice President to Advisor on September 27, 2022.

Note 8: Chun-Mei Yen was reassigned from her position as Director to Advisor on March 13, 2023.

Note 9: Chi-Ping Lin was appointed as Accounting Manager on March 13, 2023.

2. Information on transfer of equity from a director, supervisor, manager and major shareholder to a related party: None.
3. Information on pledge of equity created by a director, supervisor, manager and major shareholder for a related party: None.

VIII. Relationship Information, if Any of the Top 10 Shareholders is a Related Party, or is the Spouse or a Relative Within the Second Degree of Kinship with Another

April 2, 2023
Unit:shares; %

NAME (NOTE 1)	SHAREHOLDINGS BY THE SHAREHOLDER		SPOUSE & MINOR SHAREHOLDING		SHARES HELD IN THE NAME OF OTHER PERSONS		DISCLOSURE OF INFORMATION ON RELATED PARTIES OR SPOUSE RELATIONSHIP OR RELATIONS WITHIN THE SECOND DEGREE OF KINSHIP, AMONG TOP TEN SHAREHOLDERS, INCLUDING THEIR NAMES AND RELATIONSHIPS		REMARKS
	NUMBER OF SHARES	SHAREHOLDING RATIO	NUMBER OF SHARES	SHAREHOLDING RATIO	NUMBER OF SHARES	SHAREHOLDING RATIO	NAME (OR INDIVIDUAL NAME)	RELATIONSHIP	
TECO IMAGE SYSTEMS CO., LTD. REPRESENTATIVE: YU-JEN HUANG	28,906,260	19.39%	0	0	0	0	CREATIVE SENSOR INC.	1. CHAIRMAN ARE THE SAME PERSON 2. IS A DIRECTOR OF TECO IMAGE SYSTEMS CO., LTD.	NONE
							KORYO ELECTRONICS CO., LTD.	IS A DIRECTOR OF TECO IMAGE SYSTEMS CO., LTD.	
							TONG-AN INVESTMENT CO., LTD.	CHAIRMAN OF TECO IMAGE SYSTEMS CO., LTD. ARE FATHER AND SON	
							TECO INTERNATIONAL INVESTMENT CO., LTD.	1. CHAIRMAN OF TECO IMAGE SYSTEMS CO., LTD. ARE FATHER AND SON 2. IS A DIRECTOR OF TECO IMAGE SYSTEMS CO., LTD.	
UNIVERSAL CEMENT INVESTMENT CO., LTD. REPRESENTATIVE: PO-I HOU	13,158,000	8.83%	0	0	0	0	UNIVERSAL CEMENT INVESTMENT CO., LTD.	CHAIRMAN ARE THE SAME PERSON	NONE

TIEN DA INVESTMENT CO., LTD. REPRESENTATIVE: CHIEN-KUO YANG	12,318,000	8.26%	0	0	0	0	KORYO ELECTRONICS CO., LTD.	IS A DIRECTOR OF TIEN DA INVESTMENT CO., LTD.	NONE
YU RUI CO., LTD. REPRESENTATIVE: KUAN-CHUN KUO	9,018,029	6.05%	0	0	0	0	TONG-AN INVESTMENT CO., LTD.	IS A DIRECTOR OF YU RUI CO., LTD.	NONE
UNIVERSAL CEMENT INVESTMENT CO., LTD. REPRESENTATIVE: PO-I HOU	9,000,000	6.03%	0	0	0	0	UNIVERSAL CEMENT CORPORATION	1. CHAIRMAN ARE THE SAME PERSON 2. IS A DIRECTOR AND SUPERVISOR OF UNIVERSAL CEMENT INVESTMENT CO., LTD.	NONE
TONG-AN INVESTMENT CO., LTD. REPRESENTATIVE: MAO-HSIUNG HUANG	7,913,310	5.31%	0	0	0	0	TECO IMAGE SYSTEMS CO., LTD.	CHAIRMAN OF TONG-AN INVESTMENT CO., LTD. ARE FATHER AND SON	NONE
							CREATIVE SENSOR INC.	CHAIRMAN OF TONG-AN INVESTMENT CO., LTD. ARE FATHER AND SON	
							TECO INTERNATIONAL INVESTMENT CO., LTD.	1. CHAIRMAN ARE THE SAME PERSON 2. IS A SUPERVISOR OF TONG-AN INVESTMENT CO., LTD.	
							TECO ELECTRIC & MACHINERY CO., LTD.	1. TONG-AN INVESTMENT CO., LTD. IS AN INVESTEE OF TECO ELECTRIC & MACHINERY CO., LTD. EVALUATED UNDER EQUITY METHOD 2. IS A DIRECTOR OF TONG-AN INVESTMENT CO., LTD.	

CREATIVE SENSOR INC. REPRESENTATIVE: YU-JEN HUANG	7,743,000	5.19%	0	0	0	0	TECO IMAGE SYSTEMS CO., LTD.	1. CHAIRMAN OF TECO IMAGE SYSTEMS CO., LTD. ARE THE SAME PERSON 2. IS A DIRECTOR OF CREATIVE SENSOR INC.	NONE
							TECO INTERNATIONAL INVESTMENT CO., LTD.	CHAIRMAN OF CREATIVE SENSOR INC. ARE FATHER AND SON	
							TONG-AN INVESTMENT CO., LTD.	CHAIRMAN OF CREATIVE SENSOR INC. ARE FATHER AND SON	
							KORYO ELECTRONICS CO., LTD.	IS A DIRECTOR OF CREATIVE SENSOR INC.	
KORYO ELECTRONICS CO., LTD. REPRESENTATIVE: SHUN-JUNG LIAO	5,701,000	3.82%	0	0	0	0	TECO IMAGE SYSTEMS CO., LTD.	IS A DIRECTOR OF KORYO ELECTRONICS CO., LTD.	NONE
							CREATIVE SENSOR INC.	IS A DIRECTOR OF KORYO ELECTRONICS CO., LTD.	
TECO INTERNATIONAL INVESTMENT CO., LTD. REPRESENTATIVE: MAO-HSIUNG HUANG	5,309,447	3.56%	0	0	0	0	TECO IMAGE SYSTEMS CO., LTD.	CHAIRMAN OF TECO INTERNATIONAL INVESTMENT CO., LTD. ARE FATHER AND SON	NONE
							CREATIVE SENSOR INC	CHAIRMAN OF TECO INTERNATIONAL INVESTMENT CO., LTD. ARE FATHER AND SON	
							TONG-AN INVESTMENT CO., LTD.	CHAIRMAN. ARE THE SAME PERSON	

								TECO ELECTRIC & MACHINERY CO., LTD.	1. TECO INTERNATIONAL INVESTMENT CO., LTD. IS AN INVESTEE OF TECO ELECTRIC & MACHINERY CO., LTD. EVALUATED UNDER EQUITY METHOD 2. IS A DIRECTOR AND SUPERVISOR OF TECO INTERNATIONAL INVESTMENT CO., LTD.	
TECO ELECTRIC & MACHINERY CO., LTD. REPRESENTATIVE: CHUN-CHIH CHIU	2,137,044	1.43%	0	0	0	0	0	Creative Sensor Inc.	Is a Director of Teco Electric & Machinery Co., Ltd.	NONE

Note 1: Specify the ten largest shareholders in whole, and the names of shareholders and their representatives separately in the case of institutional shareholders.

Note 2: The shareholding refers to the shareholding of the person and his/her spouse, minors, or held by the person under others' names.

IX. The Total Number of Shares and Total Equity Stake Held in the Same Investee by the Company, Its Directors and Managerial Personnel, and Any Companies Controlled Either Directly or Indirectly by the Company

December 31, 2022 / Unit: thousand shares

Investee	Investment by the Company		Investment by Directors, and Managerial Personnel or by directly or indirectly controlled enterprises		Total investments	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Creative Sensor Inc. (BVI)	15,415	100%	0	0	15,415	100%
Creative Sensor (USA) Co.	100	100%	0	0	100	100%
Creative Sensor Co., Ltd. (Hong Kong)	0	0	15,501	100%	15,501	100%
Wuxi Creative Sensor Technology Co., Ltd.	0	0	Investment certificate	100%	Investment certificate	100%
NanChang Creative Sensor Technology Co., Ltd.	0	0	Investment certificate	100%	Investment certificate	100%

The Company held the long-term equity investment wholly, and no shares held in the same investee by the Company, its directors and, managerial personnel, and any companies controlled either directly or indirectly by the Company was available.

Four. Fundraising Status

I. Corporate Capital and Shares

(I) Equity capital sources

April 2, 2023

Unit: NTD thousands; thousand shares

Year/ Month	Issue price (NTD)	Authorized capital		Paid-in capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Equity capital sources	Offset against the equity capital by property other than cash	Others
June 1998	10.0	4,000	40,000	1,000	10,000	Incorporation	None	—
May 1999	10.0	6,000	60,000	6,000	60,000	Capital increase in cash by NTD 50,000 thousand	None	—
June 2000	12.5	72,000	720,000	36,000	360,000	Capital increase in cash by NTD 300,000 thousand	None	Note 1
June 2001	12.5	72,000	720,000	50,000	500,000	Capital increase in cash by NTD 140,000 thousand	None	Note 2
November 2002	18.0	72,000	720,000	70,000	700,000	Capital increase in cash by NTD 200,000 thousand	None	Note 3
July 2004	10.0	112,900	1,129,000	78,239	782,390	Recapitalized from earnings by NTD 82,390 thousand	None	Note 4
June 2005	10.0	112,900	1,129,000	87,331	873,316	Recapitalized from earnings by NTD 90,926 thousand	None	Note 5
November 2005	43.0	112,900	1,129,000	98,968	989,686	Capital increase in cash by NTD 116,370 thousand	None	Note 6

March 2006	55.8	112,900	1,129,000	99,821	998,216	Conversion of domestic unsecured convertible corporate bonds into common stock totaling 853,030 shares	None	—
August 2006	10.0	160,000	1,600,000	123,027	1,230,277	Recapitalized from earnings by NTD 232,060 thousand	None	Note 7
January 2007	36.23	160,000	1,600,000	123,560	1,235,603	Conversion of domestic unsecured convertible corporate bonds into common stock totaling 532,690 shares	None	—
April 2007	36.23	160,000	1,600,000	126,663	1,266,627	Conversion of domestic unsecured convertible corporate bonds into common stock totaling 3,102,351 shares	None	—
July 2007	36.23	160,000	1,600,000	126,682	1,266,820	Conversion of domestic unsecured convertible corporate bonds into common stock totaling 19,320 shares	None	—
August 2008	10.0	160,000	1,600,000	130,000	1,300,000	Recapitalized from earnings by NTD 33,180 thousand	None	Note 8
February 2009	10.0	160,000	1,600,000	127,000	1,270,000	Annulment of treasury stock by NTD 30,000 thousand	None	Note 9

April 2010	30.1	160,000	1,600,000	127,035	1,270,350	Conversion of employee stock warrant to common stock totaling 35,000 shares	None	—
April 2011	28.94	160,000	1,600,000	127,055	1,270,550	Conversion of employee stock warrant to common stock totaling 20,000 shares	None	—
October 2021	23.49	160,000	1,600,000	149,055	1,490,550	Cash capital increase through private placement of 22,000,000 shares	None	—

Note 1: Approval letter for issuance of new shares upon capital increase: Letter by Securities and Futures Commission, Ministry of Finance under (2000) Tai-Tsai-Cheng (1) No. 520523 dated June 23, 2000.

Note 2: Approval letter for issuance of new shares upon capital increase: Letter by Securities and Futures Commission, Ministry of Finance under (2002) Tai-Tsai-Cheng (1) No. 111551 dated March 25, 2002.

Note 3: Approval letter for issuance of new shares upon capital increase: Letter by Securities and Futures Commission, Ministry of Finance under (2002) Tai-Tsai-Cheng (1) No. 0910161006 dated November 14, 2002.

Note 4: Approval letter for issuance of new shares upon recapitalization from earnings: Letter by Securities and Futures Commission, Ministry of Finance under (2004) Tai-Tsai-Cheng (1) No. 0930127004 dated June 17, 2004.

Note 5: Approval letter for issuance of new shares upon recapitalization from earnings: Letter by Financial Supervisory Commission, Executive Yuan under Chin-Kuan-Cheng-Yi No. 0940122245 dated June 2, 2005.

Note 6: Approval letter for issuance of new shares upon capital increase: Letter by Financial Supervisory Commission, Executive Yuan under Chin-Kuan-Cheng-Yi No. 0940149562 dated November 25, 2005.

Note 7: Approval letter for issuance of new shares upon recapitalization from earnings: Letter by Financial Supervisory Commission, Executive Yuan under Chin-Kuan-Cheng-Yi-Zi No. 0950127763 dated June 30, 2006.

Note 8: Approval letter for issuance of new shares upon recapitalization from earnings: Letter by Financial Supervisory Commission, Executive Yuan under Chin-Kuan-Cheng-Yi-Zi No. 0970033055 dated July 2, 2008.

Note 9: Approval letter for annulment of treasury stock: Letter by Financial Supervisory Commission, Executive Yuan under Chin-Kuan-Cheng-Yi-Zi No. 0970069736 dated December 19, 2008.

April 2, 2023

Unit: thousand shares

Types of shares	Authorized capital stock			Remarks
	Outstanding shares (Note 1)	Unissued Shares (Note 2)	Total	
Common stock	127,055	10,945	160,000	Listed stocks
	22,000			Private placement of stocks

Note 1: Listed stocks.

Note 2: Unissued shares include the reserve for convertible corporate bonds.

Note 3: Information about offering and issuance of securities by shelf registration: Not applicable.

(II) Shareholder structure

April 2, 2023

Shareholder structure Quantity	Government agencies	Financial institutions	Other institutions	Foreign institutions and foreigners	Individuals	Total
Number of people	0	0	170	54	32,387	32,611
Number of shares held	0	0	103,483,946	5,183,370	40,387,684	149,055,000
Shareholding ratio	0.00%	0.00%	69.43%	3.47%	27.10%	100%

(III) Distribution of equity

April 2, 2023

Unit: shares

Shareholding category	Number of shareholders	Number of shares held	Shareholding ratio (%)
1 to 999	26,018	340,413	0.23
1,000 to 5,000	5,113	10,038,169	6.73
5,001 to 10,000	780	5,727,135	3.84
10,001 to 15,000	244	2,942,928	1.97
15,001 to 20,000	145	2,655,074	1.78
20,001 to 30,000	112	2,809,248	1.88
30,001 to 40,000	44	1,554,452	1.04
40,001 to 50,000	41	1,910,302	1.28
50,001 to 100,000	52	3,861,827	2.59
100,001 to 200,000	25	3,782,469	2.54
200,001 to 400,000	17	4,598,363	3.09
400,001 to 600,000	3	1,440,000	0.97
600,001 to 800,000	5	3,432,530	2.3
800,001 to 1,000,000	1	925,000	0.62
Over 1,000,001	11	103,037,090	69.14
Total	32,611	149,055,000	100.00

Note: The Company has not issued preferred shares.

(IV) Name list of major shareholders: Ten largest shareholders

April 2, 2023

Major shareholder	Shares	Number of shares held	Shareholding ratio
TECO Image Systems Co., Ltd.		28,906,260	19.39%
Universal Cement Corporation		13,158,000	8.83%
Tien Da Investment Co., Ltd.		12,318,000	8.26%
Yu Rui Co., Ltd.		9,018,029	6.05%
Universal Cement Investment Co., Ltd.		9,000,000	6.04%
Tong-An Investment Co., Ltd.		7,913,310	5.31%
Creative Sensor Inc.		7,743,000	5.19%
Koryo Electronics Co., Ltd.		5,701,000	3.82%
TECO International Investment Co., Ltd.		5,309,447	3.56%
TECO Electric & Machinery Co., Ltd.		2,137,044	1.43%

(V) Market value per share for the past two fiscal years, together with the Company's net worth per share, earnings per share, dividends per share, and related information

Unit: NTD; thousand shares

Item	Year		2021	2022	Up to March 31, 2023 for the current year (Note 8)
Market price per share (Note 1)	Highest		33.35	29.50	32.25
	Lowest		18.50	20.20	27.00
	Average		24.84	23.01	28.76
Net worth per share (Note 2)	Before distribution		28.35	27.44	—
	After distribution		27.05	25.54	—
Earnings per share	Weighted average number of shares		117,948	111,858	—
	Earnings per share (Note 3)	Before adjustment	1.50	3.22	—
		After adjustment	—	—	—
Dividends per share	Cash dividends		1.3	1.9	—
	Stock dividends	Before adjustment	—	—	—
		After adjustment	—	—	—
	Accumulated unpaid dividends (Note 4)		—	—	—
ROI analysis	P/E ratio (Note 5)		16.56	7.15	—
	P/D ratio (Note 6)		19.11	12.11	—
	Cash dividend yield (Note 7)		5.23%	8.26%	—

Note 1: State the highest and lowest market prices for the common stock, and calculate the average market

price for each year based on the turnover value and volume of each year.

Note 2: Please apply the quantity of stock already issued at the end of the year, and specify based on the allocation resolved by the shareholders' meeting of next year.

Note 3: If it is necessary to make adjustment retroactively due to distribution of bonus shares, please state the earnings per share before and after the adjustment.

Note 4: If the equity securities issuance terms and conditions provide that the stock dividend unallocated in the year may be accumulated until the year in which earnings allocable are generated, please disclose the accumulated stock dividend remaining undistributed until the current year.

Note 5: P/E ratio = Average closing price per share for the year/Earnings per share.

Note 6: P/D ratio = Average closing price per share during the current fiscal year/Cash dividend per share.

Note 7: Cash dividend yield = Cash dividend per share/Average closing price per share for the current year.

Note 8: The consolidated financial statements of 2022 Q1 have already been reviewed and audited by the CPAs.

(VI) Dividend Policy and execution thereof

1. The stock dividend policy defined under the Articles of Incorporation:

Earnings concluded at the end of a year shall be allocated in the priority listed below:

I. Payment of tax.

II. Covering of loss.

III. 10% provision for statutory reserve, unless the balance of statutory reserve has accumulated to the same amount as the Company's paid-up capital.

IV. Provision or reversal of special reserve according to the authority's rules.

V. If there is a remaining balance after deducting the amount specified in Subparagraphs 1 to 4, the Company authorizes the Board of Directors to distribute all or part of the distributable dividends or bonuses in cash with a resolution by a majority in a meeting attended by two-thirds of the Directors, and report to the shareholders' meeting.

The Company operates in a growing industry. Given the likelihood of future factory expansion and investment plans, the Company shall distribute no more than 80% of its earnings as dividends. Cash dividends shall comprise no lesser than 5% and no more than 50% of total dividends each year.

2. The Board of Directors of the Company passed a resolution in the board meeting on March 13, 2023 to distribute cash dividends of NTD 1.9 per share. It shall distribute the cash dividends in accordance with operating procedures after the ex-dividend date is set.

(VII) Effect of the allocation of stock dividends proposed at the shareholders' meeting to the Company's business performance and earnings per share: Not applicable.

(VIII) Remuneration to employees and Directors:

1. Percentage or scope of the remuneration to employees and Directors referred to in the Articles of Incorporation:

Profits concluded by the Company in a financial year are subject to employee remuneration of 5% to 15%, and director remuneration of no more than 5%. In addition, according to the "Regulations for Issuance of Remuneration of Directors," the evaluation items specified in these Regulations include: participation level in the Company's operation, contribution value and level of responsibility fulfillment, and the remuneration is issued based on the determination of the domestic and external standards. In addition,

the Company also timely review the director remuneration system depending upon the actual operation condition and relevant laws at all times. When the Company has accumulated losses from the previous year, if there is a profit in the current year, it is necessary to make up the losses first before the profit is appropriated as the remuneration of employees as well as the remuneration of directors. Appropriation may then be made according to the percentages specified.

2. The basis for estimating the amount of remuneration to employees and directors , for calculating the number of shares to be distributed as remuneration to employees, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: The discrepancy between the actual distributed amount and the estimated figure, if any, will be treated as the changes in accounting estimates and stated as the income of 2023.
3. The motion for allocation of remuneration passed by the Board of Directors:
 - (1)The remuneration to employees and Directors in cash or in the form of stock. If there is any discrepancy between the amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed:
The Company’s Board of Directors approved the 2022 allocation of remuneration to Directors and employees in a resolution on March 13, 2023. As a result, the remuneration to be allocated to Directors totaled NTD 14,573,589, and the remuneration to employees totaled NTD 43,720,764. All remuneration shall be allocated in cash and are expected to be reported at the shareholders’ meeting on May 31, 2023.
 - (2)The amount of remuneration to any employee allocated in the form of stock, and the size of that amount as a percentage of the sum of the net income after tax stated in the individual or separate financial reports for the current period and total employee remuneration: No stock dividend was allocated.
4. The actual allocation of remuneration to employees and directors for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual allocation and the recognized remuneration to employees and directors, please also specify the discrepancy, cause, and how it is treated:

Unit: NTD

Item	Recipients	Amount for distribution approved in the Board of Directors' resolution	Actual distributed amount	Disbursement method
Employee remuneration	The Company's employees	18,812,905	18,812,905	Cash
Remuneration to Directors and Supervisors	The Company's Directors and Supervisors	6,270,968	6,270,968	
Total		25,083,873	25,083,873	

- (IX) The Company's buyback of the Company's shares: None.
- II. Issuance of Corporate Bonds: None.
- III. Issuance of Preferred Shares: None.
- IV. Issuance of Overseas Depository Receipts: None.
- V. Issuance of Employee Stock Option Certificates: None.
- VI. Information About New Restricted Employee Shares: None.
- VII. Issuance of New Shares in Connection with Mergers or Acquisitions of, or Succession to Shares of Other Companies: None.
- VIII. Implementation of Capital Utilization Plan: None.

Five. Operation Overview

I. Business Activities

(I) Business scope

1. Main content of business operated by the Company

- (1) Electronic Parts and Components Manufacturing
- (2) Computers and Computing Peripheral Equipments Manufacturing
- (3) Wired Communication Equipment and Apparatus Manufacturing
- (4) Telecommunication Equipment and Apparatus Manufacturing
- (5) Restricted Telecom Radio Frequency Equipments and Materials Manufacturing
- (6) Photographic and Optical Equipment Manufacturing
- (7) International Trade
- (8) Restricted Telecom Radio Frequency Equipments and Materials Import
- (9) Wholesale of Electronic Materials
- (10) Wholesale of Computing and Business Machinery Equipment
- (11) Wholesale of Telecom Instruments
- (12) Wholesale of Precision Instruments
- (13) Retail Sale of Electronic Materials
- (14) Retail sale of Computing and Business Machinery Equipment
- (15) Retail Sale of Telecom Instruments
- (16) Retail Sale of Precision Instruments
- (17) Software Design Services
- (18) Precision Instruments Manufacturing
- (19) All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2. Operating revenue breakdown

Unit: NTD thousands

Item	2021		2022	
	Revenue	Revenue	Revenue	Operating revenue percentage (%)
Image sensors	3,951,319	100	4,256,952	100
Total	3,951,319	100	4,256,952	100

3. Current products of the Company

The main business items of the Group include the design, manufacturing and sales and purchase businesses of CIMS (Contact Image Sensor Module).

4. New products planned for development

With regard to the CIS main application products and market demand, the Group has developed a complete series of products to satisfy the demands of various types of scanning input devices (such as MFP scanner, printers etc.). In response to the post-pandemic market, the focus of the research and development works for 2023 is as follows:

- A. New generation of CISM light source design.
- B. CISM design with high depth of field.
- C. CISM design with cost optimization.

- D. Ultra-high speed A4/A3 digital CISM design.
- E. Improvement of automatic production process.
- F. Infrared imaging QVGA and VGA core module.

(II) Industry Overview:

1. Current state and development of the industry:

The main businesses of the Group consist of the design, manufacturing and sales of CISM, and the product application scope includes computer peripheral scanners for personal use, office or workstation printing MFP, digital printers, electronic white boards, fingerprint and banknote recognition system etc. Consequently, the development of computer peripheral industry is closed related to the business of the Company.



The following shows the industry status of the CISM, main application product computer peripheral system manufactured by the Group:

Unit: million pcs

Year/Product	2020	2021	2022
Multi-function printer	74.9	73.3	71.1

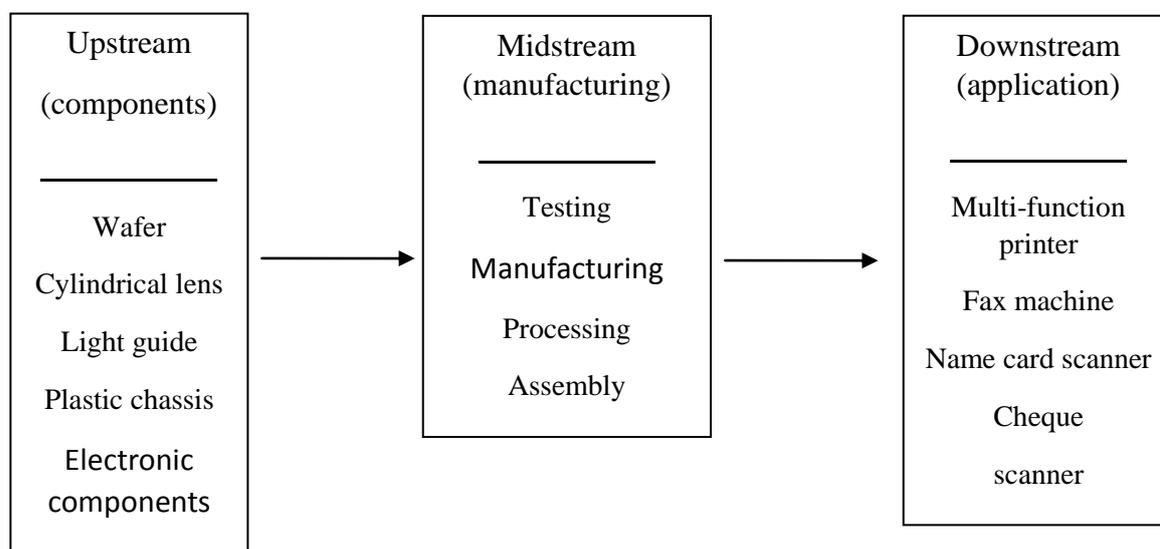
Source of data: IDC

As the modular design of CISM is advantageous to the application assembly of system operators, over the past years of development, products with scanning functions for personal and SOHO commercial purposes and CISM use have become mainstream products in the market. The main products of the Group are used for scanners, fax machines, and MFP for use. In 2022, the Russo-Ukrainian War and inflation have caused a decline in the demand for consumer models, but the demand for commercial models will continue to rebound as pandemic restrictions are eased across the globe and people return to work in offices.

2. Correlation among upstream, midstream and downstream in the industry:

For the CISM products of the Group, wafer, cylindrical lens, light guide, plastic chassis and other electronic components are purchased. Through the front-end processing of the wafer

testing, wafer cutting, loading, wire bonding, lamination and after the back-end processing, testing, and inspection are performed. Once products are completed, they are directly sold to professional manufacturing OEM operators. The correlation among the upstream, midstream and downstream in the industry is as follows:



3. Development trends of products and competition status:

(1) Product development trend

CISM is an essential component for MFP, and the key development relies on low cost, low power consumption, light weight, and compactness, which form the niche of the Group's product development. Through cooperative development of new products with customers, the Group aims to create solutions with ultra-high speed, high precision, and high depth of field. Creative Sensor's team has gained customers' trust in terms of research and development, price, quality, and services.

(2) Industry and market competition

As the post-pandemic era draws to a close, there has been a significant decline in the demand for working from home and remote work market while the demand in the commercial market rebounded. Due to geopolitical tensions and high inflation, the stay-at-home economy has weakened as demand for consumer products and related applications decreased. The global sales volume of MFPs in 2022 decreased by 3% compared to the pandemic period. The forecast long-term market demand is stable despite a marginal decline. As the supply chain stabilizes, Market competition will be focused on supply chain management and cost control. The Group currently maintains its leading position in the market. Through complete automated production line, the Group can minimize cost and enhance quality to cope with the continuous increase of production labor cost of the Group.

(III) Technology and Research and Development Overview

Annual research and development expense invested in the most recent year and technology or product developed successfully in the most recent year:

1. The consolidated research and development expenses invested in 2022 totaled NTD 84,385 thousand.
2. Technology or product developed successfully:
 - (1) Annual mass production models of main Taiwanese, Japanese, and U.S. customers.
 - (2) Completion of development of high speed A4 CIMS and start of mass production.
 - (3) A4 & A3 CISM with introduction of self-developed components and mass production.
 - (4) Completion of development of new testing machine.
 - (5) Development of 5th generation of slim type CISM.
 - (6) Light and accurate infrared camera module for temperature measurement.

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

1. Short-term business development plan:
 - (1) Actively monitor the inventory of downstream customers and adjust the inventory of materials to reduce risks.
 - (2) Increase production efficiency and expand production capacity to meet growing demand.
 - (3) Develop and design image input module with high field of depth in order to strengthen the competitiveness in the high-end MFP market.
 - (4) Expand the market penetration rate for A3 CISM in the high-end printers of Japanese customers in order to replace the original A3 CCDM products.
2. Long-term business development plan:
 - (1) Increase vertical integration ratio by implementing the internal introduction of plastic formation and increasing gross margin.
 - (2) Develop a new generation of linear scanning light source, and further reduce cost and improve lighting efficacy.
 - (3) Develop far-infrared imaging temperature sensing module in order to enter the body temperature monitoring of the epidemic market application.
 - (4) Market development of other optical input/output devices.

II. Market and Production/Sales Overview

(I) Market Analysis

1. Sales region of main products

The sales region of the products of the Group mainly consists of information technology and consumer electronic operators in Asia, the U.S., and Europe. Most current customers are well-known international OEM or system operators.

2. Market share

CISM Market share

Unit: %

Year	2020	2021	2022
Creative Sensor global market share	46.5%	53.7%	51.2%

Note: Calculation based on IDC's MFP sales quantity (excluding the percentage of the self-manufactured CISM modules of the end customers)

3. Market future supply and demand status and growth

(1) Supply side:

Due to geopolitical tensions and high inflation, the effects of the stay-at-home economy has weakened as demand for consumer products decreased. Other than the demand of electric vehicles and 5G applications which remained high, the shortage of materials in other supply chains will soon be alleviated and the production capacity will not be constrained by fluctuations in the supply of materials.

(2) Demand side:

As the global pandemic subsides and borders reopen, normal work and life have been restored and the dividends of the pandemic have been depleted. Countries have imposed tightened monetary policies to control high inflation, which will have a negative impact on economic activities and are expected to reduce the demand for consumer models. However, as remote work draws to a close, the demand for commercial devices will gradually recover and the global market size is expected to decline to just under the pre-pandemic level.

4. Competitive niche

(1) Rigorous quality requirements and advanced manufacturing process technology:

As all customers of the Company are major international brands, customers have high requirements for product quality, and the Company continues to implement quality improvement plans to attain improvements. The Company has obtained ISO 90001 and ISO 14001 international quality system certifications. Our plants also implement the overall cleanroom ESD protective environment upgrade, and gradually introduced complete automation to production lines as well as precise and reliable production lines to manufacture high-quality products. With regard to product quality design, the Company is also able to satisfy different customer demands and provide greater design integration capacity in the industry. Consequently, the Company's overall product quality standard is higher than the standards of the industry.

(2) Excellent supplier integration capability:

Since the development of key CISM components such as sensing element, circuit boards, focusing lens, and light source require close cooperation with relevant suppliers, quality demand is extremely important. Therefore, we have adopted close cooperation and collaboration for research and development design to gain business opportunities from customers. Moreover, through close cooperative relationship and purchase scale, the Group is able to obtain raw materials at stable and reasonable price for production, thereby increasing the product competitiveness of the Group.

(3) Complete R&D team and technical capabilities:

The R&D team of the Group has extensive experience in the research and development of CISM. The team is equipped with independent design capabilities and has obtained numerous patents. The team also engages in joint research and development with suppliers to develop important raw materials. Consequently, the quality of the R&D technology and technical innovation capacity of the Group now lead competitors in the same industry.

(4) Expansion of product applications:

The Group applies the know-how in CISM production technologies accumulated over many years for the development of relevant technologies and upstream and downstream products. In addition to the current products, we have focused on the development of far-infrared product technologies and successfully developed IR modules that satisfy epidemic prevention,

industrial testing, and monitoring markets. We will continue to promote the applications to end customers to increase the contributions of related products.

5. Favorable and unfavorable factors for development prospects and response strategies:

Item	Favorable factors	Unfavorable factors	Response strategy
I. Industry prospects	MFP remains mainstream products for office/home applications, and the demand is stable. In addition, the CIS industry is still an oligopoly market with high barriers to entry. With limited domestic and foreign competing operators in the market, the medium and long-term market demand remains high.	MFP devices have matured and growth has started to slow. As a result, the growth of the Company's revenue from such products have gradually fallen. The COVID-19 pandemic has affected the production capacity in the global supply chain, which created direct impact on the revenue.	(1) Develop products with higher speed and higher resolution for applications in high-end ink jet and laser MFP, thereby expanding the product penetration rate and maintaining continuous revenue growth. (2) Engage in cooperative research and development of important raw materials with domestic suppliers to reduce the cost. (3) Utilize the COB packaging and imaging technology and capability and expand into the industries of AOI linear sensor camera module and infrared thermal imaging sensor to expand the niche in business operations and develop new applications.
II. Position in the industry	The Group currently ranks first in the world in terms of the market share of color contact image sensors. The Group has superior production scale competitiveness and cost control capabilities.	Both the upstream and downstream sections of the industry are oligopoly markets with lower price control capabilities. Price competition occurs as competing operators seek business opportunities in the market.	(1) Enhance the development of high-end products and low-price module products and increase the added value and market share to increase the differentiation from the operators in the industry. (2) Continue to improve manufacturing process and engage in development of high-performance and low-cost raw materials with suppliers to reduce production cost.
III. Primary raw material supply status	The Group has created long-term strategic alliances with primary raw material suppliers, and is able to control the quality and quantity of raw materials and components supplied.	Parts of the products of the primary raw material suppliers are sourced from oligopoly markets with lower price flexibility.	(1) Engage in cooperative research and development of important raw materials with suppliers to reduce the cost. (2) Continue to maintain excellent business relationship with suppliers and obtain stable supply sources.

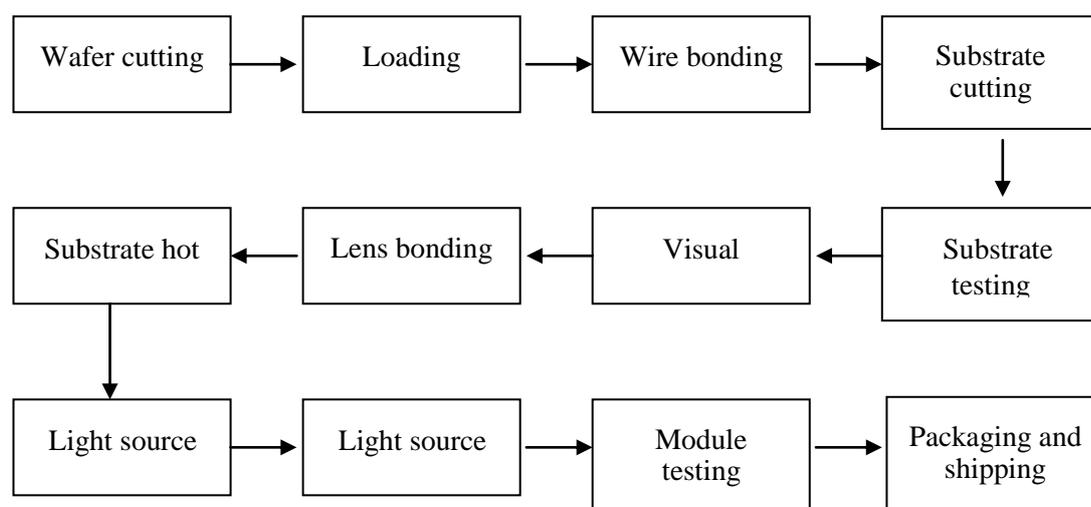
IV. Sales status of main products	The product quality and delivery of the Group have long been recognized by the customers, and the Group continues to maintain the leading position in the market share for color CIS. In addition, the Group continues to develop new customers and engages in joint development of new products with customers. As a result, the sales quantity will continue to increase.	(1) Downstream product market with distinctive high and low seasons, affecting the production capacity planning. (2) Customer concentration is high.	(1) Actively expand business, attract new customers and new orders to increase customer diversification. (2) Obtain stable long-term orders to facilitate appropriate adjustments of the production capacity and reduce the obvious gap between operating costs during the high and low seasons.
V. Financial status	The Group has maintained stable profit for a long period of time. In addition, the management values the importance of accounts receivable and control of inventory; therefore, the operating activities indicate cash inflow status and a sound financial structure. The Group has sufficient funding and no financial concerns.	Products are devoid of diversity and the industry has matured as growth in both the revenue and profit fell and weakened profitability.	Develop new businesses to stimulate future business profits. The Group has sufficient funding to meet requirements for future capital expenditures.

(II) Key purpose and manufacturing process of main products

1. Key purpose of main products:

Item	Main products	Purpose
Contact image sensors	CIS	MFP Fax machine Image scanner Printer Name card scanner Banknote recognition machine

2. Manufacturing process



(III) Primary raw material supply status

Primary raw material	Supply source	Supply status
Wafer	Japan, Singapore, Taiwan	Excellent
Cylindrical lens	Japan, Hong Kong	Excellent
Light source light guide	Japan, Hong Kong, Taiwan	Excellent
Printed circuit board	Taiwan, Mainland China	Excellent

(IV) Name of customers accounted for more than 10% of total purchase (sales) amount of the company in the last two years or in any year and the purchase (sales) amount and ratio thereof

1. Information of main suppliers of the Company in the last two years

Unit: NTD thousands

Item	2021				2022			
	Name	Amount	Annual net purchase percentage (%)	Relationship with the issuer	Name	Amount	Annual net purchase percentage (%)	Relationship with the issuer
1	Company A	459,122	15.63%	None	Company A	581,019	20.86%	None
2	Company B	449,386	15.30%	None	Company B	489,970	17.59%	None
3	Company C	431,116	14.67%	Note	Company C	323,341	11.61%	None
	Other	1,598,298	54.40%	--	Other	1,391,536	49.94%	--
	Net purchase amount	2,937,922	100.00%		Net purchase amount	2,785,866	100.00%	

Note: It refers to the main management of the Group. After the election of the Board of Directors on July 9, 2021, the Company is no longer a related party of the Group.

Reason of increase/decrease: In the last two years, there were no major changes in the incoming material supplier ranking of the Company. However, we must actively seek new suppliers to diversify supply risks and stabilize supply sources without affecting the quality of raw materials.

2. Information of main customers of sales of the Company in the last two years

Unit: NTD thousands

Item	2021				2022			
	Name	Amount	Annual net sales percentage (%)	Relationship with the issuer	Name	Amount	Annual net sales percentage (%)	Relationship with the issuer
1	Company Alpha	818,708	20.72%	None	Company Alpha	586,993	13.79%	None
2	Company Beta	485,946	12.30%	"	Company Beta	564,406	13.26%	"
3	Company Gamma	367,084	9.29%	"	Company Gamma	387,763	9.11%	"
4	Company D	256,017	6.48%	"	Company D	344,997	8.10%	"
	Others	2,023,564	51.21%	--	Others	2,372,793	55.74%	"
	Net sales amount	3,951,319	100.00%		Net sales amount	4,256,952	100.00%	

Reason of increase/decrease: As the Company produces a single type of products, the sales targets are all major international manufacturers and the customer source is stable. The Company maintains excellent relationship with the existing customers and actively develops new customers.

(V) Production quantity table for the most recent two years

Unit: NTD millions; 1,000 pcs

Year Production Quantity and Value Mai Products	2021			2022		
	Production Capacity	Production Quantity	Production Value	Production Capacity	Production Quantity	Production Value
Image sensors	36,960	32,233	4,080	37,290	27,713	4,038
Total	36,960	32,233	4,080	37,290	27,713	4,038

(VI) Sales quantity table for the most recent two years

Unit: NTD millions; 1,000 pcs

Year Sales Quantity Amount Main Products	2021				2022			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Image sensors	0	1	31,220	3,950	0	0	29,214	4,257
Total	0	1	31,220	3,950	0	0	29,214	4,257

III. Number of Employees in the Last Two Years and the Employee Information of the Group up to the Publication Date of the Annual Report

Year		2021	2022	2023 as of March 31
Number of employees	Indirect labor	323	326	326
	Direct labor	652	589	646
	Total	975	915	972
Average age		34.25	35.0	35.2
Average years of service		4.05	4.49	3.94
Education background distribution ratio (%)	PhD	0%	1%	1%
	Master	5%	3%	3%
	College	33%	20%	22%
	Senior High School	31%	36%	41%
	Below Senior High School	31%	40%	33%

IV. Information on Environmental Protection Expenditures

Total amount of losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken, and please explain

the future response measures (including improvement measures) and possible expenses (including possible loss, penalty and estimated compensation amount due to failure in adopting response measures; if reasonable estimation cannot be made, the fact for such failure in providing reasonable estimation shall be explained): The Group is in the component manufacturing industry and does not produce waste gas, wastewater, and noise pollution in the manufacturing process. Consequently, there have been no losses due to environmental pollution in the last two years. It does not expect to incur major capital expenditures in environmental protection in the future.

V. Labor-Management Relationship

(I) Company's employee welfare measures, continued education, training, retirement system and implementation thereof, and labor management agreement and various employee benefit protection measures status:

1. Employee welfare measures implementation status thereof:

- A. Starting from the job onboard date of employees of the Company, employees enjoy the labor insurance and national health insurance. Employees of overseas subsidiaries enjoy the local insurance system starting from the onboard date.
- B. According to the employee stock subscription regulations of the Company, during the capital increase by cash, 10% to 15% of stocks are reserved for employees' subscription according to the regulations, and the employee bonus sharing system is implemented.
- C. The Company has established the Employee Welfare Committee, which handles and manages the operations of all welfare measures. Presently, all of the labor criterion of leave applications, working hours etc. are handled according to the Labor Standards Act, and various welfare measures are planned.
- D. Current employee welfare measures are as follows:
 - ① Three-holiday bonuses, gift vouchers.
 - ② Year-end bonus, performance bonus.
 - ③ Organization of year-end party activity.
 - ④ Organization of employees' domestic and overseas travel activities.
 - ⑤ Employee marriage, funeral monetary gifts.
 - ⑥ Subsidies to children education.
 - ⑦ Apply for labor, health insurance and group insurance enrollment for employees.
 - ⑧ Provide stock subscription opportunity for employees during capital increase by cash.

2. Employees continuing education, training system, and implementation status

- A. With regard to the employee educational training, employee educational training is implemented according to the Company's training related regulations of "Educational Training Implementation Regulations," "Internal Educational Training Implementation Regulations," "External Training Implementation Regulations," "Language Proficiency Examination Subsidy Regulations," "On-Job Continuing Education Subsidy Regulations" etc. We actively provide employees various learning and development opportunities and environment to cultivate outstanding talents with international vision and active learning.
- B. 2022 educational training hours statistics: In 2022, programs of supervisor training, internal and external courses for core ability and professional ability improvement were organized, and there was a total of 69 people participating in the training, and the total

number of hours was 250 hours. In 2022, on average, each person received 3.3 hours of training, and the annual training expenditures amounted to NTD 253,282..

3. Retirement system and implementation status:

- A. With regard to the employee retirement system and regulations of the Company, the Company handles such matters according to the relevant regulations of the Labor Standards Act and the Labor Pension Act. Overseas subsidiaries handle such matters according to the retirement and insurance system of People's Republic of China (PRC).
- B. The Company has also established the "Labor Retirement Reserve Fund Supervisory Committee" to supervise the implementation status of the retirement system.
- C. According to the regulations specified in the Generally Accepted Accounting Principles (GAAP) of R.O.C. No. 18, the Company entrusts an actuary to perform assessment and calculation of the labor retirement reserve fund and to submit actuarial assessment report. Since July 1, 2005, the Company has appropriated 6% of the employee wage into the employee individual pension account on a monthly basis according to the Labor Pension Act. Overseas subsidiaries follow the retirement insurance system of PRC to make a certain ratio of appropriation according to the employee's total salary amount, and the monthly pensions of employees are managed and arranged uniformly by the government.

4. Labor management agreement and various employee benefit protection measures status:

The Group has always adopted the operational method of self-management and all staff participation. Supervisors and employees of each department engage in effective communication through periodic business meeting and educational training, and the labor-management relationship is therefore harmonious.

5. Employee code of conduct or ethical rules:

To maintain order in the workplace, the Group explicitly specifies the rights and obligation relationships between labor and management. The Group also has established the "Work Rules" according to laws and publicly disclosed them after obtaining approval from the competent authority. Furthermore, the Company has specified the following rules and actively promotes them to reduce the operational risks of the Company, prevent occurrence of conducts damaging the interests of shareholders, and provide guidance to employees of the Company:

- A. Ethical management best practice principles: It is prohibited to directly or indirectly provide, commit, request or accept any illegal benefits, or engage in any conduct violating the ethics or violating the obligation entrusted for fulfillment.
- B. Comply with antitrust requirements: It is necessary to remain vigilant when responding to competitors and dealing with business counterparties, and it is necessary to provide clear response without disclosing sensitive information. Employees also may not provide or receive in any special offers or benefits.
- C. Report illegal and unethical conducts: In case where an employee discovers any conducts violating the ethical standards of the Company, including misappropriation of Company properties, matters affecting accuracy of the financial statements of the Company, collection of illegal benefits from the external, such employee shall report such issue via internal normal channel of the Company.

6. Internal Material Information Handling Operation Procedure:

To establish proper internal material information handling and disclosure mechanism, to prevent improper disclosure of information and to ensure consistency and accuracy of information published by the Company to external entities, the Group has also amended the “Management for Preventing Insider Trading” in the internal control system. It was reported to the Board of Directors’ meeting for resolution and approval on December 21, 2022, and all employees and managerial personnel have been informed accordingly.

7. Working environment and employee personal safety protective measures:

A. Working environmental protective measures

- ①The Group has obtained ISO14001 environmental management system certification. Our environment policies are: (1) Following and complying with environmental laws and other requirements. (2) Promoting recycling and reuse of resources, and endeavoring to reduce industrial waste to prevent pollution. (3) Reducing the use of hazardous materials, being thorough on pollution control and management, and endeavoring on the design and manufacturing of green products. (4) Preventing accidents and disasters and enhancing disaster prevention drill.
- ②Equipment safety: The Company implements periodic inspections of elevators and cargo elevators in the building, and appoints external contractors to perform monthly labor safety and health inspections to prevent the increase of labor risks and require workers to wear personal protective equipment.
- ③Fire safety: Comprehensive fire control systems have been installed in accordance with the regulations in the Fire Services Act, including fire sprinkling system, evacuation systems such as escape slings and emergency lighting etc. We also organize annual inspections of the lighting, fire safety, and carbon dioxide detection systems.
- ④The Group performs semi-annual drinking water machine tests as well as complete disinfection of the work environment each year to maintain the sanitation of the working environment.

B. Employee personal safety protective measures

- ①The Group has established the “Safety and Health Work Rules” to protect the rights and benefits related to workers’ physical and mental health, and to reduce all major hazards caused during operation. Furthermore, the Company has also established the “Regulations for Attending to Accidents of Natural Disaster, Power Outage, Pending for Material Supply etc.” To facilitate immediate response actions in case of occurrence of disasters.
- ②Medical health care: The Group provides one physical examination for employees every year.
- ③The Group holds periodic labor safety and health educational training each year to increase relevant knowledge of employees and reduce employees’ occupational injuries.
- ④The Group’s reception counter is equipped with alcohol and masks at all times for use by employees and visitors to reduce likelihood of spreading of infectious diseases, such as flu and cold, among employees at the working environment.
- ⑤To prevent accident that threaten workers’ personal safety, we require workers to wear personal protective equipment and establish relevant operation procedures.

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

VI. Cyber Security Management:

(I) Cyber security risk management framework

1. Organization:

- (1)The Company's Information Security Section is responsible for the establishment of internal information security policies, planning and implementation of information security procedures, and promotion and implementation of information security policies.
- (2)The Company's Auditing Office is the supervisory unit for information security monitoring. The Office has an audit supervisor and full-time auditors responsible for supervising the implementation of internal information security measures. If discrepancies are found, the audited unit will be asked to propose specific improvement measures and the effectiveness of the improvements will be tracked on a regular basis to reduce internal security risks. The audit results are reported to the Board of Directors each year.
- (3)Organizational operation mode: According to the Company's Information Security Policy and Information Security Operation Procedures, internal units must implement and strengthen the communication of the Information Security Policy and Information Security Operation Procedures. They organize personnel education and training and implement the adoption and implementation of the Information Security Policy. The Auditing Office conducts information security risk audits and if discrepancies are found, the audited unit will be asked to propose specific improvement measures and the effectiveness of the improvements will be tracked on a regular basis.

2. Information security risk management mechanisms:

Execute the management of IT server rooms, computer information file security, network security, email security management, and information system control and access.

(II) Information Security Policy

1. Information security targets:

Establish a secure and reliable operation environment and ensure the security of the Company's data, systems, equipment, and networks to protect the Company's interests and ensure the continuous operations of the information systems of all units.

2. Scope of information security:

- (1)Computer system security management.
- (2)Network security management.
- (3)System access control.
- (4)Information equipment management and information security training.

- (5) Security management for system development and maintenance.
 - (6) Information asset security management.
 - (7) Physical and environmental security management of the information system.
 - (8) Information security auditing.
3. Related regulations for employees:
- (1) To maintain data integrity, employees may not destroy, take out, lend, or improperly modify computer data and equipment.
 - (2) The use of pirated software is prohibited.
 - (3) The use of the company network environment by external information and communication devices is prohibited. The Company does not provide network connection services for visitors to prevent the intrusion of viruses from external sources and block computers with unauthorized software from accessing the Company's network environment.
 - (4) After logging into the server, once the operations are completed if the device is not used for an extended period of time, the user should be logged out of the system to prevent leaks of confidential data, damage by others, or computer crashes.
 - (5) When an employee resigns or when handing over responsibilities, the IT unit shall assess the relevancy of data and take appropriate measures including data backup and adjustments of related system access authorities.

(III) Specific management plans

1. Infrastructure system (computer server room, electricity supply services, air-conditioning services, network telecommunications services, and fire safety)
 - (1) Computer server room: The Company has two server rooms, including the main server room in Neigh Headquarters and the IDC backup server room of Chunghwa Telecom.
 - (2) Power system: The server room is equipped with battery cabinets for the uninterrupted power supply (UPS) system. In case of an anomaly in the power supply, the UPS system will immediately supply power and it can continue to supply power for up to 1 hour. When the power failure persists for more than 30 minutes, the system will be shut down to ensure system safety.
 - (3) Cooling air-conditioning system: Two air conditioners are installed and they rotate operations to maintain cooling effectiveness.
 - (4) Network lines: We use three network lines provided by Asia Pacific Telecom and Chunghwa Telecom for external network services.
 - (5) Fire safety system: It is equipped with carbon dioxide fire extinguishing devices and standalone hand-held fire extinguishers.
2. Physical information equipment
 - (1) Enterprise Resource Planning (ERP) system: The Company has two ERP servers which are divided into official and test areas. The server used for official operations provides ERP service and the server used for tests is used by developers for tests before applications are imported into the server used for official operations.
 - (2) E-mail system: The e-mail system service is set up in the IDC server room and Neihu main server room. The mail system in the main server room is the backup system.

3. Firewall and load balancing equipment:

(1)The firewall determines whether to allow or block specific connections and protect against viruses and network attacks based on security rules and definitions. Load balancing equipment provide redundancy for external network service lines.

(2)Physical area control (server room access control area)

Access to the server room is controlled with separate access control cards so that unauthorized personnel cannot enter the room. The time and reason of entry into the server room by unauthorized personnel are recorded.

4. Information system control

(1) Computer system control: Only company computers are permitted to be used for work. All new computers must be delivered to the Information Technology Department for setting the security environment and account access.

A. The Company uses designated brands and models of computers to ensure the equipment maintenance quality.

B. Inclusion in the company domain for account access controls

C. Web browser security settings

D. Install designated anti-virus software

(2) Web behavior control: Restrict web pages by category, block malicious websites, record website visits, and monitor and count traffic usage behavior. Implement monitoring and blocking of application traffic.

(3) Personnel access control: System administrators, administrators, and general users are managed with separate authorities.

(4) Access restrictions:

A. Only authorized personnel can connect to the core system and the computer location and connection methods are also restricted.

B. Only authorized personnel are permitted to access data on the file server.

5. System audit management

(1)Internal audit: Internal audit management is conducted once every six months in accordance with the Company's internal computerized information system management system.

(2)External audit: An audit of the accounting information system is conducted each year to audit the operation systems and management methods.

6. Information security defense measures

Different brands of anti-virus scanning mechanisms are used for each type of information security equipment to increase the virus detection rate.

(1) Firewall:

A. We set up firewalls for new applications and update virus codes to scan the contents of network traffic in real time.

B. It identifies different connection behaviors, categorizes websites for identification, blocks malicious websites, and blocks malicious links and malware.

C. We set up the PA sandbox system to ensure system security.

(2)Network segmentation:

- A. The internal network is divided into different network segments for each department and system service.
- B. When a virus infection occurs, it can increase the difficulty for the virus to spread and isolate suspicious network segments.
- C. We can use the monitoring system to identify the location of abnormal network behavior.

(3) Update server: It can address the vulnerabilities of internal servers and automatically issue update files.

- A. Major updates and security updates: They are set to promptly download and facilitate manual updates.
- B. General update: They are set to schedule downloads and update during off-peak hours.

(4) Anti-virus software:

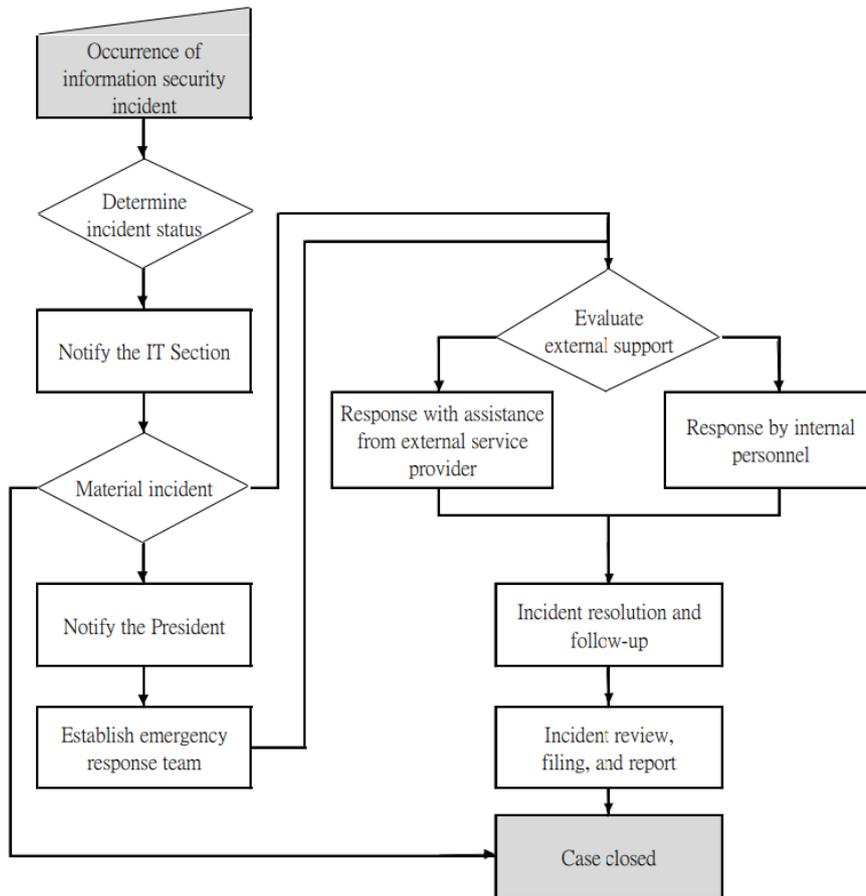
- A. Central console management separates users and servers into different groups for management. We can monitor the virus infection status of the entire company from the anti-virus console.
- B. Anti-virus software is installed on the user's end and is scheduled to update automatically, with regular scanning scheduled every Wednesday at 12:00.

(IV) Information security investment plan

- (1) Two-factor authentication mechanism: In response to the increased and sustained demand for remote connection in the post-pandemic era, we implement the two-factor authentication mechanism with security checks and login password for external connected devices to ensure that the connected devices do not infiltrate and cause damage to the Company's system.
- (2) Endpoint detection and response (EDR) and managed detection and response (MDR) services: We implement endpoint detection and response (EDR) to detect malware intrusions and prevent ransomware attacks at all times. We collect and report detection information and implement 24-hour continuous monitoring to detect signs of ransomware in real time. It prevents employees' laptops and other devices from being hijacked by individuals with malicious intent, which may lead to business interruption.

(V) Emergency reporting procedures

The Company's reporting procedures for information security incidents are as follows. The reporting of and response to information security incidents are processed in accordance with the procedures.



VII. Important Contracts: None.

Six. Financial Information

I. Condensed Balance Sheet and Comprehensive Income Statement for the Most Recent Five Years

(I) Condensed Balance Sheet

1. Consolidated Condensed Balance Sheet - IFRS

Unit: NTD thousand

Year Item		Financial information for the most recent five years				
		2018	2019	2020	2021	2022
Current assets		3,466,786	3,220,429	3,193,614	2,675,797	2,967,629
Property, plant, and equipment		485,435	371,289	293,774	227,987	190,114
Intangible assets		6,909	6,170	7,510	4,785	6,561
Other assets		675,174	775,294	1,749,837	3,823,952	3,249,942
Total assets		4,634,304	4,373,182	5,244,735	6,732,521	6,414,246
Current liabilities	Before distribution	1,284,592	920,458	1,865,805	2,725,410	2,471,247
	After distribution	1,449,763	1,072,924	2,030,976	2,907,490	2,739,740
Non-current liabilities		111,553	155,141	34,478	36,342	65,235
Total liabilities	Before distribution	1,396,145	1,075,599	1,900,283	2,761,752	2,536,482
	After distribution	1,561,316	1,228,065	2,065,454	2,943,832	2,804,975
Equity attributed to the owners of the parent company		3,238,159	3,297,583	3,344,452	3,970,769	3,877,764
Capital stock		1,270,550	1,270,550	1,270,550	1,490,550	1,490,550
Capital surplus		677,467	677,467	677,467	974,247	974,247
Retained earnings	Before distribution	1,154,222	1,172,756	1,209,832	1,396,626	1,602,499
	After distribution	989,051	1,020,290	1,044,661	1,214,546	1,334,006
Other equity		135,920	176,810	186,603	368,902	33,949
Treasury stock		0	0	0	(259,556)	(223,481)
Non-controlling interests		0	0	0	0	0
Total equity	Before distribution	3,238,159	3,297,583	3,344,452	3,970,769	3,877,764
	After distribution	3,072,988	3,145,117	3,179,281	3,788,689	3,609,271

Note 1: Information for 2018 to 2022 is based on the consolidated financial statements audited and certified by CPA and based on IFRS.

2. Standalone Condensed Balance Sheet - IFRS

Unit: NTD thousands

Year Item		Financial information for the most recent five years				
		2018	2019	2020	2021	2022
Current assets		1,344,074	1,008,818	1,898,842	1,489,295	1,731,698
Property, plant, and equipment		6,443	26,643	26,578	18,637	10,441
Intangible assets		3,502	4,111	5,876	3,649	5,094
Other assets		3,249,211	3,337,634	3,364,949	5,112,057	4,764,507
Total assets		4,603,230	4,377,206	5,296,245	6,623,638	6,511,740
Current liabilities	Before distribution	1,267,545	938,429	1,919,453	2,624,818	2,589,351
	After distribution	1,432,717	1,090,895	2,084,624	2,806,898	2,857,844
Non-current liabilities		97,526	141,194	32,340	28,051	44,625
Total liabilities	Before distribution	1,365,071	1,079,623	1,951,793	2,652,869	2,633,976
	After distribution	1,530,243	1,232,089	2,116,964	2,834,949	2,902,469
Equity attributed to the owners of the parent company		3,238,159	3,297,583	3,344,452	3,970,769	3,877,764
Capital stock		1,270,550	1,270,550	1,270,550	1,490,550	1,490,550
Capital surplus		677,467	677,467	677,467	974,247	974,247
Retained earnings	Before distribution	1,154,222	1,172,756	1,396,626	1,396,626	1,602,499
	After distribution	989,051	1,020,290	1,044,661	1,214,546	1,334,006
Other equity		135,920	176,810	186,603	368,902	33,949
Treasury stock		0	0	0	(259,556)	(223,481)
Non-controlling interests		0	0	0	0	0
Total equity	Before distribution	3,238,159	3,297,583	3,344,452	3,970,769	3,877,764
	After distribution	3,072,988	3,145,117	3,179,281	3,788,689	3,609,271

Note 1: Information for 2018 to 2022 is based on the standalone financial statements audited and certified by CPA based on IFRS.

(II) Condensed Statement of Comprehensive Income

1. Consolidated Condensed Statements of Comprehensive Income - IFRS

Unit: NTD thousands

Year Item	Financial information for the most recent five years				
	2018	2019	2020	2021	2022
Operating revenue	4,576,761	4,169,494	3,399,884	3,951,319	4,256,952
Gross profit	552,868	605,987	463,509	523,269	758,787
Operating income (loss)	226,435	268,756	162,115	199,441	413,277
Non-operating revenue and expenses	91,753	17,244	101,048	25,670	104,503
Net profit before tax	318,188	286,000	263,163	225,111	517,780
Net profit from continuing operation	205,800	183,626	190,268	176,681	359,682
Loss on discontinued operation	0	0	0	0	0
Net income (loss)	205,800	183,626	190,268	176,681	359,682
Other comprehensive income (net income after tax)	(168,712)	40,969	9,067	268,332	(306,374)
Current total consolidated income	37,088	224,595	199,335	445,013	53,308
Net profit attributable to owners of the parent company	205,800	183,626	190,268	176,681	359,682
Net profit attributable to non-controlling interests	0	0	0	0	0
Comprehensive income attributable to owners of the parent company	37,088	224,595	199,335	445,013	53,308
Comprehensive income attributable to non-controlling interests	0	0	0	0	0
Earnings per share	1.62	1.45	1.50	1.50	3.22

Note 1: Information for 2018 to 2021 is based on the consolidated financial statements audited and certified by CPA and based on IFRS.

2. Standalone Condensed Statements of Comprehensive Income - IFRS

Unit: NTD thousands

Item \ Year	Financial information for the most recent five years				
	2018	2019	2020	2021	2022
Operating revenue	4,563,815	4,161,994	3,399,884	3,951,319	4,256,952
Gross profit	375,869	399,983	358,944	362,538	492,588
Operating income (loss)	125,317	188,478	118,581	91,358	200,871
Non-operating revenue and expenses	149,081	43,143	125,642	94,447	230,936
Net profit before tax	274,398	231,621	244,223	185,805	431,807
Net profit from continuing operation	205,800	183,626	190,268	176,681	359,682
Loss on discontinued operation	0	0	0	0	0
Net income (loss)	205,800	183,626	190,268	176,681	359,682
Other comprehensive income (net income after tax)	(168,712)	40,969	9,067	268,332	(306,374)
Current total consolidated income	37,088	224,595	199,335	445,013	53,308
Net profit attributable to owners of the parent company	205,800	183,626	190,268	176,681	359,682
Net profit attributable to non-controlling interests	0	0	0	0	0
Comprehensive income attributable to owners of the parent company	37,088	224,595	199,335	445,013	53,308
Comprehensive income attributable to non-controlling interests	0	0	0	0	0
Earnings per share	1.62	1.45	1.50	1.50	3.22

Note 1: Information for 2018 to 2022 is based on the standalone financial statements audited and certified by CPA based on IFRS.

(III) Names of CPAs and audit opinions for the last five years

Year	Name of CPA	Audit Opinion
2018	Shu-Chiung Chang, Hui-Chin Tseng	Unqualified opinion
2019	Shu-Chiung Chang, Chun-Yao Lin	Unqualified opinion
2020	Shu-Chiung Chang, Chun-Yao Lin	Unqualified opinion
2021	Shu-Chiung Chang, Chun-Yao Lin	Unqualified opinion
2022	Po-Chuan Lin, Chun-Yao Lin	Unqualified opinion

II. Financial Analysis for the Most Recent Five Years

(I) Financial analysis

1. Consolidated financial analysis for the last five years - IFRS adopted

Year Analysis item		Financial analysis for the last five years				
		2018	2019	2020	2021	2022
Financial structure	Debt to assets ratio (%)	30.13	24.60	36.23	41.02	39.54
	Long-term capital to property real estate, plant and equipment ratio (%)	690.04	929.93	1150.18	1757.61	2074.02
Debt servicing capability	Current ratio (%)	269.87	349.87	171.17	98.18	120.09
	Quick ratio (%)	231.16	316.03	150.06	78.84	105.14
	Interest earned ratio (times)	-	367.20	60.92	19.95	27.73
Management capacity	Receivables turnover ratio (times)	7.82	7.11	6.33	8.02	8.13
	Average collection days	47	51	58	46	45
	Inventory turnover ratio (times)	9.71	8.81	8.33	7.44	7.80
	Payables turnover ratio (times)	4.85	4.73	4.46	4.85	4.84
	Average inventory turnover days	38	41	44	49	47
	Property, plant and equipment turnover ratio (times)	8.33	9.73	10.22	15.15	20.36
	Total asset turnover ratio (times)	0.99	0.93	0.71	0.66	0.65
Profitability	Return on assets (%)	4.46	4.09	4.03	3.11	5.71
	Return on equity (%)	6.20	5.62	5.73	4.83	9.17

	Net income before tax to paid-in capital ratio (%)	25.04	22.51	20.71	15.10	34.74
	Net profit margin (%)	4.50	4.40	5.60	4.47	8.45
	Earnings per share (NTD)	1.62	1.45	1.50	1.50	3.22
Cash flow	Cash flow ratio (%)	33.44	46.86	18.28	10.39	28.22
	Cash flow adequacy ratio (%)	143.25	138.06	133.24	133.65	157.57
	Cash reinvestment ratio (%)	4.44	5.50	3.94	2.16	9.47
Leverage	Operating leverage	3.49	2.92	3.70	3.10	2.07
	Financial leverage	1.00	1.00	1.03	1.06	1.05

Reasons for the variations of financial ratios in the last two years: (if the change increase/decrease is less than 20%, analysis may be exempted)

1. The increase in the current ratio and quick ratio was due to the increase in current assets and decrease in current liabilities.
2. The increase in interest earned ratio and net income before tax to paid-in capital ratio was mainly due to the increase in net profit before tax in 2022.
3. The increase in property, plant and equipment turnover ratio was due to the increase in net sales and decrease in property, plant, and equipment in 2022.
4. The increase in return on assets, return on equity, profit ratio, and earnings per share was due to the increase in net profit after tax in 2022.
5. The increase in the cash flow ratio, cash adequacy ratio, and cash reinvestment ratio was mainly due to the increase in revenue in 2022 which increased the net cash flow from operating activities.
6. The decrease in operating leverage was due to increase in net sales in 2022.

Note 1: Information for 2018 to 2022 is based on the consolidated financial statements audited and certified by CPA and based on IFRS.

2. Standalone financial analysis for the last five years - IFRS adopted

Analysis item		Year				
		2018	2019	2020	2021	2022
Financial structure	Debt to assets ratio (%)	29.65	24.66	36.85	40.05	40.45
	Long-term capital to property real estate, plant and equipment ratio (%)	51772.23	12906.87	12705.21	21456.35	37567.18
Debt servicing capability	Current ratio (%)	106.04	107.50	98.93	56.74	66.88
	Quick ratio (%)	105.93	106.36	98.78	56.08	66.19
	Interest earned ratio (times)	-	306.97	57.18	16.66	23.31
Management capacity	Receivables turnover ratio (times)	7.80	7.10	6.33	8.02	8.13
	Average collection days	47	51	58	46	45
	Inventory turnover ratio (times)	2892.23	622.85	450.71	358.77	214.89
	Payables turnover ratio (times)	4.46	4.23	3.81	4.59	4.49
	Average inventory turnover days	1	1	1	1	1
	Property, plant and equipment turnover ratio (times)	599.99	251.59	127.76	174.78	292.80
	Total asset turnover ratio (times)	1.00	0.95	0.64	0.66	0.65
Profitability	Return on assets (%)	4.51	4.10	4.01	3.12	5.71
	Return on equity (%)	6.20	5.62	5.73	4.83	9.17
	Net income before tax to paid-in capital ratio (%)	21.6	18.23	19.22	12.47	28.97
	Net profit margin (%)	4.51	4.41	5.60	4.47	8.45
	Earnings per share (NTD)	1.62	1.45	1.50	1.50	3.22
Cash flow	Cash flow ratio (%)	24.11	5.57	68.21	1.23	19.87
	Cash flow adequacy ratio (%)	115.34	94.41	213.19	205.24	237.98
	Cash reinvestment ratio (%)	2.93	(3.14)	32.66	(3.19)	8.13
Leverage	Operating leverage	2.88	2.11	(3.20)	1.88	2.41
	Financial leverage	1.00	1.00	1.04	1.15	1.11

Reasons for the variations of financial ratios in the last two years: (if the change increase/decrease is less than 20%, analysis may be exempted)

1. The increase of the long-term capital to property real estate, plant and equipment ratio was mainly due to the decrease of the book value of real estate, plant and equipment.
2. The increase in interest earned ratio and net income before tax to paid-in capital ratio was mainly due to the increase in net profit before tax in 2022.
3. The decrease in inventory turnover ratio and the increase in inventory.
4. The increase in property, plant and equipment turnover ratio was due to the increase in net sales and decrease in property, plant, and equipment in 2022.
5. The increase in return on assets, return on equity, profit ratio, and earnings per share was due to the increase in net profit after tax in 2022.
6. The increase in the cash flow ratio, cash adequacy ratio, and cash reinvestment ratio was mainly due to the increase in revenue in 2022 which increased the net cash flow from operating activities.
7. The increase in operating leverage was mainly due to increase in net sales in 2022.

Note 1: Information for 2018 to 2022 is based on the standalone financial statements audited and certified by CPA based on IFRS.

1. Financial structure

- (1) Debt to total assets ratio = Total debt / Total assets.
- (2) Ratio of long-term capital to property, plant & equipment = (total equity + non-current liabilities) / net worth of property, plant and equipment.

2. Debt servicing capability

- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets - inventory - pre-payment) / current liabilities.
- (3) Interest earned ratio = profit before income tax and interest expenses / interest expenses.

3. Management capacity

- (1) Accounts receivable (include receivable amounts and receivable bills from operation) turnover = net sales / average accounts receivable in each period (include receivable amounts and receivable bills from operation) balance.
- (2) Average collection period = 365 / accounts receivable turnover.
- (3) Inventory turnover ratio = sales cost / average inventory amount.
- (4) Accounts payable (include payable amounts and payable bills from operation) turnover = sales cost / average accounts payable in each period (include payable amounts and payable bills from operation) balance.
- (5) Average days in sales = 365 / inventory turnover ratio.
- (6) Property, plant and equipment turnover ratio = net sales / average net worth of property, plant and equipment.
- (7) Total assets turnover ratio = Net sales / Average total assets.

4. Profitability

- (1) Return on asset = [earnings after tax + interest expense × (1 - interest rate)] / average total assets.
- (2) Return on shareholders' equity = earnings (loss) after tax / average total equity.
- (3) Profit ratio = earnings (loss) after tax / net sales.
- (4) Earning per share = (profit or loss attributable to owners of the parent company - preferred stock dividends) / weighted average number of shares outstanding.

5. Cash flow

- (1) Cash flow adequacy ratio = net cash flow from operating activities / current liabilities.
- (2) Net cash flow adequacy ratio = net cash flows from operating activities in the last five years / (capital expenditure + inventory increase + cash dividends) in the last five years.
- (3) Cash reinvestment ratio = (cash provided by operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital).

6. Leverage:

- (1) Operating leverage = (net sales - variable cost) / income from operations.
- (2) Financial leverage = income from operations / (income from operations - interest expense).

III. Audit Committee's Review Report of the Financial Statements in the Most Recent Year

Creative Sensor Inc. Audit Committee's Review Report

The 2022 business report, standalone financial statements, consolidated financial statements, and earnings distribution proposal prepared by the Board of Directors have been audited by CPA Po-Chuan Lin and CPA Chun-Yao Lin of Pricewaterhouse Coopers Certified Public Accountants, who issued an audit report. The aforementioned business report, standalone financial statements, consolidated financial statements, and earnings distribution proposal have been reviewed by the Audit Committee, which found no misstatement in the above, and thereby issues this review report in accordance with Article 219 of The Company Act for your review.

Submitted to

The 2023 Annual General Shareholders Meeting

Creative Sensor Inc.

Convener of the Audit Committee:

Shih-Ing Huang

March 17, 2023

IV. Financial Statements of the Most Recent Year

For 2022 financial statements, please refer to page 124 to page 201 of this Annual Report.

V. Company's Standalone Financial Statements of the Most Recent Year Audited by Auditors. For the Company's 2022 standalone financial statements, please refer to page 202 to page 281 of this Annual Report.

VI. Summary of any financial difficulty of the Company or its affiliates in the most recent year and up to the printing date of the annual report. In case of any financial difficulty, the impact of such difficulty on the Company shall be explained: None.

Seven. Review and Analysis of Financial Status and Operational Results and Risks

I. Financial Status

(I) Financial status comparison and analysis table

Unit: NTD thousands

Year Item	2022	2021	Difference		
			Amount	%	Description
Current assets	2,967,629	2,675,797	291,832	10.90	—
Fixed assets	190,114	227,987	(37,873)	(16.61)	—
Other assets	3,256,503	3,828,737	(572,234)	(14.94)	—
Total assets	6,414,246	6,732,521	(318,275)	(4.73)	—
Current liabilities	2,471,247	2,725,410	(254,163)	(9.32)	—
Total liabilities	2,536,482	2,761,752	(225,270)	(8.15)	—
Capital stock	1,490,550	1,490,550	—	—	—
Capital surplus	974,247	974,247	—	—	—
Retained earnings	1,602,499	1,396,626	205,873	14.74	—
Total shareholders' equity	3,877,764	3,970,769	(93,005)	(2.34)	—
Description of increase/decrease change of ratio for the two periods: For the increase/decrease change ratio reaches 20%, and absolute amount exceeds NTD 10,000 thousand, analysis is then performed.					

II. Financial Performance

(I) Financial performance comparison analysis

Year Item	2022	2021	Increase (decrease) amount	Change ratio %	Analysis and explanation for change of ratio
Operating revenue	4,256,952	3,951,319	305,633	7.73	—
Operating costs	3,498,165	3,428,050	70,115	2.04	—
Gross profit	758,787	523,269	235,518	45.00	1
Operating expenses	345,510	323,828	21,682	6.69	—
Net operating profit	413,277	199,441	213,836	107.21	2
Non-operating revenue and expenses					
Other income	156,689	141,957	14,732	10.37	—
Other interest and loss	(36,669)	(111,369)	74,700	67.07	3
Finance costs	(19,370)	(11,882)	(7,488)	63.01	—
Share of profits/losses on equity-accounted associated companies and joint ventures	3,853	6,964	(3,111)	(44.67)	—

Net profit before tax	517,780	225,111	292,669	130.01	4
Income tax expenses	(158,098)	(48,430)	(109,668)	226.44	4
Net profit	359,682	176,681	183,001	103.57	4

Description of increase/decrease change of ratio analysis: For the increase/decrease change ratio not reaching 20% or the absolute amount less than NTD 10,000 thousand, analysis is exempted.

The analysis is as follows:

1. It was mainly due to the recovery of supply of low-end models and increase in the shipping of high-margin models.
2. It was mainly due to the increase in revenue and the effect of exchange rate changes.
3. It was mainly due to the decrease in expenses for the solicitation of proxy letters.
4. It was mainly due to the increase in revenue and gross profit margin and decrease in non-operating losses.

III. Cash Flow

(I) Analysis of cash flow changes in the most recent year:

Item	Year		Increase (decrease) ratio
	2022	2021	
Cash flow ratio (%)	28.22	10.39	171.60
Cash flow adequacy ratio (%)	157.57	133.65	17.89
Cash reinvestment ratio (%)	9.47	2.16	338.42

The increase in the cash flow ratio and cash reinvestment ratio was mainly due to the increase in revenue and gross profit and decrease in non-operating expenditures which increased cash flow from operating activities.

(II) Improvement plan for insufficient liquidity: Not applicable.

(III) Cash liquidity analysis for the next year:

Unit: NTD thousands

Cash balance at the beginning of the year (1)	Expected annual net cash flow from operating activities (2)	Expected annual cash flow from investing and financing activities (3)	Expected Cash surplus (deficit) amount (1)+(2)+(3)	Estimated remedial measures for cash deficit	
				Investment plan	Financial management plan
1,692,222	468,095	(109,687)	2,050,630	\$ -	\$ -

1. Analysis of current year cash flow change

- (1) Operating activities: It mainly refers to the net cash inflow derived from stable expected operating income and continuous profitability, as well as effective control of the inventories and accounts receivable.
- (2) Investing activities: It was mainly due to the disposal of shares of public companies which resulted in a net cash inflow from investing activities.
- (3) Financing activities: It mainly refers to the net cash outflow derived from financing activities due to the distribution of cash dividends.

2. Analysis on remedy for estimated cash shortage and liquidity: Not applicable.

IV. Impact of Significant Capital Expenditures in the Most Recent Year on the Financial and Operating Conditions of the Company: There were no significant capital expenditures in the most recent year.

V. Investment Policy for the Most Recent Year, Main Reasons for Profits/Losses Generated, Improvement Plans, and Investment Plans for the Next Year

(I) Investment policy

The investments of the Group mainly focus on the core business of image sensors. The Company has adopted a conservative attitude for the review of investment plans in line with the Company's long-term development plans.

(II) Main cause of profit or loss

The share of profit of associates accounted for using equity method was NTD 3,853 thousand, a 44.67% decrease from NTD 6,964 thousand in 2021, which was mainly due to the decrease in the profit of the investees.

(III) Investment plan for the next year

With regard to the investment plan for next year, in addition to the continuous focus in the investment of the core business, the Group will make adjustments and implement future development strategy based on the future economic changes along with the new product development progress of the Group.

VI. Risk Analysis and Assessment Made in the Most Recent Year and up to the Printing Date of the Annual Report

(I) Impact of interest rate, exchange rate fluctuation and inflation condition on the profit/loss of the company and future response measures

1. Impact on company profit (loss)

Unit: NTD thousands

Item	2022 amount	Percentage of operating revenue %	Percentage of net income before tax %
Net interest income	(8,930)	(0.21)	(1.72)
Net foreign exchange gain (loss)	55,544	1.30	10.73
Net forward hedging gain (loss)	(12,116)	(0.28)	(2.34)

2. Interest rate change

The interest rate risk of the Group mainly came from the short-term borrowings. Due to the borrowings at floating interest rate, the Group borne the cash flow interest rate risk, and a portion of the interest rate risk was being offset by the cash and cash equivalents held. While facing the impact of the fluctuation of the loan interest rate, the Group reviews the market change at all times and implements timely adjustments for the financing strategy.

3. Exchange rate change

When the Group's business involves non-functional currency (the functional currency of the Company and certain subsidiaries is NTD, the functional currency of certain subsidiaries is CNY), in case of exchange rate fluctuations, the Company establishes a natural hedging strategy via the assets and liabilities recognized in conjunction with the spot transactions, forward exchange and currency exchange, etc. to achieve hedging. Furthermore, the Group also adopts the principle of stability for hedging, thereby reducing the impact of the exchange rate risks on the Company's income. Information on the foreign currency assets and liabilities with significant exchange rate fluctuation impacts of the Company is as follows (Unit: NTD thousands):

December 31, 2022						
<u>Sensitivity analysis</u>						
Impact on						
<u>Foreign currency</u>	<u>Exchange</u>	<u>Carrying amount</u>	<u>Change</u>	<u>Impact on</u>	<u>other</u>	
<u>(thousands)</u>	<u>rate</u>	<u>(NTD)</u>	<u>percentage</u>	<u>profit/loss</u>	<u>comprehensive</u>	
					<u>income</u>	
(Foreign currency: Functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 53,451	30.73	\$ 1,642,549	1%	\$ 16,425	\$ -
RMB:NTD	300	4.41	1,323	1%	13	-
USD:RMB	45,612	6.96	1,401,657	1%	14,017	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 33,284	30.73	\$ 1,022,817	1%	\$ 10,228	\$ -
USD:RMB	20,727	6.96	636,941	1%	6,369	-
December 31, 2021						
<u>Sensitivity analysis</u>						
Impact on other						
<u>Foreign currency</u>	<u>Exchange</u>	<u>Carrying amount</u>	<u>Change</u>	<u>Impact on</u>	<u>comprehensive</u>	
<u>(thousands)</u>	<u>rate</u>	<u>(NTD)</u>	<u>percentage</u>	<u>profit/loss</u>	<u>income</u>	
(Foreign currency: Functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 29,264	27.66	\$ 809,422	1%	\$ 8,094	\$ -
RMB:NTD	300	4.34	1,302	1%	13	-
USD:RMB	35,485	6.37	981,515	1%	9,815	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 27,168	27.66	\$ 751,467	1%	\$ 7,515	\$ -
USD:RMB	22,874	6.37	632,695	1%	6,327	-

4. Inflation

Inflation has not adversely impacted the operations of the Group. The Group will closely monitor the impact of interest rate, exchange rate, and inflation on the income of the Group and will propose relevant response measures in a timely manner.

(II) Policies on engaging in high risk, high leverage investments, loaning funds to others, endorsement and guarantee as well as derivative transactions, main causes of profit and loss as well as future response measures

1. In the most recent year, the Group did not engage in high-risk or high-leverage investments.
2. Up to December 31, 2022, both the balance of the loans to others and the balance of guarantee/endorsement made by the Company was zero.
3. As of December 31, 2022, the Group's forward exchange contracts for derivative financial products used for evading risks arising from the exchange rate fluctuations totaled USD 30 million. Since the Company uses derivatives for the purpose of hedging risk and since the “Procedures for Acquisition or Disposal of Assets” of the Company impose strict requirements for such transactions, the profit or loss arising from such transactions has not caused material impact on the profit or loss of the Company. The Company will continue operations for the purpose of hedging risks in future operations.
4. Hedge accounting adopted for financial products and its purpose and method: The Group has not adopted hedge accounting.

With regard to the execution of aforementioned relevant policies, in addition to careful assessment, periodic report, and management, the execution is also based on the requirements specified in the “Procedures for Acquisition or Disposal of Assets,” “Procedures for Loaning Funds to Others,” and “Procedures for Making Endorsements and Guarantees” of the Company.

(III) Future R&D plan and expected investment in R&D budget

1. Future R&D plan

- (1) Continuous improvement for CIMS cost and quality.
- (2) Ultra-high speed A4 digital CISM design.
- (3) Ultra-high speed A3 digital CISM design.
- (4) Research and development of the next-generation low-cost and high-performance light source.
- (5) Development of automatic optical inspection module with high resolution and high depth of field.
- (6) Development of Infrared thermal imaging low, medium, and high-resolution temperature detection core module.

2. Expected R&D expenditures: The expected R&D expenditures for 2023 total approximately NTD 99 million.

(IV) Impacts of domestic/foreign important policies and changes of laws on the financial business of the Company and response measures

The management team of the Group has always paid close attention to domestic and foreign policies and laws that may affect the finance and business of the Company. Up to the present day, changes of relevant polices and laws have no material impact on the finance and business of the Company.

(V) Impacts of changes in technology and industry on the financial business of the Company and response measures

Emails have replaced facsimile to become the primary channel of communication. In view of such trend and development, processing facsimile will no longer compel consumers to purchase MFPs. Therefore, the functions of scanning and photocopying are the key niches for MFPs. From fax machines and scanners to integrated MFP with multiple functions such as facsimile, scanning, photocopying, and printing, the Company has been able to meet market demand and maintains high sensitivity to the changes in technology in the industry to swiftly respond to and satisfy customer demand.

(VI) Impacts of change of cooperate image on the cooperate crisis management and response measures

The Group is committed to maintaining its corporate image and compliance with laws and regulations. There has been no occurrence of incidents capable of affecting the Company's image.

(VII) Expected benefits, possible risks, and response measures for merger: The Group did not engage in any merger or acquisition in the most recent year.

(VIII) Expected benefits, possible risks, and response measures for expansion of facilities: The Group did not perform any expansion of facilities in the most recent year.

(IX) Risks resulting from consolidation of purchasing or sales operations and response measures

The market of MFPs is mainly controlled by brands, and the market share of the Group's key customers accounts for more than half of the global market. The concentration of sales is the norm in this industry. With regard to the demand and supply of color image sensors, as very few domestic manufacturers that have the technical know-how for manufacturing color image sensors, and as there is high market demand and high barriers to entry, an oligopoly has been created in the industry. Only a few manufacturers among domestic and foreign manufacturers, such as Asia Tech Image Inc., Canon (Japan) and the Company, are currently capable of mass producing CISM. Due to limited supply, major system manufacturers have concentrated the sources of their procurement.

(X) Impacts, risks, and response measures of Directors or shareholders with shareholding percentage exceeding 10%, large equity transfer or change on the company: In the most recent year, Directors or major shareholders with shareholding percentage exceeding 10% of the Company did not engage in large equity transfer or change.

(XI) Impact, risks, and response measures for changes in management rights: None.

(XII) For litigation or non-litigation cases, the Company and Directors, General Managers, substantial responsible person, major shareholder with shareholding exceeding 10% of the Company and affiliates that are involved in major lawsuits with affirmative judgment or is pending in the court proceeding, non-litigation or administrative dispute cases with results capable of causing material impacts on the interests of shareholders or stock price, the dispute

fact, claim amount, litigation starting date, primary litigation parties, and handling status up to the printing date of the annual report shall be disclosed: None.

(XIII) Other significant risks and response measures: None.

VII. Other Important Matters: None.

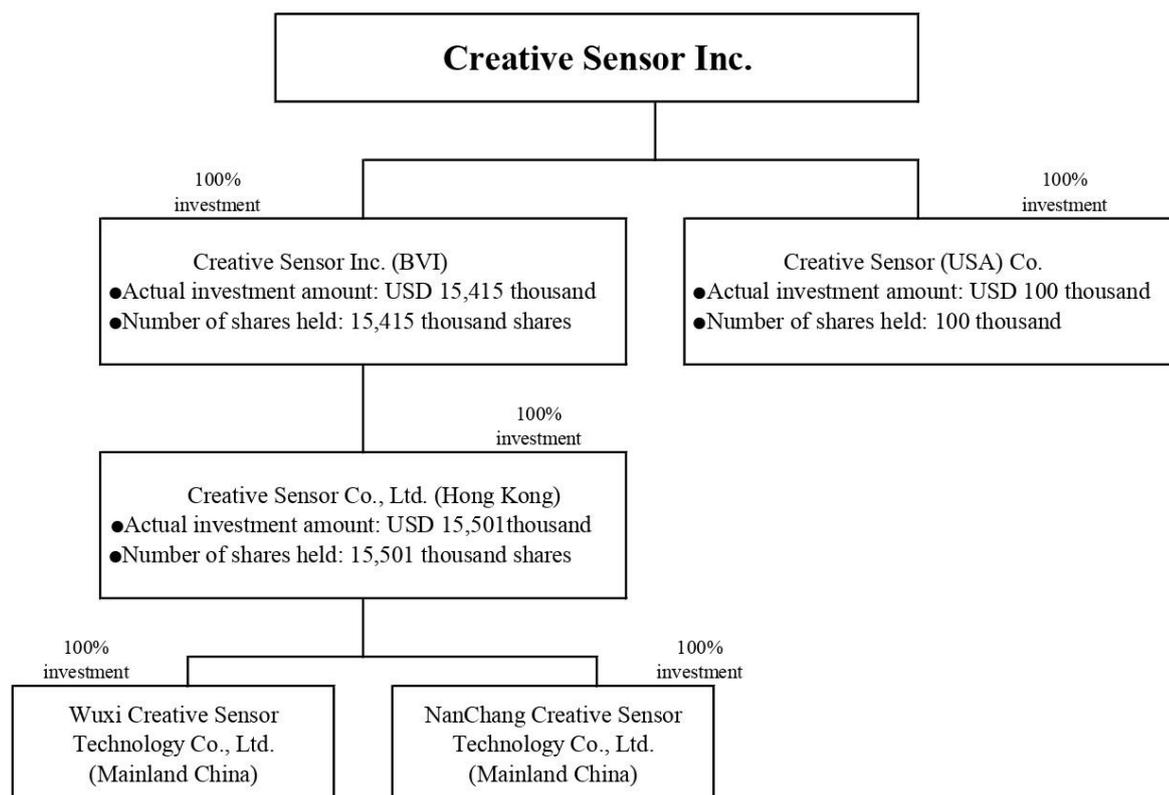
Eight. Special Disclosure

I. Affiliated Enterprise Information

(I) Affiliated enterprise consolidated business report

1. Affiliated enterprise overview

(1) Affiliated enterprise organizational chart



(2) Affiliated enterprise basic information

December 31, 2022

Unit: NTD thousands

Enterprise Name	Incorporation Date	Address	Paid-in Capital	Primary business or product
Creative Sensor Inc.	91.06	Beaufort House, P.O. Box 438, Road Town, Tortola, British Virgin Islands.	583,416	Holding company
Creative Sensor (USA) Co.	94.10	19 Peters Canyon Rd., Ste C, Irvine, CA, 92606	3,169	Market information collection and customer relationship maintenance
Creative Sensor Co., Ltd.	91.07	Unit 618 6/F Peninsula CRT., No. 67 Mody Rd., TST East, Kowloon, HK	586,837	Holding company
Wuxi Creative Sensor Technology Co., Ltd.	91.08	No. 9, Changjiang South Road, Xinwu District, Wuxi City, Jiangsu Province	36,446	Research and development of Image sensors

NanChang Creative Sensor Technology Co., Ltd.	96.04	No. 36, Huoju 5th Road, Gaoxin Development Park, Nanchang City, Jiangxi Province	958,265	Manufacturing of image sensors
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Note: If an affiliate is a foreign company, relevant numbers is converted into NTD based on the exchange rate on the reporting date for presentation.

- (3) Information of shareholders presumed to have control the same as the affiliates: No such occurrences.
- (4) Industries covered by the business operations of affiliates Scope of industries covered by the business operations of affiliates: Holding company and manufacturing of image sensors.
- (5) Information of directors, supervisors and presidents of affiliated enterprises

December 31, 2022

Unit: thousand shares

Enterprise Name	Title	Name	Representative	Number of shares held	
				Number of Shares	Shareholding Ratio
Creative Sensor Inc.	Chairman	Creative Sensor Inc.	Yu-Jen Huang	15,415	100%
Creative Sensor Co., Ltd.	Director	Creative Sensor Inc.	Yu-Jen Huang	15,501	100%
	Director	Creative Sensor Inc.	Chien-I Lai		
Wuxi Creative Sensor Technology Co., Ltd.	Director	Creative Sensor Co., Ltd.	Yu-Jen Huang	Investment certificate	100%
	Director	Creative Sensor Co., Ltd.	Fu-Hsiang Ku		
	Director	Creative Sensor Co., Ltd.	En-Kuo Wang		
	Director	Creative Sensor Co., Ltd.	Chi-Chang Yang		
	Chairman	Creative Sensor Co., Ltd.	Chien-Lung Chen		
	Supervisor	Creative Sensor Co., Ltd.	Chen-Cheng Chang		
	President	Hsien-Fu Hsiao			
NanChang Creative Sensor Technology Co., Ltd.	Director	Creative Sensor Co., Ltd.	Yu-Jen Huang	Investment certificate	100%
	Director	Creative Sensor Co., Ltd.	Yao-Ming Wei		
	Chairman	Creative Sensor Co., Ltd.	En-Kuo Wang		
	Director	Creative Sensor Co., Ltd.	Chi-Chang Yang		
	Director	Creative Sensor Co., Ltd.	Chun-Mei Yen		
	Supervisor	Creative Sensor Co., Ltd.	Chieh-Fang Hou		
	President	Hsien-Fu Hsiao			
Creative Sensor (USA) Co.	Chairman	Creative Sensor Inc.	Yu-Jen Huang	100	100%
	Director	Creative Sensor Inc.	Chi-Chang Yang		
	Director	Creative Sensor Inc.	Chi-Wen Chen		

2. Operation summary of affiliated enterprise:

December 31, 2022
Unit: NTD thousands

Enterprise Name	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Profit and loss (after tax)	EPS (NTD)
Creative Sensor Inc.	583,416	1,566,624	409	1,566,215	0	(82)	192,178	12.40
Creative Sensor (USA) Co.	3,169	6,857	2,355	4,502	0	(7,547)	962	9.62
Creative Sensor Co., Ltd.	586,837	1,553,382	21,065	1,532,317	0	(150)	190,626	12.30
Wuxi Creative Sensor Technology Co., Ltd.	38,887	256,905	6,233	250,672	0	(4,328)	374	(Note 2)
NanChang Creative Sensor Technology Co., Ltd.	943,577	2,084,025	862,138	1,221,887	3,747,197	208,038	198,338	(Note 2)

Note 1: If an affiliate is a foreign company, relevant numbers is converted into NTD based on the exchange rate on the reporting date for presentation.

Note 2: Not applicable to limited liability companies.

(II) Affiliated enterprise consolidated financial statements

The companies that must be included in the preparation of the affiliated enterprise consolidated financial statements are the same as the companies that must be included in the preparation of the consolidated financial statement of affiliates and parent company. In addition, relevant information required to be disclosed in the consolidated financial statement of the affiliates has been disclosed completely in the consolidated financial statement of affiliates and parent company. Therefore, the Company does not provide a separate consolidated financial statement of the affiliates.

(III) Affiliated enterprise report: None.

II. Any Private Placement of Securities within the Latest Fiscal Year and as of the Date of the Annual Report: None.

III. Any Share Ownership and Disposal of Shares of the Company by Subsidiaries within the Latest Fiscal Year and as of the Date of the Annual Report: None.

IV. Additional Information Required to be Disclosed: None.

V. Events with Major Impacts on Shareholder Equity or Share Value in the Most Recent Year as of the Printing Date of the Annual Report: None.

Creative Sensor Inc.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2022, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard 10. Also, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Representative: Ko Ikujin
March 17,

2023

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of CREATIVE SENSOR INC.

Opinion

We have audited the accompanying consolidated balance sheets of Creative Sensor Inc. and its subsidiaries (the “Group”) as at December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of the other auditors (refer to the *Other matter* section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other auditors. 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 the Group's 2022 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, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2022 consolidated financial statements are outlined as follows:

Impairment assessment of investments accounted for using equity method

Description

Refer to Note 4(14) for accounting policy on investments of associates accounted for using equity method, Note 5 for the details of uncertainty of impairment assessment and assumption of investments accounted for using equity method, and Note 6(7) for the details of investments accounted for using equity method.

The Group applied value-in-use to measure recoverable amount and assessed the impairment of its investment, Teco Image Systems Co., Ltd. (hereinafter referred to as "Teco Image Systems"), accounted for using equity method. Since the calculation of value-in-use involves the estimation of future cash flows and discount rate, there is high uncertainty in relation to the assumptions, and the estimated outcome has a significant effect to the valuation of value-in-use, we identified the impairment assessment of investments accounted for using equity method as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding of the procedures in estimating future cash flows, and confirmed whether the future cash flows used in the valuation model was in agreement with the Teco Image Systems's operational plan.
2. Compared the estimated revenue growth rate, gross rate and operating expense rate used in assessing value-in-use with the historical data and other independent sources of economic and industry forecasts.
3. Compared the discount rate used in assessing value-in-use with the capital cost of cash generating units and similar return on assets.
4. Checked the calculation accuracy of the valuation model.

Other matter – Reference to the reports of the other auditors

We did not audit financial statements of certain investments accounted for using the equity method which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these associates, is based solely on the reports of the other auditors. The balance of these investments accounted for under the equity method amounted to NT\$216,815 thousand and NT\$200,579 thousand, constituting 3.38% and 2.98% of the consolidated total assets as at December 31, 2022 and 2021, respectively, and the comprehensive income (loss) recognized from associates and joint ventures accounted for under the equity method amounted to NT\$16,236 thousand and (NT\$22,461) thousand, constituting 30.46% and (5.05%) of the consolidated total comprehensive income for the years then ended, respectively.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Creative Sensor Inc. as at and for the years ended December 31, 2022 and 2021.

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, 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 Group's ability to continue as a going concern, 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 Group's financial reporting process.

Auditors' 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 auditors' 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 the Standards on Auditing of 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 the Standards on Auditing of the Republic of China, we exercise professional judgement 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 Group's internal control.
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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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 disclosures, 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 the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

Lin, Po-Chuan

Lin, Po-Chuan

Lin, Chun-Yao

Lin, Chun-Yao

For and on Behalf of PricewaterhouseCoopers, Taiwan

March 17, 2023

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CREATIVE SENSOR INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,692,222	26	\$ 1,441,196	21
1110	Financial assets at fair value through profit or loss - current	6(2)	5,392	-	1,972	-
1136	Financial assets at amortized cost - current, net	6(3)	268,963	4	217,212	3
1170	Accounts receivable, net	6(4)	602,419	10	444,862	7
1180	Accounts receivable - related parties, net	6(4) and 7	-	-	507	-
1200	Other receivables		6,697	-	3,966	-
1210	Other receivables - related parties, net	7	-	-	3,780	-
130X	Inventories, net	6(5)	369,312	6	527,208	8
1479	Other current assets		22,624	-	35,094	1
11XX	Total current assets		<u>2,967,629</u>	<u>46</u>	<u>2,675,797</u>	<u>40</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(6) and 8	2,305,527	36	2,757,294	41
1550	Investments accounted for using the equity method	6(7)	854,702	13	958,375	14
1600	Property, plant and equipment, net	6(8)	190,114	3	227,987	3
1755	Right-of-use assets	6(9)	53,262	1	62,461	1
1780	Intangible assets		6,561	-	4,785	-
1840	Deferred income tax assets	6(24)	8,052	-	9,906	-
1990	Other non-current assets	6(13)	28,399	1	35,916	1
15XX	Total non-current assets		<u>3,446,617</u>	<u>54</u>	<u>4,056,724</u>	<u>60</u>
1XXX	Total assets		<u>\$ 6,414,246</u>	<u>100</u>	<u>\$ 6,732,521</u>	<u>100</u>

(Continued)

CREATIVE SENSOR INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(10) and 8	\$ 1,350,000	21	\$ 1,734,800	26
2120	Financial liabilities at fair value through profit or loss - current	6(11)	746	-	-	-
2170	Accounts payable		745,841	12	696,600	10
2180	Accounts payable - related parties	7	1,665	-	1,230	-
2200	Other payables	6(12)	283,410	5	247,208	4
2230	Income tax payable		68,189	1	26,785	-
2280	Current lease liabilities		12,243	-	11,232	-
2300	Other current liabilities		9,153	-	7,555	-
21XX	Total current liabilities		<u>2,471,247</u>	<u>39</u>	<u>2,725,410</u>	<u>40</u>
Non-current liabilities						
2570	Deferred income tax liabilities	6(24)	60,381	1	21,654	1
2580	Non-current lease liabilities		4,854	-	14,688	-
25XX	Total non-current liabilities		<u>65,235</u>	<u>1</u>	<u>36,342</u>	<u>1</u>
2XXX	Total liabilities		<u>2,536,482</u>	<u>40</u>	<u>2,761,752</u>	<u>41</u>
Equity attributable to owners of parent						
Share capital 6(15)						
3110	Common stock		1,490,550	23	1,490,550	22
Capital surplus 6(16)						
3200	Capital surplus		974,247	15	974,247	15
Retained earnings 6(17)						
3310	Legal reserve		532,516	8	497,319	7
3350	Unappropriated retained earnings		1,069,983	17	899,307	13
Other equity interest 6(18)						
3400	Other equity interest		33,949	-	368,902	6
3500	Treasury shares	6(14)(15)	(223,481)	(3)	(259,556)	(4)
3XXX	Total equity		<u>3,877,764</u>	<u>60</u>	<u>3,970,769</u>	<u>59</u>
Significant subsequent events 11						
3X2X	Total liabilities and equity		<u>\$ 6,414,246</u>	<u>100</u>	<u>\$ 6,732,521</u>	<u>100</u>

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

CREATIVE SENSOR INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

Items	Notes	Year ended December 31				
		2022		2021		
		AMOUNT	%	AMOUNT	%	
4000	Net revenue	6(19) and 7	\$ 4,256,952	100	\$ 3,951,319	100
5000	Cost of revenue	6(5)(23) and 7	(3,498,165)	(82)	(3,428,050)	(87)
5900	Gross profit		<u>758,787</u>	<u>18</u>	<u>523,269</u>	<u>13</u>
	Operating expenses	6(23)				
6100	Selling expenses		(76,054)	(2)	(70,835)	(2)
6200	General and administrative expenses		(185,071)	(4)	(171,436)	(4)
6300	Research and development expenses		(84,385)	(2)	(81,557)	(2)
6000	Total operating expenses		(345,510)	(8)	(323,828)	(8)
6900	Income from operations		<u>413,277</u>	<u>10</u>	<u>199,441</u>	<u>5</u>
	Non-operating income and expenses					
7100	Interest income	6(20)	10,440	-	5,696	-
7010	Other income	6(21) and 7	146,249	3	136,261	3
7020	Other gains and losses	6(22)	(36,669)	(1)	(111,369)	(3)
7050	Finance costs	6(9)(10)	(19,370)	-	(11,882)	-
7060	Share of profit of associates and joint ventures accounted for using equity method, net	6(7)	<u>3,853</u>	<u>-</u>	<u>6,964</u>	<u>-</u>
7000	Total non-operating income and expenses		<u>104,503</u>	<u>2</u>	<u>25,670</u>	<u>-</u>
7900	Profit before income tax		<u>517,780</u>	<u>12</u>	<u>225,111</u>	<u>5</u>
7950	Income tax expense	6(24)	(158,098)	(4)	(48,430)	(1)
8200	Net income		<u>\$ 359,682</u>	<u>8</u>	<u>\$ 176,681</u>	<u>4</u>
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Actuarial gains on defined benefit plans	6(13)	\$ 2,140	-	\$ 1,136	-
8316	Unrealized (loss) gains from investments in equity instruments measured at fair value through other comprehensive income	6(6)(18)	(301,503)	(7)	354,595	9
8320	Share of other comprehensive (loss) of associates and joint ventures accounted for using equity method	6(7)(18)	(23,987)	(1)	(69,275)	(2)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(24)	(428)	-	(4,913)	-
8310	Other comprehensive (loss) income that will not be reclassified to profit or loss		(323,778)	(8)	281,543	7
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation	6(18)	20,960	1	(13,277)	-
8367	Unrealized losses from investments in debt instruments measured at fair value through other comprehensive income	6(6)(18)	(4,022)	-	-	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method	6(7)(18)	<u>466</u>	<u>-</u>	<u>66</u>	<u>-</u>
8360	Other comprehensive (loss) income that will be reclassified to profit or loss		<u>17,404</u>	<u>1</u>	<u>(13,211)</u>	<u>-</u>
8300	Other comprehensive (loss) income for the year		<u>(\$ 306,374)</u>	<u>(7)</u>	<u>\$ 268,332</u>	<u>7</u>
8500	Total comprehensive income for the year		<u>\$ 53,308</u>	<u>1</u>	<u>\$ 445,013</u>	<u>11</u>
	Earnings per share (in dollars)	6(25)				
9750	Basic earnings per share		<u>\$ 3.22</u>		<u>\$ 1.50</u>	
9850	Diluted earnings per share		<u>\$ 3.17</u>		<u>\$ 1.49</u>	

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

CREATIVE SENSOR INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent								Total equity
		Capital Surplus			Retained Earnings		Other Equity Interest			
		Capital stock - common stock	Additional paid-in capital	Treasury stock transactions	Legal reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury shares	
Year ended December 31, 2021										
Balance at January 1, 2021		\$ 1,270,550	\$ 673,471	\$ 3,996	\$ 478,365	\$ 731,467	\$ 64,445	\$ 122,158	\$ -	\$ 3,344,452
Net income for the year		-	-	-	-	176,681	-	-	-	176,681
Other comprehensive income (loss) for the year	6(18)	-	-	-	-	1,988	(13,211)	279,555	-	268,332
Total comprehensive income (loss)		-	-	-	-	178,669	(13,211)	279,555	-	445,013
Appropriations of 2020 earnings:	6(17)									
Legal reserve		-	-	-	18,954	(18,954)	-	-	-	-
Cash dividends		-	-	-	-	(165,171)	-	-	-	(165,171)
Issuance of shares	6(15)	220,000	296,780	-	-	-	-	-	-	516,780
Acquisition of treasury shares	6(15)	-	-	-	-	-	-	-	(259,556)	(259,556)
Changes in equity of associates accounted for using equity method		-	-	-	-	89,251	-	-	-	89,251
Disposal of financial assets at fair value through other comprehensive income	6(6)	-	-	-	-	84,045	-	(84,045)	-	-
Balance at December 31, 2021		\$ 1,490,550	\$ 970,251	\$ 3,996	\$ 497,319	\$ 899,307	\$ 51,234	\$ 317,668	(\$ 259,556)	\$ 3,970,769
Year ended December 31, 2022										
Balance at January 1, 2022		\$ 1,490,550	\$ 970,251	\$ 3,996	\$ 497,319	\$ 899,307	\$ 51,234	\$ 317,668	(\$ 259,556)	\$ 3,970,769
Net income for the year		-	-	-	-	359,682	-	-	-	359,682
Other comprehensive income (loss) for the year	6(18)	-	-	-	-	2,954	21,426	(330,754)	-	(306,374)
Total comprehensive income (loss)		-	-	-	-	362,636	21,426	(330,754)	-	53,308
Appropriations of 2021 earnings:	6(17)									
Legal reserve		-	-	-	35,197	(35,197)	-	-	-	-
Cash dividends		-	-	-	-	(182,080)	-	-	-	(182,080)
Treasury shares transferred to employees	6(14)	-	-	-	-	-	-	-	36,075	36,075
Changes in equity of associates accounted for using equity method		-	-	-	-	6,056	-	(6,364)	-	(308)
Disposal of financial assets at fair value through other comprehensive income	6(6)	-	-	-	-	19,261	-	(19,261)	-	-
Balance at December 31, 2022		\$ 1,490,550	\$ 970,251	\$ 3,996	\$ 532,516	\$ 1,069,983	\$ 72,660	(\$ 38,711)	(\$ 223,481)	\$ 3,877,764

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

CREATIVE SENSOR INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 517,780	\$ 225,111
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(9)(23)	74,169	94,043
Amortization	6(23)	17,272	17,345
Expected credit impairment loss (gains)	12(2)	52	(28)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	6(2)(11)(22)	12,116	(28,982)
Foreign currency evaluation of financial assets at fair value through other comprehensive income		(4,075)	-
Interest expense	6(9)(10)	19,370	11,882
Interest income	6(20)	(10,440)	(5,696)
Dividend income	6(2)(6)(21)	(119,525)	(97,871)
Share of profit of associates and joint ventures accounted for using equity method		(3,853)	(6,964)
Net (gain) loss on disposal of property, plant and equipment	6(22)	(6,126)	289
Impairment loss on financial assets	6(7)(22)	70,000	-
Gain from lease modification	6(9)(22)	-	(65)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		(14,790)	170,210
Accounts receivable		(157,102)	94,455
Other receivables		(1,490)	1,489
Other receivables - related parties		3,780	(3,492)
Inventories		167,296	(135,135)
Other current assets		12,470	18,164
Changes in operating liabilities			
Accounts payable		39,575	102,471
Accounts payable - related parties		(945)	(117,561)
Other payables		33,792	9,715
Other current liabilities		1,598	(1,089)
Cash inflow generated from operations		650,924	348,291
Interest received		8,754	3,478
Dividends received		133,222	100,685
Interest paid		(19,370)	(11,882)
Income tax paid		(76,188)	(161,110)
Income tax refund received		-	3,632
Net cash flows from operating activities		<u>697,342</u>	<u>283,094</u>

(Continued)

CREATIVE SENSOR INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortized cost		(\$ 128,980)	(\$ 47,694)
Proceeds from disposal of financial assets at amortized cost		80,453	4,595
Acquisition of non-current financial assets at fair value through other comprehensive income		(85,999)	(1,209,564)
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(6)	236,761	122,052
Acquisition of investments accounted for using the equity method		-	(619,178)
Acquisition of property, plant and equipment	6(26)	(24,609)	(15,994)
Proceeds from disposal of property, plant and equipment		11,618	1,298
Acquisition of intangible assets		(5,573)	(658)
(Increase) decrease in refundable deposits		(403)	483
Increase in other non-current assets		(3,323)	(6,821)
Net cash flows from (used in) investing activities		<u>79,945</u>	<u>(1,771,481)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(27)	350,000	2,869,800
Repayments of short-term borrowings	6(27)	(734,800)	(1,885,000)
Repayments of lease principal	6(27)	(11,996)	(12,094)
Proceeds from issuing shares	6(15)	-	516,780
Payment of cash dividends	6(17)	(182,080)	(165,171)
Acquisition of treasury shares	6(15)	-	(259,556)
Treasury shares transferred to employees	6(14)	<u>36,075</u>	<u>-</u>
Net cash flows (used in) from financing activities		<u>(542,801)</u>	<u>1,064,759</u>
Effect of exchange rate		<u>16,540</u>	<u>(19,426)</u>
Net increase (decrease) in cash and cash equivalents		251,026	(443,054)
Cash and cash equivalents at beginning of year		<u>1,441,196</u>	<u>1,884,250</u>
Cash and cash equivalents at end of year		<u>\$ 1,692,222</u>	<u>\$ 1,441,196</u>

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

CREATIVE SENSOR INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

Creative Sensor Inc. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in manufacturing and trading of image sensor and its electronic components. Starting from May 17, 2005, the Company's stock was officially listed on the Taiwan Stock Exchange.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were reported to the Board of Directors on March 13, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") that came into effect as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC and became effective from 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts-cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	Effective date by International Accounting Standards Board
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 – comparative information’	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2024
Amendments to IAS 1, ‘Non-current liabilities with covenants’	January 1, 2024

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit assets recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the noncontrolling interests having a deficit balance.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)	
			December 31, 2022	December 31, 2021
Creative Sensor Inc.	Creative Sensor Inc. (BVI)	Holding company	100	100
Creative Sensor Inc.	Creative Sensor (USA) Co.	Collection of marketing information and maintaining relationship with customers	100	100
Creative Sensor Inc. (BVI)	Creative Sensor Co. Ltd.	Holding company	100	100
Creative Sensor Co., Ltd.	Wuxi Creative Sensor Technology Co., Ltd.	Research and development of image sensor	100	100
Creative Sensor Co., Ltd.	Nanchang Creative Sensor Technology Co., Ltd.	Manufacturing of image sensor	100	100

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions on fund remittance from subsidiaries to the parent company: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period;
- (c) All resulting exchange differences are recognized in other comprehensive income.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are

to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.

- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognized in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(9) Financial assets at amortized cost

- A. Financial assets at amortized cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.
- C. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortized cost, including accounts receivable that have a significant financing component, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and

verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(13) Inventories

Inventories are stated at the lower of cost and net realizable value. The perpetual inventory system is adopted for inventory recognition. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(14) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

- E. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- F. For the reciprocal investments between the Company and another company, investment income or loss was recognized under equity method based on the amount prior to recognition of profit or loss.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	7 ~ 20 years
Machinery and equipment	1 ~ 10 years
Office equipment	1 ~ 5 years
Leasehold improvements	5 years
Other equipment	1 ~ 5 years

(16) Leasing arrangements (lessee) — right-of-use assets / lease liabilities

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the

lease term.

- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability; and
 - (b) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

- D. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(17) Intangible assets

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 3 to 5 years.

(18) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(19) Borrowings

Borrowings comprise short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized

in profit or loss over the period of the borrowings using the effective interest method.

(20) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(22) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(23) Non-hedging and embedded derivatives

Non-hedging derivatives are initially recognized at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognized in profit or loss.

(24) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit

credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

- ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(25) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(26) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(27) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(28) Revenue recognition

Sale of goods

- A. The Group manufactures and sells image sensor and electronic components. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- B. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts and sales discounts and allowances. The sales usually are made with a credit term of 30-75 days after monthly billing, which is consistent with market practice. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- C. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(29) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which

the Group recognizes expenses for the related costs for which the grants are intended to compensate.

Government grants related to property, plant and equipment are presented by deducting the grants from the asset's carrying amount and are amortized to profit or loss over the estimated useful lives of the related assets as reduced depreciation expenses.

(30) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Impairment assessment of investments accounted for using equity method

The Group assesses the impairment of an investment accounted for using equity method as soon as there is any indication that it might have been impaired and its carrying amount cannot be recoverable. The Group assesses the recoverable amount of an investment accounted for under the equity method based on the present value of the Group's share of expected future cash flows of the investee, and analyses the reasonableness of related assumptions.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and revolving funds	\$ 135	\$ 163
Checking accounts and demand deposits	1,656,794	1,384,561
Time deposits	35,293	56,472
Total	<u>\$ 1,692,222</u>	<u>\$ 1,441,196</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to diversify credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others.

(2) Financial assets at fair value through profit or loss

Items	December 31, 2022	December 31, 2021
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Derivative instruments	\$ 5,392	\$ 1,972

A. Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	Years ended December 31,	
	2022	2021
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates		
Valuation adjustment	\$ -	\$ 12,882
Dividend income	-	1,007
Interest income	-	5
Derivative instruments	13,808	17,875
Total	\$ 13,808	\$ 31,769

B. The Group has no financial assets at fair value through profit or loss pledged to others.

C. The Group entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

	December 31, 2022		December 31, 2021	
	Contract amount (Notional principal) (In thousands)	Maturity date of the contract	Contract amount (notional principal) (In thousands)	Maturity date of the contract
Derivative instruments				
Current items:				
Cross currency swap	USD 2,000	2023.1.17	-	-
Cross currency swap	USD 2,000	2023.2.23	-	-
Forward exchange contracts	USD 2,000	2023.1.17	USD 2,000	2022.1.27
Forward exchange contracts	USD 2,000	2023.1.17	USD 3,000	2022.1.27
Forward exchange contracts	USD 2,000	2023.2.14	USD 2,000	2022.2.25
Forward exchange contracts	USD 2,000	2023.2.14	USD 2,000	2022.2.25
Forward exchange contracts	USD 2,000	2023.2.23	USD 2,000	2022.2.25
Forward exchange contracts	USD 2,000	2023.3.3	USD 2,000	2022.3.30
Forward exchange contracts	USD 2,000	2023.3.27	-	-

(a) Cross currency swap

The Group entered into cross currency swap contracts which were exchange swap transactions

between foreign currencies to hedge the volatility risk of the exchange rate. However, these cross currency swap contracts are not accounted for under hedge accounting.

(b) Forward foreign exchange contracts

The Group entered into forward foreign exchange contracts to sell USD to hedge the volatility risk of the exchange rate. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(3) Financial assets at amortized cost

Items	December 31, 2022	December 31, 2021
Current items:		
Time deposits with maturity over three months	\$ 268,951	\$ 217,200
Special-purpose demand deposits	<u>12</u>	<u>12</u>
Total	<u>\$ 268,963</u>	<u>\$ 217,212</u>

A. Amounts recognized in profit or loss in relation to financial assets at amortized cost are listed below:

	Years ended December 31,	
	2022	2021
Interest income	<u>\$ 4,201</u>	<u>\$ 3,424</u>

B. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Group were \$268,963 and \$217,212, respectively.

C. The Group has no financial assets at amortized cost pledged to others.

D. Information on financial assets at amortized cost relating to credit risk is provided in Note 12(2). The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

E. The special-purpose demand deposits refer to the Group's certain self-owned capital deposited into the trust account which is restricted only for the purpose of equity investments.

(4) Accounts receivable

	December 31, 2022	December 31, 2021
Accounts receivable	\$ 602,605	\$ 444,996
Accounts receivable due from related parties	-	507
Less: Loss allowance	<u>(186)</u>	<u>(134)</u>
	<u>\$ 602,419</u>	<u>\$ 445,369</u>

- A. The ageing analysis of accounts receivable (including related parties) that were past due but not impaired is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Not past due	\$ 592,273	\$ 439,873
Up to 30 days	9,945	5,630
31 to 90 days	387	-
	<u>\$ 602,605</u>	<u>\$ 445,503</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2022 and 2021, accounts receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$539,796.
- C. The Group does not hold any collateral as security.
- D. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were \$602,419 and \$445,369, respectively.
- E. Information on accounts receivable relating to credit risk is provided in Note 12(2).

(5) Inventories

	<u>December 31, 2022</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	\$ 203,438	(\$ 1,244)	\$ 202,194
Work in progress	33,401	(250)	33,151
Finished goods	151,411	(17,444)	133,967
Total	<u>\$ 388,250</u>	<u>(\$ 18,938)</u>	<u>\$ 369,312</u>

	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	\$ 266,209	(\$ 2,412)	\$ 263,797
Work in progress	20,179	(246)	19,933
Finished goods	269,418	(25,940)	243,478
Total	<u>\$ 555,806</u>	<u>(\$ 28,598)</u>	<u>\$ 527,208</u>

A. The cost of inventories recognized as expense for the year:

	Years ended December 31,	
	2022	2021
Cost of goods sold	\$ 3,509,175	\$ 3,423,899
Assets retirement losses	1,478	-
Gain on reversal of market value of inventories (Note)	(9,660)	-
Inventory valuation loss	-	6,707
Others	(2,828)	(2,556)
Total	\$ 3,498,165	\$ 3,428,050

Note: The gain from price recovery was caused by the reversal of allowance for inventory which were subsequently scrapped or sold.

B. The Group has no inventories pledged to others.

(6) Financial assets at fair value through other comprehensive income

Items	December 31, 2022	December 31, 2021
Non-current items:		
Debt instruments		
Government bonds	\$ 90,519	\$ -
Valuation adjustment	(4,022)	-
Subtotal	<u>86,497</u>	<u>-</u>
Equity instruments		
Listed stocks	2,164,690	2,382,190
Unlisted stocks	3,590	3,590
	<u>2,168,280</u>	<u>2,385,780</u>
Valuation adjustment	50,750	371,514
Subtotal	<u>2,219,030</u>	<u>2,757,294</u>
Total	\$ 2,305,527	\$ 2,757,294

A. The Group has elected to classify abovementioned government bonds and shares that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$2,305,527 and \$2,757,294 as at December 31, 2022 and 2021, respectively.

B. In line with the Group's financial management plan, the Group sold \$236,761 and \$122,052 of equity instrument investments at fair value during the years ended December 31, 2022 and 2021, and the gain on disposal were \$19,261 and \$84,045, respectively.

C. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Years ended December 31,	
	2022	2021
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	(\$ 301,503)	\$ 354,595
Cumulative gains reclassified to retained earnings due to derecognition	\$ 19,261	\$ 84,045
Dividend income recognized in profit or loss		
Held at end of year	\$ 112,188	\$ 96,864
Derecognised during the year	7,337	-
	<u>\$ 119,525</u>	<u>\$ 96,864</u>
<u>Debt instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	(\$ 4,022)	\$ -
Interest income recognized in profit or loss	<u>\$ 1,164</u>	<u>\$ -</u>

D. As at December 31, 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was \$86,497, 2021.

E. Details of the Group's financial assets at fair value through other comprehensive income pledged to others as collateral are provided in Note 8.

F. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(7) Investments accounted for using equity method

	December 31, 2022		December 31, 2021	
	Book value	Shareholding ratio	Book value	Shareholding ratio
Associate:				
K9 Inc.	\$ -	-	\$ -	33.82%
Tien Da Investment Co., Ltd. (Tien Da)	216,815	29.85%	200,579	29.85%
Teco Image Systems Co., Ltd. (Teco Image)	637,887	29.69%	757,796	29.69%
	<u>\$ 854,702</u>		<u>\$ 958,375</u>	

	Years ended December 31,			
	2022		2021	
	Share of profit (loss) of associates and joint ventures accounted for using equity method, net	Other comprehensive income (loss) after tax	Share of profit of associates and joint ventures accounted for using equity method, net	Other comprehensive loss after tax
Associate:				
K9 Inc.	\$ -	\$ -	\$ -	\$ -
Tien Da Investment Co., Ltd. (Tien Da)	7,924	8,312	1,604	(24,065)
Teco Image Systems Co., Ltd. (Teco)	(4,071)	(31,833)	5,360	(45,144)
	<u>\$ 3,853</u>	<u>(\$ 23,521)</u>	<u>\$ 6,964</u>	<u>(\$ 69,209)</u>

A. The basic information of the associate that is material to the Group is as follows:

<u>Company name</u>	<u>Principal place of business</u>	<u>Shareholding ratio</u>		<u>Nature of relationship</u>	<u>Method of measurement</u>
		<u>December 31, 2022</u>	<u>December 31, 2021</u>		
Teco Image Systems Co., Ltd.	Taiwan	29.69%	29.69%	Strategic investment	Equity method

B. The summarized financial information of the associate that is material to the Group is as follows:

Balance sheet

	Teco Image Systems Co., Ltd.	
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current assets	\$ 1,049,308	\$ 993,371
Non-current assets	1,969,234	2,169,690
Current liabilities	(835,424)	(904,325)
Non-current liabilities	(106,127)	(35,063)
Total net assets	<u>\$ 2,076,991</u>	<u>\$ 2,223,673</u>
Share in associate's net assets	\$ 605,910	\$ 655,819
Goodwill	31,977	101,977
Carrying amount of the associate	<u>\$ 637,887</u>	<u>\$ 757,796</u>

Statement of comprehensive income

	Years ended December 31,	
	2022	2021
Revenue	\$ 1,727,767	\$ 1,771,373
Profit for the year from continuing operations	\$ 64,384	\$ 51,826
Other comprehensive (loss) income, net of tax	(164,173)	506,083
Total comprehensive (loss) income	(\$ 99,789)	\$ 557,909
Dividends received from associates	\$ 13,697	\$ 2,814

C. The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarized below:

As of December 31, 2022 and 2021, the carrying amount of the Group's individually immaterial associates amounted to \$216,815 and \$200,579, respectively.

	Years ended December 31,	
	2022	2021
Profit for the year from continuing operations	\$ 7,924	\$ 1,604
Other comprehensive income (loss), net of tax	8,312	(24,065)
Total comprehensive income (loss)	\$ 16,236	(\$ 22,461)

D. The Group's material associate, Teco Image, has quoted market prices. As of December 31, 2022 and 2021, the fair value was \$559,584 and \$567,936, respectively.

E. The Group is the single largest shareholder of Teco Image with a 29.69% equity interest. Taking into consideration the extent of other shareholders' participation in previous shareholders' meeting of Teco Image and the voting right record of significant proposals, which indicates that the Group has no current ability to direct the relevant activities of Teco Image, the Group has no control, but only has significant influence, over the investee.

F. In 2022, the Group recognized impairment loss of \$70,000 on its investment in Teco Image as the asset's carrying amount exceeded its recoverable amount.

G. The Group continued to increase its investment in the investee – Tien Da Investment Co., Ltd. in 2021 and was assessed to have significant influence over the investee in the third quarter of 2021. Therefore, the investee was transferred to investment accounted for using equity method from non-current financial assets at fair value through other comprehensive income.

H. The Group has no investments accounted for using equity method pledged to others.

(8) Property, plant and equipment

	2022						
	Buildings and structures	Machinery and equipment	Office equipment	Leasehold improvements	Other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1</u>							
Cost	\$ 610,996	\$ 967,435	\$ 48,181	\$ 31,665	\$ 14,371	\$ 2,498	\$ 1,675,146
Accumulated depreciation and impairment	(488,963)	(879,214)	(42,320)	(23,311)	(13,351)	-	(1,447,159)
	<u>\$ 122,033</u>	<u>\$ 88,221</u>	<u>\$ 5,861</u>	<u>\$ 8,354</u>	<u>\$ 1,020</u>	<u>\$ 2,498</u>	<u>\$ 227,987</u>
Opening net book value as at January 1	\$ 122,033	\$ 88,221	\$ 5,861	\$ 8,354	\$ 1,020	\$ 2,498	\$ 227,987
Additions	-	11,627	3,058	-	3,244	7,199	25,128
Transfers	-	1,406	-	-	346	(1,752)	-
Disposals	-	(5,492)	-	-	-	-	(5,492)
Depreciation	(16,650)	(39,710)	(2,196)	(1,953)	(695)	-	(61,204)
Net exchange differences	<u>2,044</u>	<u>1,482</u>	<u>33</u>	<u>147</u>	<u>(9)</u>	<u>(2)</u>	<u>3,695</u>
Closing net book value as at December 31	<u>\$ 107,427</u>	<u>\$ 57,534</u>	<u>\$ 6,756</u>	<u>\$ 6,548</u>	<u>\$ 3,906</u>	<u>\$ 7,943</u>	<u>\$ 190,114</u>
<u>At December 31</u>							
Cost	620,503	962,030	49,135	31,062	18,005	7,943	\$ 1,688,678
Accumulated depreciation and impairment	(513,076)	(904,496)	(42,379)	(24,514)	(14,099)	-	(1,498,564)
	<u>\$ 107,427</u>	<u>\$ 57,534</u>	<u>\$ 6,756</u>	<u>\$ 6,548</u>	<u>\$ 3,906</u>	<u>\$ 7,943</u>	<u>\$ 190,114</u>

	2021						
	Buildings and structures	Machinery and equipment	Office equipment	Leasehold improvements	Other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1</u>							
Cost	\$ 613,924	\$ 999,054	\$ 46,678	\$ 29,271	\$ 13,996	\$ 1,523	\$ 1,704,446
Accumulated depreciation and impairment	(474,972)	(857,843)	(40,950)	(23,680)	(13,227)	-	(1,410,672)
	<u>\$ 138,952</u>	<u>\$ 141,211</u>	<u>\$ 5,728</u>	<u>\$ 5,591</u>	<u>\$ 769</u>	<u>\$ 1,523</u>	<u>\$ 293,774</u>
Opening net book value as at January 1	\$ 138,952	\$ 141,211	\$ 5,728	\$ 5,591	\$ 769	\$ 1,523	\$ 293,774
Additions	-	6,971	2,419	5,110	166	3,374	18,040
Transfers	-	1,803	66	-	523	(2,392)	-
Disposals	-	(46)	-	(1,541)	-	-	(1,587)
Depreciation	(16,226)	(60,982)	(2,352)	(795)	(434)	-	(80,789)
Net exchange differences	(693)	(736)	-	(11)	(4)	(7)	(1,451)
Closing net book value as at December 31	<u>\$ 122,033</u>	<u>\$ 88,221</u>	<u>\$ 5,861</u>	<u>\$ 8,354</u>	<u>\$ 1,020</u>	<u>\$ 2,498</u>	<u>\$ 227,987</u>
<u>At December 31</u>							
Cost	\$ 610,996	\$ 967,435	\$ 48,181	\$ 31,665	\$ 14,371	\$ 2,498	\$ 1,675,146
Accumulated depreciation and impairment	(488,963)	(879,214)	(42,320)	(23,311)	(13,351)	-	(1,447,159)
	<u>\$ 122,033</u>	<u>\$ 88,221</u>	<u>\$ 5,861</u>	<u>\$ 8,354</u>	<u>\$ 1,020</u>	<u>\$ 2,498</u>	<u>\$ 227,987</u>

- A. The aforementioned property, plant and equipment were all for its own use.
- B. The Group has no property, plant and equipment pledged as collateral and no interest was capitalized as part of property, plant and equipment.

(9) Leasing arrangements - lessee

- A. The Group leases various assets including land use right, buildings and business vehicles. Rental contracts are typically made for periods of 1 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise certain buildings and transportation equipment.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>Land use right</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
At January 1, 2022	\$ 37,304	\$ 23,508	\$ 1,649	\$ 62,461
Additions	-	3,162	-	3,162
Depreciation	(1,079)	(11,062)	(824)	(12,965)
Net exchange differences	<u>589</u>	<u>15</u>	<u>-</u>	<u>604</u>
At December 31, 2022	<u>\$ 36,814</u>	<u>\$ 15,623</u>	<u>\$ 825</u>	<u>\$ 53,262</u>

	<u>Land use right</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
At January 1, 2021	\$ 38,540	\$ 35,979	\$ 309	\$ 74,828
Additions	-	3,140	2,475	5,615
Modification	-	(4,239)	(301)	(4,540)
Depreciation	(1,051)	(11,369)	(834)	(13,254)
Net exchange differences	<u>(185)</u>	<u>(3)</u>	<u>-</u>	<u>(188)</u>
At December 31, 2021	<u>\$ 37,304</u>	<u>\$ 23,508</u>	<u>\$ 1,649</u>	<u>\$ 62,461</u>

- D. The information on income and expense relating to lease contracts is as follows:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 548	\$ 764
Expense on short-term lease contracts	72	72
Gain from lease modification	-	(65)

- E. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases was \$12,616 and \$12,930, respectively.
- F. On June 29, 2007, the Group signed a land use right contract with Gaoxin branch of the Bureau of Land and Resources Bureau in Nanchang City, Jiangxi Province, People's Republic of China with a term of 50 years. All rentals had been paid on the contract date. The aforementioned

amounts were recognized in right-of-use assets — land use right.

(10) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	\$ 600,000	1.68%~1.75%	None
Secured borrowings	750,000	1.30%~1.75%	Stock
	<u>\$ 1,350,000</u>		

<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	\$ 984,800	0.97%~1.30%	None
Secured borrowings	750,000	0.90%~1.15%	Stock
	<u>\$ 1,734,800</u>		

For the years ended December 31, 2022 and 2021, the Group's interest expense recognized in profit or loss amounted to \$18,822 and \$11,118, respectively.

(11) Financial liabilities at fair value through profit or loss

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Financial liabilities mandatorily measured at fair value through profit or loss		
Derivative instruments	<u>\$ 746</u>	<u>\$ -</u>

A. Amounts recognized in profit or loss in relation to financial liabilities at fair value through profit or loss are listed below:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Financial liabilities mandatorily measured at fair value through profit or loss		
Derivative instruments	<u>(\$ 25,924)</u>	<u>(\$ 1,775)</u>

B. The Group entered into contracts relating to derivative financial liabilities which were not accounted for under hedge accounting. The information is listed below:

Derivative instruments	December 31, 2022		December 31, 2021	
	Contract amount (Notional principal)	Maturity date of the contract	Contract amount (Notional principal)	Maturity date of the contract
	(In thousands)		(In thousands)	
Current items:				
Cross currency swap	USD 2,000	2023.2.14	-	-
Cross currency swap	USD 2,000	2023.2.14	-	-
Cross currency swap	USD 2,000	2023.2.23	-	-
Cross currency swap	USD 2,000	2023.3.3	-	-
Forward exchange contracts	USD 2,000	2023.2.23	-	-
Forward exchange contracts	USD 2,000	2023.3.3	-	-

(a) Cross currency swap

The Group entered into cross currency swap contracts which were exchange swap transactions

between foreign currencies to hedge the volatility risk of the exchange rate. However, these cross currency swap contracts are not accounted for under hedge accounting.

(b) Forward foreign exchange contracts

The Group entered into forward foreign exchange contracts to sell USD to hedge the volatility risk of the exchange rate. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(12) Other payables

	December 31, 2022	December 31, 2021
Accrued employees' compensation and directors' remuneration	\$ 58,295	\$ 25,084
Royalties payable	52,191	52,191
Bonus payable	82,557	73,960
Wages and salaries payable	25,098	34,818
Service fees payable	7,422	6,522
Freight payable	3,263	2,930
Payables on equipment	4,940	4,421
Others	49,644	47,282
	<u>\$ 283,410</u>	<u>\$ 247,208</u>

(13) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits

are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. In May 2022 and April 2021, the Department of Labor, Taipei City Government approved that the Company cease contributing to the retirement fund temporarily for 2023 and 2022, respectively.

(b) The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ 8,826	\$ 9,278
Fair value of plan assets	(23,365)	(21,578)
Net defined benefit assets	<u>(\$ 14,539)</u>	<u>(\$ 12,300)</u>

(c) Movements in net defined benefit assets are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit asset</u>
Year ended December 31, 2022			
Balance at January 1	\$ 9,278	(\$ 21,578)	(\$ 12,300)
Interest expense (income)	<u>74</u>	<u>(173)</u>	<u>(99)</u>
	<u>9,352</u>	<u>(21,751)</u>	<u>(12,399)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,614)	(1,614)
Change in financial assumptions	(706)	-	(706)
Experience adjustments	<u>180</u>	<u>-</u>	<u>180</u>
	<u>(526)</u>	<u>(1,614)</u>	<u>(2,140)</u>
Balance at December 31	<u>\$ 8,826</u>	<u>(\$ 23,365)</u>	<u>(\$ 14,539)</u>

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit asset</u>
Year ended December 31, 2021			
Balance at January 1	\$ 10,229	(\$ 21,349)	(\$ 11,120)
Interest expense (income)	<u>41</u>	<u>(85)</u>	<u>(44)</u>
	<u>10,270</u>	<u>(21,434)</u>	<u>(11,164)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(303)	(303)
Change in demographic assumptions	12	-	12
Change in financial assumptions	(543)	-	(543)
Experience adjustments	<u>(302)</u>	<u>-</u>	<u>(302)</u>
	(833)	(303)	(1,136)
Paid pension	<u>(159)</u>	<u>159</u>	<u>-</u>
Balance at December 31	<u>\$ 9,278</u>	<u>(\$ 21,578)</u>	<u>(\$ 12,300)</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The percentage composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.
- (e) The principal actuarial assumptions used were as follows:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Discount rate	<u>1.40%</u>	<u>0.80%</u>
Future salary increases	<u>3.00%</u>	<u>3.00%</u>

Future mortality rate was estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	(\$ 276)	\$ 286	\$ 259	(\$ 251)
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 314)	\$ 328	\$ 296	(\$ 287)

The sensitivity analysis above is based on one assumption that changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

- (f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2023 amount to \$0.
 - (g) As of December 31, 2022, the weighted average duration of that retirement plan is 13 years.
- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s mainland China subsidiaries, Nanchang Creative Sensor Technology Co., Ltd. and Wuxi Creative Sensor Technology Co., Ltd., have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.
- (c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021 were \$20,944 and \$19,032, respectively.

(14) Share-based payment

A. For the year ended December 31, 2022, the Group's share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Treasury shares transferred to employees	2022.5.11	1,500,000	NA	Vested immediately

The above share-based payment arrangements are settled by equity.

B. Details of the share-based payment arrangements are as follows:

	<u>2022</u>	
	<u>No. of options</u>	<u>Weighted-average exercise price (in dollars)</u>
Options granted	1,500,000	\$ 28.86
Options exercised	(1,250,000)	28.86
Options expired	(250,000)	28.86
Options outstanding at December 31	<u>-</u>	

C. The weighted-average stock price of stock options at exercise dates for the year ended December 31, 2022 was \$22.95.

D. The fair value of stock options granted is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Stock price (in dollars)</u>	<u>Exercise price (in dollars)</u>	<u>Expected price volatility</u>	<u>Expected option life</u>	<u>Risk-free interest rate</u>	<u>Fair value per unit (in dollars)</u>
Treasury shares transferred to employees	2022.5.11	\$ 21.30	\$ 28.86	15.77% (Note)	0.08 years	0.59%	\$ -

Note: Expected price volatility rate was estimated by using the daily historical stock price fluctuation data for the last three months before the given date.

(15) Capital stock

A. As of December 31, 2022, the Company's authorized capital was \$2,500,000, consisting of 250 million shares of ordinary stock (including 15 million shares reserved for employee stock options), and the paid-in capital was \$1,490,550, consisting of 149,055,000 shares of ordinary stock issued (including 22 million shares of private placement stock) with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

- B. To increase working capital and meet the capital needs for the Company's long-term development, the stockholders at their special stockholders' meeting on September 17, 2021 adopted a resolution to raise additional cash through private placement. The maximum number of shares to be issued through the private placement is 38,116,500 shares. The private placement will be raised twice within one year starting from the date that the special stockholders' meeting adopted the resolution. The Board of Directors resolved to raise \$516,780 by issuing 22,000,000 shares of ordinary shares through private placement at an estimated subscription price of \$23.49 (in dollars) per share on September 23, 2021. The private placement had been registered on November 1, 2021.
- C. For the years ended December 31, 2022 and 2021, movements in the number of the ordinary shares outstanding are as follows:

	2022	2021
At January 1	140,062,000	127,055,000
Employee stock options exercised	1,250,000	-
Cash capital increase-private placement	-	22,000,000
Acquisition of treasury shares	-	(8,993,000)
At December 31	<u>141,312,000</u>	<u>140,062,000</u>

D. Treasury shares

- (a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

		December 31, 2022	
Name of company holding the shares	Reason for reacquisition	Number of shares	Carrying amount
The Company	To be transferred to employees	7,743,000	\$ 223,481

		December 31, 2021	
Name of company holding the shares	Reason for reacquisition	Number of shares	Carrying amount
The Company	To be transferred to employees	8,993,000	\$ 259,556

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued within the five-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

- (e) The Board of Directors of the Company resolved to buy back 6,500,000 shares of the Company on July 21, 2021. The actual treasury shares repurchased amounted to 6,225,000 shares for a total cost of \$186,666.
- (f) The Board of Directors of the Company resolved to buy back 3,200,000 shares of the Company on September 23, 2021. The actual treasury shares repurchased amounted to 2,768,000 shares for a total cost of \$72,890.
- (g) The Board of Directors of the Company resolved to reissue 1,500,000 treasury shares to employees on May 11, 2022. The actual treasury shares reissued amounted to 1,250,000 shares. Refer to Note 6(14).

E. The number of Company's shares held by the Company's associate - Teco Image Systems Co., Ltd. was 28,906,260 shares as of December 31, 2022.

(16) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(17) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be distributed in the following order:

- (a) Pay all taxes.
- (b) Cover accumulated deficit.
- (c) Set aside 10% for legal reserve until the legal reserve equals the total capital stock balance.
- (d) Set aside or reverse special reserve in accordance with related regulations.
- (e) The appropriation of the amount of distributable earnings after deducting items from (a) to (d), along with the accumulated unappropriated earnings, shall be proposed by the Board of Directors and resolved by the shareholders.

The Company operates in a steady growth environment. Since the Company has plans for plant expansion and reinvestment, the current distributable earnings shall be appropriated as shareholders' bonus that account for 80% of the amount. Dividends to shareholders in the form of cash shall generally account for 50% but shall account for at least 5% of total dividends distributed.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the

portion in excess of 25% of the Company's paid-in capital.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D.(a) Details of 2021 and 2020 earnings appropriation resolved by the stockholders on June 11, 2022 and July 9, 2021, respectively, are as follows:

	Years ended December 31,			
	2021		2020	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 35,197		\$ 18,954	
Cash dividends	182,080	\$ 1.3	165,171	\$ 1.3
Total	<u>\$ 217,277</u>		<u>\$ 184,125</u>	

Abovementioned distribution of 2021 earnings is consistent with the proposal of the Board of Directors of the Company on April 26, 2022.

(b) The 2022 earnings appropriations which was proposed at the Board of Directors during its meeting on March 13, 2023 are as follows:

	Year ended December 31, 2022	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 38,795	
Cash dividends	268,493	\$ 1.9
Total	<u>\$ 307,288</u>	

Information about earnings appropriation as resolved at the Board of Directors and stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(18) Other equity items

	2022		
	Unrealized gains (losses) on valuation	Currency translation	Total
At January 1	\$ 317,668	\$ 51,234	\$ 368,902
Valuation adjustment:			
— Group	(305,525)	-	(305,525)
— Associates	(25,229)	-	(25,229)
Valuation adjustment transferred to retained earnings:			
— Group	(19,261)	-	(19,261)
— Associates	(6,364)	-	(6,364)
Currency translation differences:			
— Group	-	20,960	20,960
— Associates	-	466	466
At December 31	<u>(\$ 38,711)</u>	<u>\$ 72,660</u>	<u>\$ 33,949</u>

	2021		
	Unrealized gains (losses) on valuation	Currency translation	Total
At January 1	\$ 122,158	\$ 64,445	\$ 186,603
Valuation adjustment:			
— Group	349,909	-	349,909
— Associates	(70,354)	-	(70,354)
Valuation adjustment transferred to retained earnings:			
— Group	(84,045)	-	(84,045)
Currency translation differences:			
— Group	-	(13,277)	(13,277)
— Associates	-	66	66
At December 31	<u>\$ 317,668</u>	<u>\$ 51,234</u>	<u>\$ 368,902</u>

(19) Operating revenue

	Years ended December 31,	
	2022	2021
Revenue from contracts with customers	<u>\$ 4,256,952</u>	<u>\$ 3,951,319</u>

The Group derives revenue from the following major geographical regions:

Year ended ended December 31, 2022	China	Thailand	Philippines	Others	Total
Revenue from external customer contracts	<u>\$ 1,996,444</u>	<u>\$ 529,272</u>	<u>\$ 476,111</u>	<u>\$ 1,255,125</u>	<u>\$ 4,256,952</u>
Year ended ended December 31, 2021	China	Thailand	Philippines	Others	Total
Revenue from external customer contracts	<u>\$ 1,770,697</u>	<u>\$ 651,889</u>	<u>\$ 432,084</u>	<u>\$ 1,096,649</u>	<u>\$ 3,951,319</u>

The Group derives revenue from the transfer of goods and services at a point in time.

(20) Interest income

	Years ended December 31,	
	2022	2021
Interest income from bank deposits	\$ 5,075	\$ 2,267
Interest income from financial assets measured at amortized cost	4,201	3,424
Interest income from financial assets at fair value through other comprehensive income	1,164	-
Interest income from financial assets at fair value through profit or loss	-	5
	<u>\$ 10,440</u>	<u>\$ 5,696</u>

(21) Other income

	Years ended December 31,	
	2022	2021
Dividend income	\$ 119,525	\$ 97,871
Government grants	11,094	15,848
Directors' remuneration	7,792	11,964
Rental revenue	3,014	2,881
Other income	4,824	7,697
	<u>\$ 146,249</u>	<u>\$ 136,261</u>

(22) Other gains and losses

	Years ended December 31,	
	2022	2021
Foreign exchange gains (losses)	\$ 55,544	(\$ 9,643)
Gains (losses) on disposal of property, plant and equipment	6,126	(289)
Gains from lease modification	-	65
(Losses) gains on financial assets/liabilities at fair value through profit or loss	(12,116)	28,982
Financial assets impairment loss (Note 1)	(70,000)	-
Other gains and losses (Note 2)	(16,223)	(130,484)
	<u>(\$ 36,669)</u>	<u>(\$ 111,369)</u>

Note 1: For impairment loss on investments accounted for using equity method, please refer to Note 7(2)6.

Note 2: For the years ended December 31, 2022 and 2021, other gains and losses mainly pertain to expenses related to the solicitation of proxies for the shareholders' meeting of TECO ELECTRIC & MACHINERY CO., LTD.

(23) Employee benefit expense, depreciation and amortization

For the years ended December 31, 2022 and 2021, employee benefit expense, depreciation and amortization categorized by function were summarized as follows:

	Year ended December 31, 2022		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Wages and salaries	\$ 336,442	\$ 199,495	\$ 535,937
Labor and health insurance fees	28,507	9,371	37,878
Pension costs	16,236	4,609	20,845
Other personnel expenses	23,173	6,465	29,638
Depreciation	54,049	20,120	74,169
Amortization	14,896	2,376	17,272
	Year ended December 31, 2021		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Wages and salaries	\$ 370,983	\$ 163,344	\$ 534,327
Labor and health insurance fees	31,416	10,525	41,941
Pension costs	13,613	5,375	18,988
Other personnel expenses	24,818	6,225	31,043
Depreciation	71,883	22,160	94,043
Amortization	14,785	2,560	17,345

- A. According to the Articles of Incorporation of the Company, the profit before deduction of employees' compensation and directors' and supervisors' remuneration and after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall account for 5%~15% for employees' compensation and shall not be higher than 5% for directors' and supervisors' remuneration.
- B. For the years ended December 31, 2022 and 2021, employees' compensation were accrued at \$43,721 and \$18,813, respectively; directors' remuneration were accrued at \$14,574 and \$6,271, respectively. The aforementioned amounts were recognized in salary expenses, and estimated based on the current profit.

The employees' compensation and directors' remuneration for 2022 and 2021 as resolved by the Board of Directors were in agreement with the amounts recorded in the 2022 and 2021 financial statements of \$43,721, \$14,574 and \$18,813, \$6,271, respectively. Employees' compensation will be distributed in the form of cash.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as approved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2022	2021
Current tax:		
Total current tax	\$ 107,928	\$ 35,020
Tax imposed on undistributed surplus earnings	6,734	271
Prior year income tax under estimation	2,542	2,826
Total current tax	117,204	38,117
Deferred tax:		
Origination and reversal of temporary differences	40,153	10,407
Effect of exchange rate	741	(94)
Total deferred tax	40,894	10,313
Income tax expense	\$ 158,098	\$ 48,430

(b) The income tax credit/(charge) relating to components of other comprehensive income is as follows:

	Years ended December 31,	
	2022	2021
Disposal of financial assets at fair value through other comprehensive income	\$ -	\$ 4,686
Remeasurement of defined benefit obligations	428	227
	<u>\$ 428</u>	<u>\$ 4,913</u>

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 152,453	\$ 64,750
Effect from items disallowed by tax regulations	(6,539)	(21,808)
Taxable loss not recognized as deferred tax assets	-	912
Effect from investment tax credits	(124)	-
Change in assessment of realization of deferred tax assets	3,032	3,019
Prior year income tax under estimation	2,542	2,826
Tax on undistributed surplus earnings	6,734	271
Disposal of financial assets at fair value through other comprehensive income effect from alternative minimum tax transferred to comprehensive income	-	(1,540)
Income tax expense	<u>\$ 158,098</u>	<u>\$ 48,430</u>

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2022			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
— Deferred tax assets:				
Unrealized gain on affiliates	\$ 19	(\$ 19)	\$ -	\$ -
Unrealized inventory valuation losses	7,003	(2,356)	-	4,647
Unrealized expenses	2,778	627	-	3,405
Unrealized grant revenue	106	(106)	-	-
	<u>9,906</u>	<u>(1,854)</u>	<u>-</u>	<u>8,052</u>
— Deferred tax liabilities:				
Unrealized gain on affiliates	\$ -	(\$ 52)	-	(\$ 52)
Unrealized exchange gain	(1,726)	(2,372)	-	(4,098)
Gain on investments accounted for using equity method	(17,074)	(35,320)	-	(52,394)
Unrealized valuation gain on financial assets	(394)	(535)	-	(929)
Defined benefit plan	(2,460)	(20)	(428)	(2,908)
	(\$ 21,654)	(\$ 38,299)	(\$ 428)	(\$ 60,381)
	<u>(\$ 11,748)</u>	<u>(\$ 40,153)</u>	<u>(\$ 428)</u>	<u>(\$ 52,329)</u>

	2021			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
— Deferred tax assets:				
Unrealized gain on affiliates	\$ 67	(\$ 48)	\$ -	\$ 19
Unrealized inventory valuation losses	5,356	1,647	-	7,003
Unrealized expenses	2,694	84	-	2,778
Unrealized grant revenue	588	(482)	-	106
	<u>8,705</u>	<u>1,201</u>	<u>-</u>	<u>9,906</u>
— Deferred tax liabilities:				
Unrealized exchange gain	(\$ 2,334)	\$ 608	-	(\$ 1,726)
Gain on investments accounted for using equity method	(1,601)	(15,473)	-	(17,074)
Unrealized valuation gain on financial assets	(3,660)	3,266	-	(394)
Defined benefit plan	(2,224)	(9)	(227)	(2,460)
	<u>(\$ 9,819)</u>	<u>(\$ 11,608)</u>	<u>(\$ 227)</u>	<u>(\$ 21,654)</u>
	<u>(\$ 1,114)</u>	<u>(\$ 10,407)</u>	<u>(\$ 227)</u>	<u>(\$ 11,748)</u>

D. The subsidiary of the Group, Wuxi Creative Sensor Technology Co., Ltd.'s expiration dates of unused tax losses and amounts of unrecognized deferred tax assets are as follows:

December 31, 2022				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2019	\$ 86,137	\$ 18,810	\$ 18,810	2024
2021	3,624	3,624	3,624	2026
	<u>\$ 89,761</u>	<u>\$ 22,434</u>	<u>\$ 22,434</u>	
December 31, 2021				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2019	\$ 82,017	\$ 82,017	\$ 82,017	2024
2020	27,030	27,030	27,030	2025
	<u>\$ 109,047</u>	<u>\$ 109,047</u>	<u>\$ 109,047</u>	

E. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(26) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31,	
	2022	2021
Purchase of property, plant and equipment	\$ 25,128	\$ 18,040
Add: Opening balance of payable on equipment	4,421	2,375
Less: Ending balance of payable on equipment	(4,940)	(4,421)
Cash paid during the year	<u>\$ 24,609</u>	<u>\$ 15,994</u>

(27) Changes in liabilities from financing activities

	2022		
	Short-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1	\$ 1,734,800	\$ 25,920	\$ 1,760,720
Changes in cash flow from financing activities	(384,800)	(11,996)	(396,796)
Increase in lease liabilities	-	3,162	3,162
Interest amortized in lease liabilities	-	548	548
Interest paid in lease liabilities	-	(548)	(548)
Impact of changes in foreign exchange rate	-	11	11
At December 31	<u>\$ 1,350,000</u>	<u>\$ 17,097</u>	<u>\$ 1,367,097</u>
	2021		
	Short-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1	\$ 750,000	\$ 37,006	\$ 787,006
Changes in cash flow from financing activities	984,800	(12,094)	972,706
Increase in lease liabilities	-	5,615	5,615
Decrease in lease liabilities	-	(4,605)	(4,605)
Interest amortized in lease liabilities	-	764	764
Interest paid in lease liabilities	-	(764)	(764)
Impact of changes in foreign exchange rate	-	(2)	(2)
At December 31	<u>\$ 1,734,800</u>	<u>\$ 25,920</u>	<u>\$ 1,760,720</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
KROM ELECTRONICS CO., LTD.	The Group's key management (Note)
Koryo Electronics Co., Ltd.	The Group's key management
Teco Image Systems Co., Ltd.	Associate
Teco Image Systems (DongGuan) Co., Ltd.	Associate
Tien Da Investment Co., Ltd.	Associate

Note: The company was no longer a related party of the Group after the re-election of directors on July 9, 2021.

(2) Significant related party transactions and balances

A. Operating revenue

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Sales of goods:		
– The Group's key management	\$ 2,193	\$ 2,448
– Associates	-	716
	<u>\$ 2,193</u>	<u>\$ 3,164</u>

Due to the different products sold, there is no relevant sales price for comparison, and the sales price of aforementioned related parties is handled according to the negotiated transaction conditions. The term is 30 to 45 days after monthly billing upon shipment of goods, which is not significantly different from the terms to non-related parties.

B. Purchases

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Purchases of goods:		
– The Group's key management		
– KROM ELECTRONICS	\$ -	\$ 209,188
– Koryo Electronics	5,157	3,131
	<u>\$ 5,157</u>	<u>\$ 212,319</u>

Except that there is no similar type of transaction for reference, Purchases from aforementioned related parties are based on the price lists in force and terms negotiated with related parties that would be available to third parties. The term is 60 to 90 days after monthly billing upon purchases.

C. Receivables from related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable:		
– Associates	\$ -	\$ 507
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other accounts receivable:		
– Associates		
– Teco Image Systems Co., Ltd.	\$ -	\$ 3,780

Other receivables refer to payments on behalf of others.

D. Payables to related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable:		
– The Group’s key management		
– Koryo Electronics	\$ 1,665	\$ 1,230

The payables bear no interest.

E. Other income

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Associates – Teco Image Systems Co., Ltd.	\$ -	\$ 101

(3) Key management compensation

For the years ended December 31, 2022 and 2021, the key management compensation (including salaries and other short-term employee benefits) recognized for directors, general manager and vice general manager were \$49,884 and \$39,172, including employees’ compensation and directors’ remuneration accrued in profit or loss of \$27,128 and \$11,748 for the years ended December 31, 2022 and 2021, respectively.

8. PLEDGED ASSETS

The Group’s assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>	
Non-current financial assets at fair value through other comprehensive income	\$ 1,239,750	\$ 1,424,250	Short-term borrowings

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

The appropriation of 2022 earnings resolved by the Board of Directors on March 13, 2023 has not yet been approved by the shareholders. Refer to Note 6(17) for further information.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase treasury shares to optimize capital structure. The Group monitors capital on the basis of the gearing ratio or net worth per share. The former is calculated as net debt divided by total capital while the latter is calculated with total equity divided by number of shares. Total borrowings is net debt. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

During the year ended December 31, 2022, the Group's strategy, which was unchanged from 2021, was to maintain a stable gearing ratio.

The gearing ratios at December 31, 2022 and 2021 were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Net debt	\$ 1,350,000	\$ 1,734,800
Total equity	\$ 3,877,764	\$ 3,970,769
Total capital	\$ 5,227,764	\$ 5,705,569
Gearing ratio	26%	30%

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 5,392	\$ 1,972
Financial assets at fair value through other comprehensive income		
Designation of equity instruments	2,219,030	2,757,294
Qualifying debt instrument	86,497	-
Financial assets at amortized cost		
Cash and cash equivalents	1,692,222	1,441,196
Accounts receivable (including related parties)	602,419	445,369
Other receivables (including related parties)	-	3,780
Guarantee deposits paid	2,085	1,635
Financial assets at amortized cost	<u>268,963</u>	<u>217,212</u>
	<u>\$ 4,876,608</u>	<u>\$ 4,868,458</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities mandatorily measured at fair value through profit or loss	\$ 746	\$ -
Financial liabilities at amortized cost		
Short-term borrowings	1,350,000	1,734,800
Accounts payable (including related parties)	747,506	697,830
Other payables	<u>283,410</u>	<u>247,208</u>
	<u>\$ 2,381,662</u>	<u>\$ 2,679,838</u>
Lease liability (including current and non-current portion)	<u>\$ 17,097</u>	<u>\$ 25,920</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Group treasury) in accordance with internal plans or policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments as well as acquisition and disposal of assets.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group use cross currency swap and forward foreign exchange contracts, transacted with Group treasury.
- iii. The Group hedges foreign exchange rate by using forward exchange contracts and cross currency swap. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Notes 6(2) and 6(11).

- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD ; other certain subsidiaries' functional currency: RMB and USD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations are as follows:

December 31, 2022						
Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis			
			Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 53,451	30.73	\$ 1,642,549	1%	\$ 16,425	\$ -
RMB : NTD	300	4.41	1,323	1%	13	-
USD : RMB	45,612	6.96	1,401,657	1%	14,017	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 33,284	30.73	\$ 1,022,817	1%	\$ 10,228	\$ -
USD : RMB	20,727	6.96	636,941	1%	6,369	-

December 31, 2021						
Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis			
			Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 29,264	27.66	\$ 809,442	1%	\$ 8,094	\$ -
RMB : NTD	300	4.34	1,302	1%	13	-
USD : RMB	35,485	6.37	981,515	1%	9,815	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 27,168	27.66	\$ 751,467	1%	\$ 7,515	\$ -
USD : RMB	22,874	6.37	632,695	1%	6,327	-

- v. The total exchange gain (loss), including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group were \$55,544 and (\$9,643) for the years ended December 31, 2022 and 2021, respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

- ii. The Group's investments in equity securities comprise beneficiary certificates, domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 10% with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased both by \$0, as a result of gains/losses on equity securities classified as at fair value through profit or loss. for the years ended December 31, 2022 and 2021, other components of equity would have increased/decreased by \$230,553 and \$275,729, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from short-term borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost and at fair value through other comprehensive income.
- ii. The Group manages its credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.
- iii. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- iv. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group classifies customers' accounts receivable in accordance with customer types. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. As of December 31, 2022 and 2021, the Group had no written-off financial assets that are still under recourse procedures.
- viii. The Group's accounts receivable arose from customers with excellent credit, and the expected loss rate was 0.03%. On December 31, 2022 and 2021, the total book value of accounts receivable and loss allowance were \$602,605, \$445,503 and \$186, \$134, respectively.
- ix. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	<u>2022</u>	<u>2021</u>
	Accounts receivable (including related parties)	Accounts receivable (including related parties)
At January 1	\$ 134	\$ 162
Provision (Reversal) for impairment	<u>52</u>	<u>(28)</u>
At December 31	<u>\$ 186</u>	<u>\$ 134</u>

For the years ended December 31, 2022 and 2021, the impairment losses and gains arising from customers' contracts are \$52 and (\$28), respectively.

- x. For investments in debt instruments at amortized cost, the credit rating levels are presented below:

	December 31, 2022			
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortized cost	\$ 268,963	\$ -	\$ -	\$ 268,963
Financial assets at fair value through other comprehensive income	\$ 86,497	\$ -	\$ -	\$ 86,497

	December 31, 2021			
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortized cost	\$ 217,212	\$ -	\$ -	\$ 217,212

The financial assets at amortized cost held by the Group are all time deposits with maturity over three months and special-purpose demand deposit. The credit risk rating has no significant abnormal situation.

The financial assets at fair value through other comprehensive income held by the Group are all government bonds. The Group assesses the 12 month expected credit loss and lifetime expected credit loss based on the probability of default and default loss provided by external credit rating agencies. The credit risk rating has no significant abnormal situation.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. The table below analyzes the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities.

The amounts disclosed in the table are the contractual “undiscounted” cash flows.

Non-derivative financial liabilities

<u>December 31, 2022</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Short-term borrowings	\$ 1,351,999	\$ -	\$ -
Accounts payable (including related parties)	747,506	-	-
Other payables	283,410	-	-
Lease liability	12,488	4,874	-

Derivative financial liabilities

<u>December 31, 2022</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Cross currency swap	\$ 638	\$ -	\$ -
Forward foreign exchange contracts	108	-	-

Non-derivative financial liabilities

<u>December 31, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Short-term borrowings	\$ 1,736,954	\$ -	\$ -
Accounts payable (including related parties)	697,830	-	-
Other payables	247,208	-	-
Lease liability	11,731	10,869	4,066

- iii. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group’s investment in listed stocks, beneficiary certificates and government bonds with quoted market prices is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Groups investment in derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, accounts receivable, other receivables, financial assets at amortized cost-current, guarantee deposits paid, short-term borrowings, accounts payable, other payables and lease liability are approximate to their fair values.

C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

(a) The related information on the nature of the assets and liabilities are as follows:

<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates				
Derivative instruments	\$ -	\$ 5,392	\$ -	\$ 5,392
Financial assets at fair value through other comprehensive income				
Equity securities	2,219,030	-	-	2,219,030
Debt instruments	86,497	-	-	86,497
Total	<u>\$ 2,305,527</u>	<u>\$ 5,392</u>	<u>\$ -</u>	<u>\$ 2,310,919</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instruments	<u>\$ -</u>	<u>\$ 746</u>	<u>\$ -</u>	<u>\$ 746</u>
<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Derivative instruments	\$ -	\$ 1,972	\$ -	\$ 1,972
Financial assets at fair value through other comprehensive income				
Equity securities	<u>2,757,294</u>	<u>-</u>	<u>-</u>	<u>2,757,294</u>
Total	<u>\$ 2,757,294</u>	<u>\$ 1,972</u>	<u>\$ -</u>	<u>\$ 2,759,266</u>

(b) The methods and assumptions the Group used to measure fair value are as follows:

- i The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>	<u>Government bonds</u>
Market quoted price	Closing price	Closing price

- ii The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts and cross currency swap are usually valued based on the current forward exchange rate.

D. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

According to the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, the significant transactions for the year ended December 31, 2022 are as follows:

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company’s paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Refer to table 2.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Refer to table 3.
- I. Trading in derivative instruments undertaken during the reporting periods: Refer to Notes 6(2), 6(11) and 12(3).
- J. Significant inter-company transactions during the reporting periods: Refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland China: Refer to table 4.

(4) Major shareholders information

Major shareholders information: Refer to table 7.

14. SEGMENT INFORMATION

(1) General information

The Group operates business only in a single industry. The Chief Operating Decision-Maker, who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Measurement of segment information

The Group's Chief Operating Decision-Maker evaluates performance based on information such as segment profit or loss before tax and segment assets.

(3) Segment information

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

	Year ended December 31, 2022		
	Single operating segment	Reconciliation and elimination	Total
Reportable segments income			
Revenue from external customers	\$ 4,256,952	\$ -	\$ 4,256,952
Total	\$ 4,256,952	\$ -	\$ 4,256,952
Reportable segments profit	\$ 517,780	\$ -	\$ 517,780
Segments profit, including:			
Interest income	\$ 10,440	\$ -	\$ 10,440
Depreciation and amortization	\$ 91,441	\$ -	\$ 91,441
Share of profit of associates and joint ventures accounted for using equity method	\$ 3,853	\$ -	\$ 3,853
Income tax expense	\$ 158,098	\$ -	\$ 158,098

	Year ended December 31, 2021		
	Single operating segment	Reconciliation and elimination	Total
Reportable segments income			
Revenue from external customers	\$ 3,951,319	\$ -	\$ 3,951,319
Total	\$ 3,951,319	\$ -	\$ 3,951,319
Reportable segments profit	\$ 225,111	\$ -	\$ 225,111
Segments profit, including:			
Interest income	\$ 5,696	\$ -	\$ 5,696
Depreciation and amortization	\$ 111,388	\$ -	\$ 111,388
Share of profit of associates and joint ventures accounted for using equity method	\$ 6,964	\$ -	\$ 6,964
Income tax expense	\$ 48,430	\$ -	\$ 48,430

(4) Reconciliation for segment income

The Group has only one reportable operating segment. The profit and assets of the reportable segment are consistent with that in the consolidated financial statements. Related information is as follows:

	Years ended December 31,	
	2022	2021
Reportable segments income	\$ 517,780	\$ 225,111
Income before tax from continuing operations	\$ 517,780	\$ 225,111
Reportable segment assets	\$ 6,414,246	\$ 6,732,521
Total assets	\$ 6,414,246	\$ 6,732,521

(5) Information on products and services

It is not applicable since the Group operates as a single segment.

(6) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is as follows:

	Years ended December 31,			
	2022		2021	
	Revenue	Non-current assets	Revenue	Non-current assets
China	\$ 1,996,444	\$ 229,836	\$ 1,770,697	\$ 269,823
Philippines	476,111	-	432,084	-
Thailand	529,272	-	651,889	-
Others	1,255,125	31,716	1,096,649	46,866
	\$ 4,256,952	\$ 261,552	\$ 3,951,319	\$ 316,689

(7) Major customer information

Information relating to major customers who account for more than 10% of sales revenue disclosed

on the consolidated statements of comprehensive income for the years ended December 31, 2022 and 2021 is as follows:

	Years ended December 31,			
	2022		2021	
	Sales amount	Percentage (%)	Sales amount	Percentage (%)
<u>Customers</u>				
Company A	\$ 586,993	14	\$ 818,708	21
Company B	564,406	13	367,084	9
Company C	207,613	5	485,946	12

Creative Sensor Inc. and Subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Year ended December 31, 2022

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities categories (Note 1)	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2022				
					Number of shares (in thousands)	Book value (Note 2)	Ownership (%)	Fair value	Footnote
The Company	Stock	TECO ELECTRIC & MACHINERY CO., LTD.	-	Financial assets at fair value through other comprehensive income- non-current	69,489	\$ 1,914,422	3.25%	\$ 1,914,422	Note 3
"	"	Koryo Electronics Co., Ltd.	The Group's key management	"	9,882	290,531	19.07%	290,531	
"	"	MUTUALPAK	-	"	108	-	0.65%	-	
"	"	Taiwan Pelican Express Co., Ltd.	-	"	281	14,077	0.29%	14,077	
"	Bond	U.S. Treasury bond U.S. dollar semiannual sovereign bond	-	"	30	86,497	-	86,497	
						<u>\$ 2,305,527</u>		<u>\$ 2,305,527</u>	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortized cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 3: Details of the Group's financial assets at fair value through other comprehensive income pledged to others as collateral are provided in Note 8.

Creative Sensor Inc. and Subsidiaries
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2022

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note 1)			Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)		
The Company	Nanchang Creative Sensor Technology Co., Ltd.	The Company's third-tier subsidiary	Purchases	\$ 3,596,674	100%	\$ -	75~90 days after monthly billing	Note	(\$ 968,480)	99.50%	-

Note 1: The payment term is 45~90 days after monthly billing for third parties and is 75 days after semi-monthly billing for foreign parties.

Creative Sensor Inc. and Subsidiaries
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 Year ended December 31, 2022

Table 3

Expressed in thousands of NTD
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Nanchang Creative Sensor Technology Co., Ltd.	The Company	Parent company	\$ 968,480	4.58	\$ -	-	\$ 317,768	\$ -

Creative Sensor Inc. and Subsidiaries
 Significant inter-company transactions during the reporting period
 Year ended December 31, 2022

Table 4

Expressed in thousands of NTD
 (Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)	Note
				General ledger account	Amount	Transaction terms		
0	The Company	Nanchang Creative Sensor Technology Co., Ltd.	1	Accounts payable	\$ 968,480	75~90 days after monthly billing	15.10%	-
"	"	"	"	Purchases	3,596,674	"	84.49%	-
1	Nanchang Creative Sensor Technology Co., Ltd.	The Company	2	Accounts payable	18,142	60 days after monthly billing	0.28%	Note 4

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The unpaid payment for purchasing materials as a result of OEM transaction with Nanchang Creative Sensor Technology Co., Ltd.

Note 5: Individual transactions not reaching \$10,000 and their corresponding transactions will not be disclosed.

Creative Sensor Inc. and Subsidiaries
Information on investees
Year ended December 31, 2022

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognized by the Company for the year ended December 31, 2022 (Note 1)	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
The Company	Creative Sensor Inc.	British Virgin Islands	Holding company	\$ 583,416	\$ 583,416	15,414,994	100	\$ 1,566,479	\$ 192,178	\$ 192,178	Subsidiary
The Company	Creative Sensor (USA) Co.	U.S.A.	Collection of marketing information and maintaining customer relationship	3,169	3,169	100,000	100	4,502	962	962	Subsidiary
The Company	K9 Inc.	South Korea	Packaging for image sensor module	-	32,314	-	-	-	-	-	Investee accounted for using equity method (Note 2)
The Company	Teco Image Systems Co., Ltd.	Taiwan	Design, manufacturing and trading of multi-function printer, fax machine and scanner	737,506	737,506	33,408,000	29.69	637,887	64,384	(4,071)	Investee accounted for using equity method
The Company	Tien Da Investment Co., Ltd.	Taiwan	Investing company	223,040	223,040	21,340,000	29.85	216,815	26,543	7,924	Investee accounted for using equity method
Creative Sensor Inc.	Creative Sensor Co., Ltd.	Hong Kong	Holding company	586,837	586,837	15,501,368	100	1,532,317	190,626	-	Subsidiary

Note 1: The Company has not directly recognized the income (loss) on investment in Creative Sensor Co., Ltd.

Note 2: In June 2022, the Group verified the registration status of the company announced by the Korean government and confirmed that K9 INC. had been liquidated. Therefore, the relevant investment using the equity method was excluded.

Creative Sensor Inc. and Subsidiaries
Information on investments in Mainland China
Year ended December 31, 2022

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

A. Information on reinvestment in Mainland Area

Investee in Mainland China	Main business activities	Paid-in capital (Note 2)	Investment method (Note 1)	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2022			Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022 (Note 3)	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022 (Note 3)	Net income of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income recognized by the Company for the year ended December 31, 2022 (Note 4)	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
				Remitted to Mainland China	Remitted back to Taiwan	as of January 1, 2022 (Note 3)								
Wuxi Creative Sensor Technology Co., Ltd.	Image Sensor	\$ 36,446	Note 1	\$ 28,113	\$ -	\$ -	\$ 28,113	\$ 374	100	\$ 374	\$ 250,532	\$ 637,020	Note 5	
Nanchang Creative Sensor Technology Co., Ltd.	Image Sensor	958,265	Note 1	445,513	-	-	445,513	198,338	100	198,338	1,222,291	437,459	Note 6	

Note 1: Through investing in an existing company in the third area (Creative Sensor Inc.), which then invested in the investee in Mainland China.

Note 2: The paid-in capital of two investee companies in the original currency amounted to RMB\$8,261 thousand and RMB\$217,215 thousand, respectively.

Note 3: Wuxi Creative Sensor Technology Co., Ltd.'s accumulated amount of remittance from Taiwan to Mainland China as of January 1 2022 in the original currency was US\$915 thousand. Nanchang Creative Sensor Technology Co., Ltd.'s accumulated amount of remittance from Taiwan to Mainland China as of January 1 and December 31, 2022 in the original currency was both US\$14,500 thousand.

Note 4: Investment income recognized for the year ended December 31, 2022 was evaluated and disclosed based on the financial statements audited by R.O.C. parent company's CPA.

Note 5: The investment facility of US\$15,005 thousand was approved by the Investment Commission, as of December 31, 2022, the Investment Commission also approved the investment income of US\$21,440 thousand which has been remitted back to Taiwan and proceeds from capital reduction of US\$14,000 thousand which have been remitted back, and all of them could be used to deduct from the accumulated investment amounts in Mainland China.

Note 6: The investment facility of US\$14,500 thousand and US\$15,300 thousand of Wuxi Creative Sensor Technology Co., Ltd.'s reinvestment in Nanchang Creative Sensor Technology Co., Ltd. through capitalisation of earnings which was approved by the Investment Commission, as of December 31, 2022, the Investment Commission also approved that the investment income of US\$15,121 thousand which has been remitted back to Taiwan, and all of them could be used to deduct from the accumulated investment amounts in Mainland China.

B. Ceiling on reinvestments in Mainland Area

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
The Company	\$ 473,626	\$ 476,391	\$ 2,326,658

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022 in original currency amounted to US\$15,415 thousand.

Note 2: Investment amount in the original currency approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) amounted to US\$15,505 thousand.

Furthermore, as of December 31, 2022, the Investment Commission approved that the investment income from reinvestment business in Mainland China remitted back to Taiwan was US\$36,561 thousand which could be deducted from the accumulated investment amounts in Mainland China.

Creative Sensor Inc. and Subsidiaries

Major shareholders information

December 31, 2022

Table 7

Major shareholders name	Ownership	Ownership (%)
Teco Image Systems Co., Ltd.	28,906,260	19.39%
UNIVERSAL CEMENT CORPORATION	13,273,000	8.90%
Tien Da Investment Co., Ltd.	12,318,000	8.26%
Yurui Co., Ltd.	9,018,029	6.05%
Huan Ni Investment Co., Ltd.	9,000,000	6.03%
Teco International Investment Co., Ltd.	7,913,310	5.30%
CREATIVE SENSOR INC. (Note)	7,743,000	5.19%

Note : Number of shares held by the Company is recorded as treasury shares.

- (a) The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference in the calculation basis.
- (b) If the aforementioned data contains shares which were kept in trust by the shareholders, the data was disclosed as separate account of client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio includes the self-owned shares and shares held in trust, at the same time, the shareholders have power to decide how to allocate the assets held in trust. For the information on reported share equity of insider, please refer to Market Observation Post System.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of CREATIVE SENSOR INC.

Opinion

We have audited the accompanying parent company only balance sheets of Creative Sensor Inc. as at December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of the other auditors (refer to the *Other matter* section), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with 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 Standards on Auditing of 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of the other auditors, 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 judgement, were of most significance in our audit of the Company's 2022 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, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2022 financial statements are outlined as follows:

Impairment assessment of investments accounted for using equity method

Description

Refer to Note 4(13) for accounting policy on investments of associates accounted for using equity method, Note 5 for the details of accounting estimates and assumption uncertainty on impairment assessment of investments accounted for using equity method, and Note 6(7) for the details of investments accounted for using equity method.

The Company determines value-in-use to measure recoverable amount and assesses the impairment of its investment, Teco Image Systems Co., Ltd. (hereinafter referred to as "Teco Image Systems"), accounted for using equity method. Since the calculation of value-in-use involves the estimation of future cash flows and discount rate, there is high uncertainty in relation to the assumptions, and the estimated outcome has a significant effect in the determination of value-in-use, we identified the impairment assessment of investments accounted for using equity method as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding of the procedures in estimating future cash flows, and confirmed whether the future cash flows used in the valuation model was in agreement with the Teco Image Systems's operational plan.
2. Compared the estimated revenue growth rate, gross rate and operating expense rate used in assessing value-in-use with the historical data and other independent sources of economic and industry forecasts.
3. Compared the discount rate used in assessing value-in-use with the capital cost of cash generating units and similar return on assets.
4. Checked the calculation accuracy of the valuation model.

Other matter – Reference to the reports of the other auditors

We did not audit the financial statements of certain investments accounted for using the equity method which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these associates, is based solely on the reports of the other auditors. The balance of these investments accounted for using the equity method amounted to NT\$216,815 thousand and NT\$200,579 thousand, constituting 3.33% and 3.03% of the total assets as at December 31, 2022 and 2021, respectively, and the comprehensive loss recognized from associates and joint ventures accounted for using the equity method amounted to NT\$16,236 thousand and (NT\$22,461) thousand, constituting 30.46% and (5.05%) of the total comprehensive income for the year then ended, 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 Regulations Governing the Preparation of Financial Reports by Securities Issuers, and 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 Company's ability to continue as a going concern, 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 Company's financial reporting process.

Auditors' 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 auditors' 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 the Standards on Auditing of 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 the Standards on Auditing of the Republic of China, we exercise professional judgement and 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 Company's internal control.
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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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 disclosures, 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 company 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 the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

Lin, Po-Chuan

LIN, PO-CHUAN

Lin, Chun-Yao

Lin, Chun-Yao

For and on behalf of PricewaterhouseCoopers, Taiwan

March 17, 2023

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CREATIVE SENSOR INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,077,617	17	\$ 947,329	14
1110	Financial assets at fair value through profit or loss - current	6(2)	5,392	-	1,972	-
1136	Financial assets at amortized cost - current, net	6(3)	12	-	12	-
1170	Accounts receivable, net	6(4)	602,419	9	444,862	7
1180	Accounts receivable - related parties, net	6(4) and 7	-	-	507	-
1200	Other receivables		2,172	-	-	-
1210	Other receivables - related parties, net	7	19,131	1	66,199	1
130X	Inventory, net	6(5)	17,806	-	17,230	-
1470	Other current assets		7,149	-	11,184	-
11XX	Total non-current assets		<u>1,731,698</u>	<u>27</u>	<u>1,489,295</u>	<u>22</u>
1517	Non-current financial assets at fair value through other comprehensive income	6(6) and 8	2,305,527	36	2,757,294	42
1550	Investments accounted for using the equity method	6(7)	2,425,683	37	2,314,897	35
1600	Property, plant and equipment, net	6(8)	10,441	-	18,637	-
1755	Right-of-use assets	6(9)	16,181	-	24,580	1
1780	Intangible assets		5,094	-	3,649	-
1840	Deferred income tax assets	6(24)	352	-	848	-
1900	Other non-current assets	6(13)	16,764	-	14,438	-
15XX	Total non-current assets		<u>4,780,042</u>	<u>73</u>	<u>5,134,343</u>	<u>78</u>
1XXX	Total assets		<u>\$ 6,511,740</u>	<u>100</u>	<u>\$ 6,623,638</u>	<u>100</u>

(Continued)

CREATIVE SENSOR INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(10) and 8	\$ 1,350,000	21	\$ 1,734,800	26
2120	Financial liabilities at fair value through profit or loss - current	6(11)	746	-	-	-
2150	Notes payable		-	-	213	-
2170	Accounts payable		4,868	-	35,682	1
2180	Accounts payable - related parties	7	968,480	15	667,123	10
2200	Other payables	6(12) and 7	204,409	3	164,624	3
2230	Income tax payable		42,325	1	7,235	-
2280	Current lease liabilities		11,967	-	10,921	-
2300	Other current liabilities		6,556	-	4,220	-
21XX	Total current liabilities		<u>2,589,351</u>	<u>40</u>	<u>2,624,818</u>	<u>40</u>
Non-current liabilities						
2570	Deferred income tax liabilities	6(24)	39,771	-	13,633	-
2580	Non-current lease liabilities		4,854	-	14,418	-
25XX	Total non-current liabilities		<u>44,625</u>	<u>-</u>	<u>28,051</u>	<u>-</u>
2XXX	Total liabilities		<u>2,633,976</u>	<u>40</u>	<u>2,652,869</u>	<u>40</u>
Equity						
Share capital						
3110	Common stock	6(15)	1,490,550	23	1,490,550	22
Capital surplus						
3200	Capital surplus	6(16)	974,247	15	974,247	15
Retained earnings						
3310	Legal reserve	6(17)	532,516	8	497,319	7
3350	Unappropriated retained earnings		1,069,983	17	899,307	14
Other equity interest						
3400	Other equity interest	6(18)	33,949	-	368,902	6
3500	Treasury shares	6(14)(15)	(223,481)	(3)	(259,556)	(4)
3XXX	Total equity		<u>3,877,764</u>	<u>60</u>	<u>3,970,769</u>	<u>60</u>
Significant subsequent events after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 6,511,740</u>	<u>100</u>	<u>\$ 6,623,638</u>	<u>100</u>

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

CREATIVE SENSOR INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items	Notes	Year ended December 31				
		2022		2021		
		AMOUNT	%	AMOUNT	%	
4000	Net revenue	6(19) and 7	\$ 4,256,952	100	\$ 3,951,319	100
5000	Cost of revenue	6(5)(23) and 7	(3,764,364)	(88)	(3,588,781)	(91)
5900	Gross profit		<u>492,588</u>	<u>12</u>	<u>362,538</u>	<u>9</u>
	Operating expenses	6(23) and 7				
6100	Selling expenses		(60,132)	(1)	(56,784)	(1)
6200	General and administrative expenses		(156,766)	(4)	(143,404)	(4)
6300	Research and development expenses		(74,819)	(2)	(70,992)	(2)
6000	Total operating expenses		(291,717)	(7)	(271,180)	(7)
6900	Income from operations		<u>200,871</u>	<u>5</u>	<u>91,358</u>	<u>2</u>
	Non-operating income and expenses					
7100	Interest income	6(20)	4,070	-	419	-
7010	Other income	6(21) and 7	132,021	3	116,349	3
7020	Other gains and losses	6(22)	(82,796)	(2)	(93,884)	(3)
7050	Finance costs	6(9)(10)	(19,352)	(1)	(11,868)	-
7070	Share of profit of associates and joint ventures accounted for using equity method, net	6(7)	<u>196,993</u>	<u>5</u>	<u>83,431</u>	<u>2</u>
7000	Total non-operating income and expenses		<u>230,936</u>	<u>5</u>	<u>94,447</u>	<u>2</u>
7900	Profit before income tax		<u>431,807</u>	<u>10</u>	<u>185,805</u>	<u>4</u>
7950	Income tax expense	6(24)	(72,125)	(2)	(9,124)	-
8200	Net income		<u>\$ 359,682</u>	<u>8</u>	<u>\$ 176,681</u>	<u>4</u>
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Actuarial gains on defined benefit plan	6(13)	\$ 2,140	-	\$ 1,136	-
8316	Unrealized (losses) gains from investments in equity instruments measured at fair value through other comprehensive income	6(6)(18)	(301,503)	(7)	354,595	9
8330	Share of other comprehensive loss of associates and joint ventures accounted for using equity method	6(7)(18)	(23,987)	(1)	(69,275)	(2)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(24)	(428)	-	(4,913)	-
8310	Other comprehensive (loss) income that will not be reclassified to profit or loss		(323,778)	(8)	281,543	7
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation	6(7)(18)	20,960	1	(13,277)	-
8367	Unrealised losses from investments in debt instruments measured at fair value through other comprehensive income	6(6)(18)	(4,022)	-	-	-
8380	Share of other comprehensive income of associates and joint ventures accounted for using equity method	6(7)(18)	<u>466</u>	<u>-</u>	<u>66</u>	<u>-</u>
8360	Other comprehensive income (loss) that will be reclassified to profit or loss		<u>17,404</u>	<u>1</u>	(13,211)	-
8300	Other comprehensive (loss) income for the year		<u>(\$ 306,374)</u>	<u>(7)</u>	<u>\$ 268,332</u>	<u>7</u>
8500	Total comprehensive income for the year		<u>\$ 53,308</u>	<u>1</u>	<u>\$ 445,013</u>	<u>11</u>
	Earnings per share (in dollars)	6(25)				
9750	Basic earnings per share		<u>\$ 3.22</u>		<u>\$ 1.50</u>	
9850	Diluted earnings per share		<u>\$ 3.17</u>		<u>\$ 1.49</u>	

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

CREATIVE SENSOR INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Capital Reserves			Retained Earnings		Other Equity Interest			Total equity
		Share capital - common stock	Additional paid-in capital	Treasury shares transactions	Legal reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury shares	
<u>Year ended December 31, 2021</u>										
Balance at January 1, 2021		\$ 1,270,550	\$ 673,471	\$ 3,996	\$ 478,365	\$ 731,467	\$ 64,445	\$ 122,158	\$ -	\$ 3,344,452
Net income for the year		-	-	-	-	176,681	-	-	-	176,681
Other comprehensive income (loss) for the year	6(18)	-	-	-	-	1,988	(13,211)	279,555	-	268,332
Total comprehensive income (loss)		-	-	-	-	178,669	(13,211)	279,555	-	445,013
Appropriations of 2020 earnings:	6(17)									
Legal reserve		-	-	-	18,954	(18,954)	-	-	-	-
Cash dividends		-	-	-	-	(165,171)	-	-	-	(165,171)
Issuance of shares	6(15)	220,000	296,780	-	-	-	-	-	-	516,780
Acquisition of treasury shares	6(15)	-	-	-	-	-	-	-	(259,556)	(259,556)
Changes in equity of associates accounted for using equity method		-	-	-	-	89,251	-	-	-	89,251
Disposal of financial assets at fair value through other comprehensive income	6(6)	-	-	-	-	84,045	-	(84,045)	-	-
Balance at December 31, 2021		\$ 1,490,550	\$ 970,251	\$ 3,996	\$ 497,319	\$ 899,307	\$ 51,234	\$ 317,668	(\$ 259,556)	\$ 3,970,769
<u>Year ended December 31, 2022</u>										
Balance at January 1, 2022		\$ 1,490,550	\$ 970,251	\$ 3,996	\$ 497,319	\$ 899,307	\$ 51,234	\$ 317,668	(\$ 259,556)	\$ 3,970,769
Net income for the year		-	-	-	-	359,682	-	-	-	359,682
Other comprehensive income (loss) for the year	6(18)	-	-	-	-	2,954	21,426	(330,754)	-	(306,374)
Total comprehensive income (loss)		-	-	-	-	362,636	21,426	(330,754)	-	53,308
Appropriations of 2021 earnings:	6(17)									
Legal reserve		-	-	-	35,197	(35,197)	-	-	-	-
Cash dividends		-	-	-	-	(182,080)	-	-	-	(182,080)
Treasury shares reissued to employees	6(14)	-	-	-	-	-	-	-	36,075	36,075
Changes in equity of associates accounted for using equity method		-	-	-	-	6,056	-	(6,364)	-	(308)
Disposal of financial assets at fair value through other comprehensive income	6(6)	-	-	-	-	19,261	-	(19,261)	-	-
Balance at December 31, 2022		\$ 1,490,550	\$ 970,251	\$ 3,996	\$ 532,516	\$ 1,069,983	\$ 72,660	(\$ 38,711)	(\$ 223,481)	\$ 3,877,764

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

CREATIVE SENSOR INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 431,807	\$ 185,805
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(9)(23)	16,757	18,022
Amortization	6(23)	2,090	2,294
Expected credit impairment loss (gains)	12(2)	52	(28)
Net loss (gains) on financial assets or liabilities at fair value through profit or loss	6(2)(11)(22)	12,116	(28,982)
Foreign currency evaluation of financial assets at fair value through other comprehensive income		(4,075)	-
Interest expense	6(9)(10)	19,352	11,868
Interest income	6(20)	(4,070)	(419)
Dividend income	6(2)(6)(21)	(119,525)	(97,871)
Share of profit of associates and joint ventures accounted for using equity method	6(7)	(196,993)	(83,431)
(Gains) losses on disposal of property, plant and equipment	6(22)	(6,008)	1,587
Impairment loss on financial assets	6(22)	70,000	-
Gains from lease modification	6(9)(22)	-	(63)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		(14,790)	170,210
Accounts receivable		(157,609)	94,910
Accounts receivable - related parties		507	(455)
Other receivables		(1,587)	-
Other receivables - related parties		47,068	(55,149)
Inventory, net		(576)	(14,455)
Other current assets		3,988	24,520
Changes in operating liabilities			
Notes payable		(213)	-
Accounts payable		(30,814)	33,325
Accounts payable - related parties		301,357	(192,567)
Other payables		37,594	12,782
Other current liabilities		1,977	(2,318)
Cash inflow generated from operations		408,405	79,585
Interest received		3,040	419
Dividends received		133,222	100,685
Interest paid		(19,352)	(11,868)
Income tax paid		(10,829)	(136,633)
Net cash flows from operating activities		514,486	32,188

(Continued)

CREATIVE SENSOR INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of financial assets at amortized cost		\$ -	\$ 4,595
Acquisition of non-current financial assets at fair value through other comprehensive income		(85,999)	(1,209,564)
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(6)	236,761	122,052
Acquisition of investments accounted for using equity method		-	(619,178)
Proceeds from capital reduction of investments accounted for using equity method		-	391,160
Acquisition of property, plant and equipment	6(26)	(301)	(1,059)
Proceeds from disposal of property, plant and equipment		11,500	418
Acquisition of intangible assets		(3,535)	(67)
(Increase) decrease in refundable deposits		(403)	304
Decrease in other non-current assets		264	385
Net cash flows from (used in) investing activities		<u>158,287</u>	<u>(1,310,954)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(27)	350,000	2,869,800
Repayments of short-term borrowings	6(27)	(734,800)	(1,885,000)
Repayments of lease principal	6(27)	(11,680)	(11,429)
Proceeds from issuance of shares	6(15)	-	516,780
Payment of cash dividends	6(17)	(182,080)	(165,171)
Acquisition of treasury shares	6(15)	-	(259,556)
Treasury shares transferred to employees	6(14)	36,075	-
Net cash flows (used in) from financing activities		<u>(542,485)</u>	<u>1,065,424</u>
Net increase (decrease) in cash and cash equivalents		130,288	(213,342)
Cash and cash equivalents at beginning of year		<u>947,329</u>	<u>1,160,671</u>
Cash and cash equivalents at end of year		<u>\$ 1,077,617</u>	<u>\$ 947,329</u>

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

CREATIVE SENSOR INC.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

Creative Sensor Inc. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company is primarily engaged in manufacturing and trading of image sensor and its electronic components. Starting from May 17, 2005, the Company's stock was officially listed on the Taiwan Stock Exchange.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These financial statements were reported to the Board of Directors on March 13, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") that came into effect as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC and became effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts— cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 – comparative information’	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2024
Amendments to IAS 1, ‘Non-current liabilities with covenants’	January 1, 2024

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

A. Except for the following items, these financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit assets recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements are presented in New Taiwan dollars, which is the Company’s functional currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period;
- (c) All resulting exchange differences are recognized in other comprehensive income.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;

- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Company recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using settlement date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

- (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognized in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(8) Financial assets at amortized cost

- A. Financial assets at amortized cost are those that meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For debt instruments measured at fair value through other financial assets at amortized cost, including financial assets at amortized cost and accounts receivable that have a significant financing component, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Company derecognizes a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

(12) Inventories

Inventories are stated at the lower of cost and net realizable value. The perpetual inventory system is adopted for inventory recognition. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for using equity method / subsidiaries and associates

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealized gains on transactions between the Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize losses proportionate to its ownership.
- D. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- E. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- F. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

- G. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- H. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- I. Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, profit (loss) of the current period and other comprehensive income in the non-consolidated financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the non-consolidated financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.
- J. For the reciprocal investments between the Company and another company, investment income or loss was recognized under equity method based on the amount prior to recognition of profit or loss.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted

for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Machinery and equipment	4 ~ 7 years
Office equipment	3 ~ 5 years
Leasehold improvements	5 years
Other equipment	3 ~ 5 years

(15) Leasing arrangements (lessee) – right-of-use assets / lease liabilities

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability; and
 - (b) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

- D. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(16) Intangible assets

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 3 to 5 years.

(17) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(18) Borrowings

Borrowings comprise short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(19) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(21) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(22) Non-hedging and embedded derivatives

Non-hedging derivatives are initially recognized at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognized in profit or loss.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plan

For defined contribution plan, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plan

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plan are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(24) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are

expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(25) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(26) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(27) Revenue recognition

Sale of goods

- A. The Company manufactures and sells image sensor and electronic components. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- B. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts and sales discounts and allowances. The sales usually are made with a credit term of 30-75 days after monthly billing, which is consistent with market practice. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.
- C. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(28) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant and equipment are presented by deducting the grants from the asset's carrying amount and are amortized to profit or loss over the estimated useful lives of the related assets as reduced depreciation expenses.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning

future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

Impairment assessment of investments accounted for using equity method

The Company assesses the impairment of an investment accounted for using equity method as soon as there is any indication that it might have been impaired and its carrying amount cannot be recoverable. The Company assesses the recoverable amount of an investment accounted for under the equity method based on the present value of the Company's share of expected future cash flows of the investee, and analyses the reasonableness of related assumptions.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and revolving funds	\$ 32	\$ 32
Checking accounts and demand deposits	<u>1,077,585</u>	<u>947,297</u>
Total	<u>\$ 1,077,617</u>	<u>\$ 947,329</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to diversify credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash and cash equivalents pledged to others.

(2) Financial assets at fair value through profit or loss

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Derivative instruments	<u>\$ 5,392</u>	<u>\$ 1,972</u>

- A. Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	Years ended December 31,	
	2022	2021
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates		
Valuation adjustment	\$ -	\$ 12,882
Dividend income	-	1,007
Interest income	-	5
Derivative instruments	13,808	17,875
Total	<u>\$ 13,808</u>	<u>\$ 31,769</u>

- B. The Company has no financial assets at fair value through profit or loss pledged to others.
- C. The Company entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

	December 31, 2022		December 31, 2021	
	Contract amount (Notional principal)	Maturity date of the contract	Contract amount (Notional principal)	Maturity date of the contract
<u>Derivative financial instruments</u>	<u>(In thousands)</u>		<u>(In thousands)</u>	
Current items:				
Cross currency swap	USD 2,000	2023.1.17	-	-
Cross currency swap	USD 2,000	2023.2.23	-	-
Forward exchange contracts	USD 2,000	2023.1.17	USD 2,000	2022.1.27
Forward exchange contracts	USD 2,000	2023.1.17	USD 3,000	2022.1.27
Forward exchange contracts	USD 2,000	2023.2.14	USD 2,000	2022.2.25
Forward exchange contracts	USD 2,000	2023.2.14	USD 2,000	2022.2.25
Forward exchange contracts	USD 2,000	2023.2.23	USD 2,000	2022.2.25
Forward exchange contracts	USD 2,000	2023.3.3	USD 2,000	2022.3.30
Forward exchange contracts	USD 2,000	2023.3.27	-	-

(a) Cross currency swap

The Company entered into cross currency swap contracts which were exchange swap transactions between foreign currencies to hedge the volatility risk of the exchange rate. However, these cross currency swap contracts are not accounted for under hedge accounting.

(b) Forward foreign exchange contracts

The Company entered into forward foreign exchange contracts to sell USD to hedge the volatility risk of the exchange rate. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(3) Financial assets at amortized cost

Items	December 31, 2022	December 31, 2021
Current items:		
Special-purpose demand deposits	\$ <u>12</u>	\$ <u>12</u>

- A. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Company was \$12.
- B. The Company has no financial assets at amortized cost pledged to others.
- C. Information on financial assets at amortized cost relating to credit risk is provided in Note 12(2).
- D. The special-purpose demand deposits refer to the Company's certain self-owned capital deposited into the trust account which is restricted only for the purpose of equity investments.

(4) Accounts receivable

	December 31, 2022	December 31, 2021
Accounts receivable	\$ 602,605	\$ 444,996
Accounts receivable due from related parties	-	507
Less: Loss allowance	(<u>186</u>)	(<u>134</u>)
	\$ <u>602,419</u>	\$ <u>445,369</u>

- A. The ageing analysis of accounts receivable (including related parties) that were past due but not impaired is as follows:

	December 31, 2022	December 31, 2021
Without past due	\$ 592,273	\$ 439,873
Up to 30 days	9,945	5,630
31 to 90 days	387	-
	\$ <u>602,605</u>	\$ <u>445,503</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2022 and 2021, accounts receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$539,796.
- C. The Company does not hold any collateral as security.
- D. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable were \$602,419 and \$445,369, respectively.
- E. Information on accounts receivable relating to credit risk is provided in Note 12(2).

(5) Inventories

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 855	(\$ 780)	\$ 75
Work in progress	10	(10)	-
Finished goods	15,996	(971)	15,025
Inventory in transit	2,706	-	2,706
Total	<u>\$ 19,567</u>	<u>(\$ 1,761)</u>	<u>\$ 17,806</u>

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 878	(\$ 701)	\$ 177
Work in progress	10	(10)	-
Finished goods	2,817	(2,232)	585
Inventory in transit	16,468	-	16,468
Total	<u>\$ 20,173</u>	<u>(\$ 2,943)</u>	<u>\$ 17,230</u>

A. The related profit or loss recognized as cost of goods sold for the years ended December 31, 2022 and 2021 is as follows:

	Years ended December 31,	
	2022	2021
Cost of goods sold	\$ 3,764,068	\$ 3,588,190
Assets retirement losses	1,478	
Gain on reversal of market value of inventories (Note)	(1,182)	
Loss on decline in market value	-	591
Total	<u>\$ 3,764,364</u>	<u>\$ 3,588,781</u>

Note: The gain from price recovery was caused by the reversal of allowance for inventory which were subsequently scrapped or sold.

B. The Company has no inventories pledged to others.

(6) Financial assets at fair value through other comprehensive income

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Non-current items:		
Debt instruments	\$ 90,519	\$ -
Government bonds	(4,022)	-
Valuation adjustment	86,497	-
Subtotal		
Equity instruments		
Listed stocks	\$ 2,164,690	\$ 2,382,190
Unlisted stocks	3,590	3,590
	2,168,280	2,385,780
Valuation adjustment	50,750	371,514
Subtotal	2,219,030	2,757,294
Total	<u>\$ 2,305,527</u>	<u>\$ 2,757,294</u>

- A. The Company has elected to classify abovementioned government bonds and shares that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$2,305,527 and \$2,757,294 as at December 31, 2022 and 2021, respectively.
- B. In line with the Group's financial management plan, the Group sold \$236,761 and \$122,052 of equity instrument investments at fair value during the years ended December 31, 2022 and 2021, and the gain on disposal were \$19,261 and \$84,045, respectively.
- C. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	(\$ 301,503)	\$ 354,595
Cumulative gains reclassified to retained earnings due to derecognition	\$ 19,261	\$ 84,045
Dividend income recognized in profit or loss		
Held at end of year	\$ 112,188	\$ 96,864
Derecognised during the year	7,337	-
	<u>\$ 119,525</u>	<u>\$ 96,864</u>
<u>Debt instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	(\$ 4,022)	-
Interest income recognized in profit or loss		
Held at end of year	\$ 1,164	-

- D. As at December 31, 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was \$86,497.

- E. Details of Company's financial assets at fair value through other comprehensive income pledged to others as collateral are provided in Note 8.

- F. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(7) Investments accounted for using equity method

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Book value</u>	<u>Shareholding ratio</u>	<u>Book value</u>	<u>Shareholding ratio</u>
Subsidiary:				
Creative Sensor Inc.	\$ 1,566,479	100.00%	\$ 1,353,362	100.00%
Creative Sensor (USA) Co.	4,502	100.00%	3,160	100.00%
Associate:				
K9 Inc.	-	-	-	33.82%
Tien Da Investment Co., Ltd. (Tien Da)	216,815	29.85%	200,579	29.85%
Teco Image Systems Co., Ltd. (Teco Image)	637,887	29.69%	757,796	29.69%
	<u>\$ 2,425,683</u>		<u>\$ 2,314,897</u>	
	<u>Years ended December 31,</u>			
	<u>2022</u>		<u>2021</u>	
	<u>Share of profit (loss) of subsidiary, associates and joint ventures accounted for using equity method, net</u>	<u>Other comprehensive income (loss) after tax</u>	<u>Share of profit of subsidiary, associates and joint ventures accounted for using equity method, net</u>	<u>Other comprehensive loss after tax</u>
Subsidiary:				
Creative Sensor Inc.	\$ 192,178	\$ 20,580	\$ 75,577	(\$ 13,198)
Creative Sensor (USA) Co.	962	380	890	(79)
Associate:				
K9 Inc.	-	-	-	-
Tien Da Investment Co., Ltd. (Tien Da)	7,924	8,312	1,604	(24,065)
Teco Image Systems Co., Ltd. (Teco Image)	(4,071)	(31,833)	5,360	(45,144)
	<u>\$ 196,993</u>	<u>(\$ 2,561)</u>	<u>\$ 83,431</u>	<u>(\$ 82,486)</u>

A. Subsidiary

Refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2022 for the information regarding the Company's subsidiaries.

B. Associate

(a) The basic information of the associate that is material to the Company is as follows:

<u>Company name</u>	<u>Principal place of business</u>	<u>Shareholding ratio</u>		<u>Nature of relationship</u>	<u>Method of measurement</u>
		<u>December 31, 2022</u>	<u>December 31, 2021</u>		
Teco Image Systems Co., Ltd.	Taiwan	29.69%	29.69%	Note B(e)	Equity method

(b) The summarized financial information of the associate that is material to the Company is as follows:

Balance sheet

	<u>Teco Image Systems Co., Ltd</u>	
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current assets	\$ 1,049,308	\$ 993,371
Non-current assets	1,969,234	2,169,690
Current liabilities	(835,424)	(904,325)
Non-current liabilities	(106,127)	(35,063)
Total net assets	<u>\$ 2,076,991</u>	<u>\$ 2,223,673</u>
Share in associate's net assets	\$ 605,910	\$ 655,819
Goodwill	31,977	101,977
Carrying amount of the associate	<u>\$ 637,887</u>	<u>\$ 757,796</u>

Statement of comprehensive income

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Revenue	<u>\$ 1,722,767</u>	<u>\$ 1,771,373</u>
Profit for the year from continuing operations	\$ 64,384	\$ 51,826
Other comprehensive income (loss), net of tax	(164,173)	506,083
Total comprehensive income (loss)	<u>(\$ 99,789)</u>	<u>\$ 557,909</u>
Dividends received from associates	<u>\$ 13,697</u>	<u>\$ 2,814</u>

(c) The carrying amount of the Company's interests in all individually immaterial associates and the Group's share of the operating results are summarized below:

As of December 31, 2022 and 2021, the carrying amount of the Company's individually immaterial associates amounted to \$216,815 and \$200,579, respectively.

	Years ended December 31,	
	2022	2021
Profit for the year from continuing operations	\$ 7,924	\$ 1,604
Other comprehensive loss, net of tax	8,312	(24,065)
Total comprehensive loss	<u>\$ 16,236</u>	<u>(\$ 22,461)</u>

- (d) The Company's material associate, Teco Image, has quoted market prices. As of December 31, 2022 and 2021, the fair value was \$559,584 and \$567,936, respectively.
- (e) The Company is the single largest shareholder of Teco Image with a 29.69% equity interest. Taking into consideration the extent of other shareholders' participation in previous shareholders' meeting of Teco Image and the voting right record of significant proposals, which indicates that the Company has no current ability to direct the relevant activities of Teco Image, the Company has no control, but only has significant influence, over the investee.
- (f) In 2022, the Group recognized impairment loss of \$70,000 on its investment in Teco Image as the asset's carrying amount exceeded its recoverable amount.
- C. The Company continued to increase its investment in the investee – Tien Da Investment Co., Ltd. and was assessed to have significant influence over the investee in the third quarter of 2021. Therefore, the investee was transferred to investment accounted for using equity method from non-current financial assets at fair value through other comprehensive income.
- D. The Company has no investments accounted for using equity method pledged to others.

(8) Property, plant and equipment

	2022				
	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Other equipment</u>	<u>Total</u>
<u>At January 1</u>					
Cost	\$ 140,990	\$ 21,591	\$ 22,578	\$ 1,810	\$ 186,969
Accumulated depreciation	(126,173)	(17,771)	(22,578)	(1,810)	(168,332)
	<u>\$ 14,817</u>	<u>\$ 3,820</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,637</u>
Opening net book value as at January 1	\$ 14,817	\$ 3,820	\$ -	\$ -	\$ 18,637
Additions	-	2,406	-	86	2,492
Disposals	(5,492)	-	-	-	(5,492)
Depreciation	(3,913)	(1,276)	-	(7)	(5,196)
Closing net book value as at December 31	<u>\$ 5,412</u>	<u>\$ 4,950</u>	<u>\$ -</u>	<u>\$ 79</u>	<u>\$ 10,441</u>
<u>At December 31</u>					
Cost	\$ 130,329	\$ 21,579	\$ 22,578	\$ 1,836	\$ 176,322
Accumulated depreciation	(124,917)	(16,629)	(22,578)	(1,757)	(165,881)
	<u>\$ 5,412</u>	<u>\$ 4,950</u>	<u>\$ -</u>	<u>\$ 79</u>	<u>\$ 10,441</u>

	2021				
	Machinery and equipment	Office equipment	Leasehold improvements	Other equipment	Total
<u>At January 1</u>					
Cost	\$ 144,073	\$ 21,169	\$ 24,494	\$ 1,906	\$ 191,642
Accumulated depreciation	(124,290)	(15,979)	(22,889)	(1,906)	(165,064)
	<u>\$ 19,783</u>	<u>\$ 5,190</u>	<u>\$ 1,605</u>	<u>\$ -</u>	<u>\$ 26,578</u>
Opening net book value as at					
January 1	\$ 19,783	\$ 5,190	\$ 1,605	\$ -	\$ 26,578
Additions	-	540	-	-	540
Disposals	(464)	-	(1,541)	-	(2,005)
Depreciation	(4,502)	(1,910)	(64)	-	(6,476)
Closing net book value as at					
December 31	<u>\$ 14,817</u>	<u>\$ 3,820</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,637</u>
<u>At December 31</u>					
Cost	\$ 140,990	\$ 21,591	\$ 22,578	\$ 1,810	\$ 186,969
Accumulated depreciation	(126,173)	(17,771)	(22,578)	(1,810)	(168,332)
	<u>\$ 14,817</u>	<u>\$ 3,820</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,637</u>

- A. The aforementioned property, plant and equipment were all for its own use.
- B. The Company has not pledged property, plant and equipment as collateral or capitalized the interest.

(9) Leasing arrangements - lessee

- A. The Company leases various assets including buildings and business vehicles. Rental contracts are typically made for periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise certain buildings and transportation equipment.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
At January 1, 2022	\$ 22,931	\$ 1,649	\$ 24,580
Additions	3,162	-	3,162
Depreciation	(10,737)	(824)	(11,561)
At December 31, 2022	<u>\$ 15,356</u>	<u>\$ 825</u>	<u>\$ 16,181</u>

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
At January 1, 2021	\$ 34,305	\$ 309	\$ 34,614
Additions	2,509	2,475	4,984
Modification	(3,171)	(301)	(3,472)
Depreciation	(10,712)	(834)	(11,546)
At December 31, 2021	<u>\$ 22,931</u>	<u>\$ 1,649</u>	<u>\$ 24,580</u>

- D. The information on income and expense relating to lease contracts is as follows:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 530	\$ 750
Expense on short-term lease contracts	72	72
Profit from lease modification	-	(63)

- E. For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases were \$12,282 and \$12,251, respectively.

(10) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	\$ 600,000	1.68%~1.75%	None
Secured borrowings	<u>750,000</u>	1.30%~1.75%	Stock
	<u>\$ 1,350,000</u>		

<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	\$ 984,800	0.97%~1.30%	None
Secured borrowings	<u>750,000</u>	0.90%~1.15%	Stock
	<u>\$ 1,734,800</u>		

For the years ended December 31, 2022 and 2021, the Company's interest expense recognized in profit or loss amounted to \$18,822 and \$11,118, respectively.

(11) Financial liabilities at fair value through profit or loss

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Financial liabilities mandatorily measured at fair value through profit or loss		
Derivative instruments	<u>\$ 746</u>	<u>\$ -</u>

A. Amount recognized in profit or loss in relation to financial liabilities at fair value through profit or loss are listed below:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Financial liabilities mandatorily measured at fair value through profit or loss		
Derivative instruments	<u>(\$ 25,924)</u>	<u>(\$ 1,775)</u>

B. The Company entered into contracts relating to derivative financial liabilities which were not accounted for under hedge accounting. The information is listed below:

Derivative financial instruments	December 31, 2022		December 31, 2021	
	Contract amount	Maturity	Contract amount	Maturity
	(Notional principal)	date of	(Notional principal)	date of
	(In thousands)	the contract	(In thousands)	the contract
Current items:				
Cross currency swap	USD 2,000	2023.2.14	-	-
Cross currency swap	USD 2,000	2023.2.14	-	-
Cross currency swap	USD 2,000	2023.2.23	-	-
Cross currency swap	USD 2,000	2023.3.3	-	-
Forward exchange contracts	USD 2,000	2023.2.23	-	-
Forward exchange contracts	USD 2,000	2023.3.3	-	-

(a) Cross currency swap

The Company entered into cross currency swap contracts which were exchange swap transactions between foreign currencies to hedge the volatility risk of the exchange rate. However, these cross currency swap contracts are not accounted for under hedge accounting.

(b) Forward foreign exchange contracts

The Company entered into forward foreign exchange contracts to sell USD to hedge the volatility risk of the exchange rate. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(12) Other payables

	December 31, 2022	December 31, 2021
Accrued employees' compensation and directors' remuneration	\$ 58,295	\$ 25,084
Bonus payable	58,477	55,669
Royalties payable	52,191	52,191
Service fees payable	4,770	3,418
Research and development expense payable	1,974	453
Wages and salaries payable	5,517	5,403
Payables on equipment	2,191	-
Others	20,994	22,406
	<u>\$ 204,409</u>	<u>\$ 164,624</u>

(13) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one

unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. In April 2021 and May 2022, the Department of Labor, Taipei City Government approved that the Company cease contributing to the retirement fund temporarily for 2022 and 2023, respectively.

(b) The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ 8,826	\$ 9,278
Fair value of plan assets	(23,365)	(21,578)
Net defined benefit assets	<u>(\$ 14,539)</u>	<u>(\$ 12,300)</u>

(c) Movements in net defined benefit assets are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit asset</u>
2022			
Balance at January 1	\$ 9,278	(\$ 21,578)	(\$ 12,300)
Interest expense (income)	<u>74</u>	<u>(173)</u>	<u>(99)</u>
	<u>9,352</u>	<u>(21,751)</u>	<u>(12,399)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,614)	(1,614)
Change in financial assumptions	(706)	-	(706)
Experience adjustments	<u>180</u>	<u>-</u>	<u>180</u>
	<u>(526)</u>	<u>(1,614)</u>	<u>(2,140)</u>
Balance at December 31	<u>\$ 8,826</u>	<u>(\$ 23,365)</u>	<u>(\$ 14,539)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit asset
2021			
Balance at January 1	\$ 10,229	(\$ 21,349)	(\$ 11,120)
Interest expense (income)	<u>41</u>	<u>(85)</u>	<u>(44)</u>
	<u>10,270</u>	<u>(21,434)</u>	<u>(11,164)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(303)	(303)
Change in demographic assumptions	12	-	12
Change in financial assumptions	(543)	-	(543)
Experience adjustments	<u>(302)</u>	<u>-</u>	<u>(302)</u>
	(833)	(303)	(1,136)
Paid pension	<u>(159)</u>	<u>159</u>	<u>-</u>
Balance at December 31	<u>\$ 9,278</u>	<u>(\$ 21,578)</u>	<u>(\$ 12,300)</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The percentage composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2022	2021
Discount rate	1.40%	0.80%
Future salary increases	3.00%	3.00%

Future mortality rate was estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	(\$ 276)	\$ 286	\$ 259	(\$ 251)
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 314)	\$ 328	\$ 296	(\$ 287)

The sensitivity analysis above is based on one assumption that changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

- (f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2023 amount to \$0.
- (g) As of December 31, 2022, the weighted average duration of that retirement plan is 13 years.
- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2022 and 2021 were \$3,860 and \$5,049, respectively.

(14) Share-based payment

- A. For the year ended December 31, 2022, the Company© 's share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Treasury shares transferred to employees	2022.5.11	1,500,000	NA	Vested immediately

The above share-based payment arrangements are settled by equity.

- B. Details of the share-based payment arrangements are as follows:

	<u>2022</u>	
	<u>No. of options</u>	<u>Weighted-average exercise price (in dollars)</u>
Options granted	1,500,000	28.86
Options exercised	(1,250,000)	28.86
Options expired	(250,000)	28.86
Options outstanding at December 31	<u>-</u>	-

- C. The weighted-average stock price of stock options at exercise dates for the year ended December 31, 2022 was \$22.95.
- D. The fair value of stock options granted is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Stock price (in dollars)</u>	<u>Exercise price (in dollars)</u>	<u>Expected price volatility</u>	<u>Expected option life</u>	<u>Risk-free interest rate</u>	<u>Fair value per unit (in dollars)</u>
Treasury stock transferred to employees	2022.5.11	\$ 21.30	\$ 28.86	15.77% (Note)	0.08 years	0.59%	\$ -

Note : Expected price volatility rate was estimated by using the daily historical stock price fluctuation data for the last three months before the given date.

(15) Capital stock

- A. As of December 31, 2022, the Company's authorized capital was \$2,500,000, consisting of 250 million shares of ordinary stock (including 15 million shares reserved for employee stock options), and the paid-in capital was \$1,490,550, consisting of 149,055,000 shares of ordinary shares issued (including 22 million shares to be issued through the private placement) with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.
- B. To increase working capital and meet the capital needs for the Company's long-term

development, the stockholders at their special stockholders' meeting on September 17, 2021 adopted a resolution to raise additional cash through private placement. The maximum number of shares to be issued through the private placement is 38,116,500 shares. The private placement will be raised twice within one year starting from the date that the special stockholders' meeting adopted the resolution. The Board of Directors resolved to raise \$516,780 by issuing 22,000,000 shares of ordinary shares through private placement at an estimated subscription price of \$23.49 (in dollars) per share on September 23, 2021. As of November 1, 2021, the private placement had been registered.

C. Movements in the number of the Company's ordinary shares outstanding (unit: share) are as follows:

	<u>2022</u>	<u>2021</u>
At January 1	\$ 140,062,000	\$ 127,055,000
Employee stock options exercised	1,250,000	-
Cash capital increase-private placement	-	22,000,000
Acquisition of treasury shares	-	(8,993,000)
At December 31	<u>\$ 141,312,000</u>	<u>\$ 140,062,000</u>

D. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

		<u>December 31, 2022</u>	
<u>Name of company holding the shares</u>	<u>Reason for reacquisition</u>	<u>Number of shares</u>	<u>Carrying amount</u>
The Company	To be reissued to employees	7,743,000	\$ 223,481

		<u>December 31, 2021</u>	
<u>Name of company holding the shares</u>	<u>Reason for reacquisition</u>	<u>Number of shares</u>	<u>Carrying amount</u>
The Company	To be reissued to employees	8,993,000	\$ 259,556

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued within the five-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

- (e) The Board of Directors of the Company resolved to buy back 6,500,000 shares of the Company on July 21, 2021. The actual treasury shares repurchased amounted to 6,225,000 shares for a total cost of \$186,666.
 - (f) The Board of Directors of the Company resolved to buy back 3,200,000 shares of the Company on September 23, 2021. The actual treasury shares repurchased amounted to 2,768,000 shares for a total cost of \$72,890.
 - (g) The Board of Directors of the Company resolved to reissue 1,500,000 treasury shares to employees on May 11, 2022. The actual treasury shares reissued amounted to 1,250,000 shares. Refer to Note 6(14).
- E. The number of the Company's shares held by the Company's associate - Teco Image Systems Co., Ltd. was 28,906,260 shares as of December 31, 2022.

(16) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(17) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be distributed in the following order:

- (a) Pay all taxes.
- (b) Cover accumulated deficit.
- (c) Set aside 10% for legal reserve until the legal reserve equals the total capital stock balance.
- (d) Set aside or reverse special reserve in accordance with related regulations.
- (e) The appropriation of the amount of distributable earnings after deducting items from (a) to (d), along with the accumulated unappropriated earnings, shall be proposed by the Board of Directors and resolved by the shareholders.

The Company operates in a steady growth environment. Since the Company has plans for plant expansion and reinvestment, the current distributable earnings shall be appropriated as shareholders' bonus that account for 80% of the amount. Dividends to shareholders in the form of cash shall generally account for 50% but shall account for at least 5%.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. (a) Details of 2021 and 2020 earnings appropriations resolved by the stockholders on June 11, 2022 and June 9, 2021, respectively, are as follows:

	Years ended December 31,			
	2021		2020	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 35,197		\$ 18,954	
Cash dividends	<u>182,080</u>	\$ 1.3	<u>165,171</u>	\$ 1.3
Total	<u>\$ 217,277</u>		<u>\$ 184,125</u>	

Abovementioned distribution of 2021 earnings is consistent with the proposal of the Board of Directors of the Company on April 26, 2022.

(b) The 2022 earnings appropriations which was proposed at the Board of Directors during its meeting on March 13, 2023 are as follows:

	Year ended December 31, 2022	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 38,795	
Cash dividends	<u>268,493</u>	\$ 1.9
Total	<u>\$ 307,288</u>	

Information about earnings appropriation as resolved at the Board of Directors and stockholders meetings will be posted in the “Market Observation Post System” at the website of the Taiwan Stock Exchange.

(18) Other equity items

	2022		
	Unrealized gains (losses) on valuation	Currency translation	Total
At January 1	\$ 317,668	\$ 51,234	\$ 368,902
Valuation adjustment:			
— Company	(305,525)	-	(305,525)
— Associates	(25,229)	-	(25,229)
Valuation adjustment transferred to retained earnings:			
— Company	(19,261)	-	(19,261)
— Associates	(6,364)	-	(6,364)
Currency translation differences:			
— Company	-	20,960	20,960
— Associates	-	466	466
At December 31	<u>(\$ 38,711)</u>	<u>\$ 72,660</u>	<u>\$ 33,949</u>
	2021		
	Unrealized gains (losses) on valuation	Currency translation	Total
At January 1	\$ 122,158	\$ 64,445	\$ 186,603
Valuation adjustment:			
— Company	349,909	-	349,909
— Associates	(70,354)	-	(70,354)
Valuation adjustment transferred to retained earnings:			
— Company	(84,045)	-	(84,045)
Currency translation differences:			
— Company	-	(13,277)	(13,277)
— Associates	-	66	66
At December 31	<u>\$ 317,668</u>	<u>\$ 51,234</u>	<u>\$ 368,902</u>

(19) Operating revenue

	Years ended December 31,	
	2022	2021
Revenue from contracts with customers	\$ 4,256,952	\$ 3,951,319

The Company derives revenue from the following major geographical regions:

Year ended	China	Thailand	Philippines	Others	Total
December 31, 2022					
Revenue from external customer contracts	\$ 1,996,444	\$ 529,272	\$ 476,111	\$ 1,255,125	\$ 4,256,952
Year ended	China	Thailand	Philippines	Others	Total
December 31, 2021					
Revenue from external customer contracts	\$ 1,770,697	\$ 651,889	\$ 432,084	\$ 1,096,649	\$ 3,951,319

The Company derives revenue from the transfer of goods at a point in time.

(20) Interest income

	Years ended December 31,	
	2022	2021
Interest income from bank deposits	\$ 2,906	\$ 414
Interest income from financial assets at fair value through profit or loss	-	5
Interest income from financial assets at fair value through other comprehensive income	1,164	-
	\$ 4,070	\$ 419

(21) Other income

	Years ended December 31,	
	2022	2021
Patents income	\$ 84	\$ 84
Dividend income	119,525	97,871
Directors' and supervisors' remuneration	7,792	11,964
Rental revenue	1,708	1,699
Other income	2,912	4,731
	\$ 132,021	\$ 116,349

(22) Other gains and losses

	Years ended December 31,	
	2022	2021
(Losses) gains on financial assets and liabilities at fair value through profit or loss	(\$ 12,116)	\$ 28,982
Net foreign exchange (losses) gains	8,354	4,788
Gains from lease modification	-	63
Gains (losses) on disposal of property, plant and equipment	6,008 (1,587)
Financial assets impairment loss (Note1)	(70,000)	-
Other gains and losses (Note2)	(15,042)	(126,130)
	<u>(\$ 82,796)</u>	<u>(\$ 93,884)</u>

Note 1:For impairment loss on investments accounted for using equity method, please refer to Note7(2)6.

Note 2:For the years ended December 31, 2022 and 2021, other gains and losses mainly pertain to expenses related to the solicitation of proxies for the shareholders' meeting of TECO ELECTRIC & MACHINERY CO., LTD.

(23) Employee benefit expense, depreciation and amortization

For the years ended December 31, 2022 and 2021, employee benefit expense, depreciation and amortization categorized by function were summarized as follows:

	Year ended December 31, 2022		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Wages and salaries	\$ 25,859	\$ 157,485	\$ 183,344
Labor and health insurance fees	1,105	7,675	8,780
Pension costs	555	3,206	3,761
Directors' remuneration	-	15,029	15,029
Other personnel expenses	958	5,470	6,428
Depreciation	2,703	14,054	16,757
Amortization	-	2,090	2,090

	Year ended December 31, 2021		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Wages and salaries	\$ 22,889	\$ 130,976	\$ 153,865
Labor and health insurance fees	1,249	8,023	9,272
Pension costs	697	4,308	5,005
Directors' remuneration	-	6,235	6,235
Other personnel expenses	1,024	5,267	6,291
Depreciation	2,062	15,960	18,022
Amortization	-	2,294	2,294

A. As of December 31, 2022 and 2021, the Company had 86 and 89 employees respectively, including 6 non-employee directors for both years.

- (a) Average employee benefit expense in current year was \$2,529, and average employee benefit expense in previous year was \$2,102.
- (b) Average employees salaries in current year was \$2,292, and average employees salaries in previous year was \$1,854.
- (c) Adjustment of average employees salaries increased 23.62%.
- (d) The Company has established an audit committee in lieu of a supervisor and accordingly, the requirement for disclosure of information on supervisors' remuneration is not applicable.
- (e) The Company's remuneration policy (including directors, managers and employees):
 - i. Directors' remuneration are determined based on the Articles of Incorporation of the Company. A certain percentage of the current year's earnings, if any, shall be distributed as directors' remuneration. If the company had an accumulated deficit, the current year's earnings shall first be reserved to offset against the accumulated deficit, then appropriated the directors' remuneration based on the ratio mentioned above.
 - ii. Managers' remuneration is evaluated taking into consideration the reasonableness of the correlation between the individual's performance and the Company's operational performance and future risk exposure.
 - iii. Employees' compensation is determined based on the negotiation with employees based on the Company's employee salary policy and shall not be lower than the base pay. The Company shall implement performance assessment periodically whereby the Company conducts adjustment of salary and bonus and employees' promotion and appointment and dismissal.

- B. According to the Articles of Incorporation of the Company, the pre-tax profit before deduction of employees' compensation and directors' remuneration and after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall account for 5%~15% for employees' compensation and shall not be higher than 5% for directors' remuneration.
- C. For the years ended December 31, 2022 and 2021, employees' compensation were accrued at \$43,721 and \$18,813, respectively; directors' remuneration were accrued at \$14,574 and \$6,271, respectively. The aforementioned amounts were recognized in salary expenses, and estimated based on the current profit.

Employees' compensation and directors' remuneration for 2022 and 2021 as resolved by the Board of Directors were in agreement with the amounts recorded in the 2022 and 2021 financial statements of \$43,721, \$14,574 and \$18,813, \$6,271, respectively. Employees' compensation will be distributed in the form of cash.

Information about employees' compensation and directors' remuneration of the Company as approved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2022	2021
Current tax:		
Current tax on profits for the year	\$ 35,865	\$ 2,312
Tax imposed on undistributed surplus earnings	6,734	271
Prior year income tax under estimation	3,320	300
Total current tax	<u>45,919</u>	<u>2,883</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>26,206</u>	<u>6,241</u>
Total deferred tax	<u>26,206</u>	<u>6,241</u>
Income tax expense	<u>\$ 72,125</u>	<u>\$ 9,124</u>

(b) The income tax credit/(charge) relating to components of other comprehensive income is as follows:

	Years ended December 31,	
	2022	2021
Disposal of financial assets at fair value through other comprehensive income	\$ -	\$ 4,686
Remeasurement of defined benefit obligations	428	227
	<u>\$ 428</u>	<u>\$ 4,913</u>

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate	\$ 86,361	\$ 37,161
Effect from items disallowed by tax regulations	(7,434)	(22,191)
Change in assessment of realization of deferred tax assets	(16,856)	(4,877)
Prior year income tax under estimation	3,320	300
Tax on undistributed surplus earnings	6,734	271
Effect of alternative minimum tax on disposal of financial assets at fair value through other comprehensive income transferred to comprehensive income	-	(1,540)
Income tax expense	<u>\$ 72,125</u>	<u>\$ 9,124</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2022			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
– Deferred tax assets:				
Unrealized gain on affiliates	\$ 19	(\$ 19)	\$ -	\$ -
Unrealized inventory valuation losses	589	(237)	-	352
Unrealized expence	240	(240)	-	-
	<u>\$ 848</u>	<u>(\$ 496)</u>	<u>\$ -</u>	<u>\$ 352</u>

	2022			
	Recognized in other comprehensive			
	January 1	Recognized in profit or loss	income	December 31
– Deferred tax liabilities:				
Unrealized gain on affiliates	\$ -	(\$ 52)	\$ -	(\$ 52)
Unrealized exchange gain	(1,726)	(2,372)	-	(4,098)
Unrealized valuation gain on financial assets	(394)	(535)	-	(929)
Gain on investments accounted for using equity method	(9,053)	(22,731)	-	(31,784)
Defined benefit plan	(2,460)	(20)	(428)	(2,908)
	<u>(\$ 13,633)</u>	<u>(\$ 25,710)</u>	<u>(\$ 428)</u>	<u>(\$ 39,771)</u>
	<u>(\$ 12,785)</u>	<u>(\$ 26,206)</u>	<u>(\$ 428)</u>	<u>(\$ 39,419)</u>
	2021			
	Recognized in other comprehensive			
	January 1	Recognized in profit or loss	income	December 31
Temporary differences:				
– Deferred tax assets:				
Unrealized gain on affiliates	\$ 67	(\$ 48)	\$ -	\$ 19
Unrealized inventory valuation losses	471	118	-	589
Unrealized expense	-	240	-	240
Loss on investments accounted for using equity method	1,363	(1,363)	-	-
	<u>\$ 1,901</u>	<u>(\$ 1,053)</u>	<u>\$ -</u>	<u>\$ 848</u>
– Deferred tax liabilities:				
Unrealized exchange gain	(\$ 2,334)	\$ 608	\$ -	(\$ 1,726)
Unrealized valuation gain on financial assets	(3,660)	3,266	-	(394)
Gain on investments accounted for using equity method	-	(9,053)	-	(9,053)
Defined benefit plan	(2,224)	(9)	(227)	(2,460)
	<u>(\$ 8,218)</u>	<u>(\$ 5,188)</u>	<u>(\$ 227)</u>	<u>(\$ 13,633)</u>
	<u>(\$ 6,317)</u>	<u>(\$ 6,241)</u>	<u>(\$ 227)</u>	<u>(\$ 12,785)</u>

D. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(26) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31,	
	2022	2021
Purchase of property, plant and equipment	\$ 2,492	\$ 540
Add: Opening balance of payable on equipment	-	519
Less: Ending balance of payable on equipment	(2,191)	-
Cash paid during the year	<u>\$ 301</u>	<u>\$ 1,059</u>

(27) Changes in liabilities from financing activities

	2022		
	Short-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1	\$ 1,734,800	\$ 25,339	\$ 1,760,139
Changes in cash flow from financing activities	(384,800)	(11,680)	(396,480)
Increase in lease liabilities	-	3,162	3,162
Interest amortized in lease liabilities	-	530	530
Interest paid in lease liabilities	-	(530)	(530)
At December 31	<u>\$ 1,350,000</u>	<u>\$ 16,821</u>	<u>\$ 1,366,821</u>

	2021		
	Short-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1	\$ 750,000	\$ 35,319	\$ 785,319
Changes in cash flow from financing activities	984,800	(11,429)	973,371
Increase in lease liabilities	-	4,984	4,984
Decrease in lease liabilities	-	(3,535)	(3,535)
Interest amortized in lease liabilities	-	750	750
Interest paid in lease liabilities	-	(750)	(750)
At December 31	<u>\$ 1,734,800</u>	<u>\$ 25,339</u>	<u>\$ 1,760,139</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Koryo Electronics Co., Ltd.	The Group's key management
Teco Image Systems Co., Ltd.	Associate
Teco Image Systems (DongGuan) Co., Ltd.	Associate
Tien Da Investment Co., Ltd.	Associate
Creative Sensor Co., Ltd.	Subsidiary
Wuxi Creative Sensor Technology Co., Ltd.	Subsidiary
Nanchang Creative Sensor Technology Co., Ltd.	Subsidiary
Creative Sensor (USA) Co.	Subsidiary

(2) Significant related party transactions and balances

A. Operating revenue

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Sales of goods:		
— The Group's key management	\$ 2,193	\$ 2,448
— Associates	-	716
	<u>\$ 2,193</u>	<u>\$ 3,164</u>

Sales to aforementioned related party are based on the price lists in force and terms negotiated with related parties that would be available to third parties. The term is 30 to 45 days after monthly billing upon shipment of goods.

B. Purchases

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Purchases of goods:		
— Subsidiary		
Nanchang Creative Sensor Technology Co., Ltd.	\$ 3,596,674	\$ 3,547,116

Purchases from aforementioned related party are based on the price lists in force and terms negotiated with related parties that would be available to third parties. The term is 75 to 90 days after monthly billing upon purchases.

C. Receivables from related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable:		
– Associates	\$ -	\$ 507
Other receivables -material, payments on behalf of others and patents		
– Subsidiary		
Nanchang Creative Sensor Technology Co., Ltd.	\$ 18,142	\$ 62,131
Other	989	288
– Associates	-	3,780
	<u>19,131</u>	<u>66,199</u>
	<u>\$ 19,131</u>	<u>\$ 66,706</u>

D. Payables to related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable:		
– Subsidiary		
Nanchang Creative Sensor Technology Co., Ltd.	\$ 968,480	\$ 667,123
Other payables		
– Subsidiary	\$ 3,073	\$ 4,944

E. Original equipment manufacturer transaction

The Company eliminated the net sales and purchases whose risk and ownership have not been transferred in accordance with (1998) Tai-Cai-Zheng (6) Letter No. 00747 of Securities and Futures Commission, Ministry of Finance, R.O.C, dated March 18, 1998. For the years ended December 31, 2022 and 2021, the eliminated sales amount and unsettled payment arising from the above transactions are as follows:

(a) Eliminated sales revenue

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Subsidiary	\$ 147,563	\$ 204,664

(b) Unsettled payments (recognized in other receivables)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiary	\$ 18,142	\$ 62,131

F. Consultant fee

	Years ended December 31,	
	2022	2021
Subsidiary	\$ 8,968	\$ 9,102

G. Other income

	Years ended December 31,	
	2022	2021
Associates	\$ -	\$ 101

(3) Key management compensation

The key management compensation (including salaries and other short-term employee benefits) recognized for directors, general manager and vice general manager was \$49,884 and \$39,172, including employees' compensation and directors' remuneration accrued in profit or loss of \$27,128 and \$11,748 for the years ended December 31, 2022 and 2021, respectively.

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2022	December 31, 2021	
Non-current financial assets at fair value through other comprehensive income	\$ 1,239,750	\$ 1,424,250	Short-term borrowings

9. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

(1) Contingencies

None.

(2) Commitments

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

The appropriation of 2022 earnings as resolved by the Board of Directors on March 13, 2023 has not yet been approved by the shareholders. Refer to Note 6(7) for further information.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase treasury shares to optimize capital structure. The Company monitors capital on the basis of the gearing ratio or net worth per share. The former is calculated as net debt divided by total capital while the latter is calculated with total equity divided by number of shares. Total borrowings is net debt. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

During the year ended December 31, 2022, the Company's strategy, which was unchanged from 2021, was to maintain a stable gearing ratio.

The gearing ratios at December 31, 2022 and 2021 were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Net debt	\$ 1,350,000	\$ 1,734,800
Total equity	\$ 3,877,764	\$ 3,970,769
Total capital	\$ 5,227,764	\$ 5,705,569
Gearing ratio	<u>26%</u>	<u>30%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 5,392	\$ 1,972
Financial assets at fair value through other comprehensive income		
Designation of equity instruments	2,219,030	2,757,294
Qualifying debt instruments	86,497	-
Financial assets at amortized cost		
Cash and cash equivalents	1,077,617	947,329
Accounts receivable (including related parties)	602,419	445,369
Other receivables (including related parties)	21,303	66,199
Guarantee deposits paid	2,064	1,614
Financial assets at amortized cost	<u>12</u>	<u>12</u>
	<u>\$ 4,014,334</u>	<u>\$ 4,219,789</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities at fair value through profit or loss, mandatorily measured at fair value	\$ 746	\$ -
Financial liabilities at amortized cost		
Short-term borrowings	1,350,000	1,734,800
Notes payable	-	213
Accounts payable (including related parties)	973,348	702,805
Other payables	<u>204,409</u>	<u>164,624</u>
	<u>\$ 2,528,503</u>	<u>\$ 2,602,442</u>
Lease liability (including current and noncurrent portion)	<u>\$ 16,821</u>	<u>\$ 25,339</u>

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Company treasury) in accordance with internal plans or policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments as well as acquisition and disposal of assets.

C. Significant financial risks and degrees of financial risks

1. Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.
- ii. The Company's management made a policy to manage their foreign exchange risk against their functional currency. The Company is required to hedge their entire foreign exchange risk exposure with the Company treasury. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group use cross currency swap and forward foreign exchange contracts, transacted with Group treasury.
- iii. The Company hedges foreign exchange rate by using forward foreign exchange contracts and cross currency swap. However, the Company does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Notes 6(2) and 6(11).
- iv. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations are as follows:

December 31, 2022						
			Sensitivity analysis			
Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 49,751	30.73	\$ 1,528,848	1%	\$ 15,288	\$ -
<u>Investments accounted for using equity method</u>						
USD : NTD	51,122	30.73	1,570,981	-	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 33,284	30.73	\$ 1,022,817	1%	\$ 10,228	\$ -
December 31, 2021						
			Sensitivity analysis			
Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 28,715	27.66	\$ 794,257	1%	\$ 7,943	\$ -
<u>Investments accounted for using equity method</u>						
USD : NTD	49,066	27.66	1,356,522	-	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 27,168	27.66	\$ 751,467	1%	\$ 7,515	\$ -

- v. The total exchange (loss) gain, including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Company, were \$8,354 and \$4,788 for the years ended December 31, 2022 and 2021, respectively.

Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

- ii. The Company's investments in equity securities comprise beneficiary certificates, domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 10% with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased both by \$0, as a result of gains/losses on equity securities classified as at fair value through profit or loss. For the years ended December 31, 2022 and 2021, other components of equity would have increased/decreased by \$230,553 and \$275,729, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

The Company's interest rate risk arises from short-term borrowings. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost and at fair value through other comprehensive income.
- ii. The Company manages its credit risk taking into consideration the entire Company concern. According to the Company's credit policy, each local entity in the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.
- iii. The Company adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- iv. The Company adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial

reorganization due to their financial difficulties;

- (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Company classifies customers' accounts receivable in accordance with customer types. The Company applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vii. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights. As of December 31, 2022 and 2021, the Company had no written-off financial assets that are still under recourse procedures.
- viii. The Company's accounts receivable arose from customers with excellent credit, and the expected loss rate was 0.03%. On December 31, 2022 and 2021, the total book value of accounts receivable and loss allowance were \$602,605, \$445,503 and \$186 \$134, respectively.
- ix. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	<u>2022</u>	<u>2021</u>
	Accounts receivable (including related parties)	Accounts receivable (including related parties)
At January 1	\$ 134	\$ 162
Reversal of impairment	<u>52</u>	<u>(28)</u>
At December 31	<u>\$ 186</u>	<u>\$ 134</u>

For the years ended December 31, 2022 and 2021, the impairment losses and gains arising from customers' contracts are \$52 and (\$28), respectively.

- x. For investments in debt instruments at amortized cost and at fair value through other comprehensive income, the credit rating levels are presented below:

	December 31, 2022			
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortized cost	\$ 12	\$ -	\$ -	\$ 12
Financial assets at fair value through other comprehensive income	\$ 86,497	\$ -	\$ -	\$ 86,497

	December 31, 2021			
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortized cost	\$ 12	\$ -	\$ -	\$ 12

The financial assets at amortized cost held by the Company are restricted bank demand deposit. The credit risk rating has no significant abnormal situation.

The financial assets at fair value through other comprehensive income held by the company are all government bonds. The Group assesses the 12 month expected credit loss and lifetime expected credit loss based on the probability of default and default loss provided by external credit rating agencies. The credit risk rating has no significant abnormal situation.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. The table below analyzes the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities.

The amounts disclosed in the table are the contractual "undiscounted" cash flows.

<u>Non-derivative financial liabilities</u>			
<u>December 31, 2022</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Short-term borrowings	\$ 1,351,999	\$ -	\$ -
Accounts payable (including related parties)	973,348	-	-
Other payables	204,409	-	-
Lease liability	12,210	4,874	-
<u>Non-derivative financial liabilities</u>			
Cross currency swap	\$ 638	-	-
Forward exchange contracts	108	-	-
<u>December 31, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Short-term borrowings	\$ 1,736,954	\$ -	\$ -
Notes payable	213	-	-
Accounts payable (including related parties)	702,805	-	-
Other payables	164,624	-	-
Lease liability	11,402	10,595	4,066

iii. The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks and beneficiary certificates is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, accounts receivable, other receivables, financial assets at amortized cost - current, guarantee deposits paid, short-term borrowings, notes payable, accounts payable, other payables and lease liability are approximate to their fair

values.

C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

(a) The related information on the nature of the assets and liabilities is as follows:

<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Derivative instruments	\$ -	\$ 5,392	\$ -	\$ 5,392
Financial assets at fair value through other comprehensive income				
Equity securities	2,219,030	-	-	2,219,030
Debt instruments	<u>86,497</u>	<u>-</u>	<u>-</u>	<u>86,497</u>
Total	<u>\$ 2,305,527</u>	<u>\$ 5,392</u>	<u>\$ -</u>	<u>\$ 2,310,919</u>

Liabilities:

Recurring fair value measurements

Financial liabilities at fair value through profit or loss

Derivative instruments	<u>\$ -</u>	<u>\$ 746</u>	<u>\$ -</u>	<u>\$ 746</u>
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<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Derivative instruments	\$ -	\$ 1,972	\$ -	\$ 1,972
Financial assets at fair value through other comprehensive income				
Equity securities	<u>2,757,294</u>	<u>-</u>	<u>-</u>	<u>2,757,294</u>
Total	<u>\$ 2,757,294</u>	<u>\$ 1,972</u>	<u>\$ -</u>	<u>\$ 2,759,266</u>

(b) The methods and assumptions the Company used to measure fair value are as follows:

i. The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>	<u>Government bonds</u>
Market quoted price	Closing price	Closing price

ii. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts and cross currency swap are usually valued based on the current forward exchange rate.

D. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the significant transactions for the year ended December 31, 2022 are as follows:

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to table 1.

D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Refer to table 2.

H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Refer to table 3.

I. Trading in derivative instruments undertaken during the reporting periods: Refer to Notes 6(2), 6(11) and 12(3).

J. Significant inter-company transactions during the reporting periods: Refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland China: Refer to table 4.

(4) Major shareholders information

Major shareholders information: Refer to table 7.

14. SEGMENT INFORMATION

None.

CREATIVE SENSOR INC.
DETAILS OF CASH AND CASH EQUIVELANTS
DECEMBER 31, 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Tabel 1

<u>Items</u>	<u>Summary</u>	<u>Amount</u>
Cash on hand and petty cash		\$ 32
Cash in banks		
-Checking accounts deposits		156
-Demand deposits		359,600
-Foreign currency deposits	JPY 3,270,329, at an exchange rate of \$ 0.2297	
	USD 23,333,161.82, at an exchange rate of \$ 30.725	
	EUR 86.46, at an exchange rate of \$ 32.65	
	RMB 36,957.84, at an exchange rate of \$ 4.4116	<u>717,829</u>
		<u>\$ 1,077,617</u>

CREATIVE SENSOR INC.
DETAILS OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 2

<u>Customer name</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
A customer		\$ 92,927	
B customer		64,253	
C customer		62,605	
D customer		58,189	
E customer		57,173	
F customer		56,524	
G customer		46,069	
H customer		33,990	
I customer		33,236	
			The balance of each customer has not exceeded 5% of the accounts receivable.
Others		<u>97,639</u>	
		602,605	
Less: Allowance for bad debts		<u>(186)</u>	
		<u>\$ 602,419</u>	

CREATIVE SENSOR INC.
MOVEMENT SUMMARY OF NON-CURRENT FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 3

Name	Opening balance			Additions		Reductions		Ending balance			
	Number of shares (in thousand shares)	Carrying amount	Market price	Number of shares (in thousand shares)	Amount	Number of shares (in thousand shares)	Amount	Number of shares (in thousand shares)	Amount	Market price	Guarantee/pledge
Debt instruments											
U.S. Treasury bond U.S. dollar semiannual sovereign bond	-	\$ -	\$ -	30	\$ 90,519	-	\$ -	30	\$ 90,519	\$ 86,497	None
Valuation adjustment on investment in debt instrument measured at fair value through other comprehensive income		-			(4,022)		-		(4,022)		
Subtotal		-			86,497		-		86,497		
Equity instruments											
Listed stocks											
TECO Electronic & Machinery Co., Ltd.	77,519	\$ 2,099,663	\$ 2,453,477	-	\$ -	(8,030)	(\$ 217,500)	69,489	\$ 1,882,163	\$ 1,914,422	Note
Taiwan Pelican Express Co., Ltd.	281	8,049	20,204	-	-	-	-	281	8,049	14,077	None
Koryo Electronics Co., Ltd.	9,882	274,478	283,613	-	-	-	-	9,882	274,478	290,531	"
Unlisted stocks											
MUTUAL-PAK Technology Co., Ltd.	108	3,590	-	-	-	-	-	108	3,590	-	"
		2,385,780	\$ 2,757,294		-		(217,500)		2,168,280	\$ 2,305,527	
Valuation adjustment on investment in equity instrument measured at fair value through other comprehensive income		371,514			-		(320,764)		50,750		
		2,757,294			-		(538,264)		2,219,030		
		\$ 2,757,294			\$ 86,497		(\$ 538,264)		\$ 2,305,527		

Note : Partial number of shares pledged as collateral for short-term borrowings, book value is \$1,239,750.

CREATIVE SENSOR INC.
MOVEMENT SUMMARY OF INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 4

Name	Opening balance		Additions		Reductions		Ending balance			Market price or net equity				
	Number of shares (in thousand shares)	Amount	Number of shares (in thousand shares)	Amount	Number of shares (in thousand shares)	Amount	Number of shares (in thousand shares)	Shareholding ratio	Amount	Price per unit (in dollars)	Total amount	Guarantee/pledge		
Creative Sensor Inc.	15,415	\$ 1,353,362	-	\$ 213,117	Note 1	-	\$ -	15,415	100%	\$ 1,566,479	\$ 101.62	\$ 1,566,479	None	
Creative Sensor (USA) Co.	100	3,160	-	1,342	Note 1	-	-	100	100%	4,502	45.02	4,502	"	
K9 Inc.	845	-	-	-	(845)	-	Note 3	-	-	-	-	"	
Tien Da Investment Co., Ltd.	21,340	200,579	-	16,236	Note 1	-	-	21,340	29.85%	216,815	10.51	224,272	"	
TECO Image Systems Co., Ltd.	33,408	<u>757,796</u>	-	<u>1,708</u>	Note 1	-	<u>(121,617)</u>	Note 2	33,408	29.69%	<u>637,887</u>	16.75	559,584	"
		<u>\$ 2,314,897</u>		<u>\$ 232,403</u>			<u>(\$ 121,617)</u>			<u>\$ 2,425,683</u>				

Note 1: It included share of profit (loss) of subsidiary, associates and joint ventures accounted for using equity method, financial statements translation differences of foreign operations, changes in equity unrealized gain on inter-company transactions between parent company and subsidiaries, actuarial gains (losses) on defined benefit plans, acquisition of investments accounted for using equity method, acquisition of associates accounted for using equity method and equity instruments at fair value through other comprehensive income transferred to investments accounted for using equity method for the year.

Note 2: It included financial statements translation differences of foreign operations, proceeds from capital reduction of investments accounted for using equity method, distributed cash dividends, and gain (loss) on valuation of financial assets at fair value through other comprehensive income.

CREATIVE SENSOR INC.
DETAILS OF SHORT-TERM BORROWINGS
DECEMBER 31, 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 5

Nature	Description	Ending Balance	Contract Period	Range of Interest		Collateral	Note
				Rate	Credit Line		
Unsecured borrowings	Bank SinoPac Co., Ltd.	\$ 50,000	2022.12.15~2023.01.05	1.75%	\$ 153,625	None	None
"	Yuanta Commercial Bank	200,000	2022.12.30~2023.01.03	1.75%	250,000	"	"
"	Shanghai Commercial Bank	200,000	2022.11.01~2023.03.31	1.705%	200,000	"	"
"	First Commercial Bank	150,000	2022.12.28~2023.03.28	1.68%	150,000	"	"
Secured borrowings	Bank SinoPac Co., Ltd.	150,000	2022.12.15~2023.01.05	1.75%	150,000	Stock	"
"	CTBC Bank Co., Ltd.	300,000	2022.08.10~2023.02.10	1.30%	300,000	"	"
"	Yuanta Commercial Bank	300,000	2022.12.30~2023.01.03	1.75%	350,000	"	"
		<u>\$ 1,350,000</u>			<u>\$ 1,553,625</u>		

CREATIVE SENSOR INC.
DETAILS OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 6

<u>Items</u>	<u>Quantity</u>	<u>Amount</u>	<u>Note</u>
Image sensor	29,214,236	\$ <u>4,256,952</u>	

CREATIVE SENSOR INC.
DETAILS OF OPERATING COST
FOR THE YEAR ENDED DECEMBER 31, 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 7

<u>Items</u>	<u>Amount</u>	<u>Note</u>
Direct materials		
Raw materials at the beginning	\$ 17,346	
Add: Raw materials purchased during the year	134,455	
Less: Raw materials at the end	<u>(3,561)</u>	
	148,240	
Work in progress		
Work in progress at the beginning	10	
Less: Work in progress at the end	<u>(10)</u>	
	-	
Overhead	<u>33,303</u>	
Cost of goods sold-goods manufactured	<u>181,543</u>	
Cost of goods sold-goods outsourcing		
Goods outsourcing at the beginning	2,817	
Add: Purchases during the year	3,596,859	Note
Less: Goods outsourcing at the end	<u>(15,996)</u>	
goods sold-goods manufactured retirement	<u>(1,478)</u>	
Others	<u>323</u>	
Cost of goods sold	3,764,068	
Assets retirement losses	1,478	
Inventory valuation gain	<u>(1,182)</u>	
Operating cost	<u>\$ 3,764,364</u>	

Note: The operating revenue and costs arising from purchasing materials on behalf of foreign third-tier subsidiaries have been eliminated based on related regulations.

CREATIVE SENSOR INC.
DETAILS OF MANUFACTURING EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2022
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 8

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Salaries and wages		\$ 10,178	
Bonus		9,454	
Employees' compensation		6,227	
Depreciation		2,703	
Labor and health insurance expense		1,105	
Other expenses		<u>3,636</u>	
		<u>\$ 33,303</u>	

CREATIVE SENSOR INC.
DETAILS OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 9

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Notes</u>
Wages and salaries		\$ 14,873	
Bonus		13,031	
Consultant fee		10,729	
Employees' compensation		9,098	
Depreciation expense		2,289	
Others		<u>10,112</u>	
		<u>\$ 60,132</u>	

CREATIVE SENSOR INC.
DETAILS OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 10

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Notes</u>
Bonus		\$ 29,293	
Wages and salaries		28,814	
Professional service fee		19,733	
Employees' compensation		17,553	
Directors' remuneration		15,029	
Consultant fee		7,286	
Depreciation expense		5,955	
Stock agent expense		5,377	
Others		<u>27,726</u>	
		<u>\$ 156,766</u>	

CREATIVE SENSOR INC.
DETAILS OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 11

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Notes</u>
Wages and salaries		\$ 17,728	
Bonus		16,252	
Employees' compensation		10,843	
Research and development expenses		6,573	
Depreciation expense		5,810	
Others		<u>17,613</u>	
		<u>\$ 74,819</u>	

CREATIVE SENSOR INC.

Yu-Jen Huang