

**CREATIVE SENSOR INC. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
SEPTEMBER 30, 2019 AND 2018**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Creative Sensor Inc. and subsidiaries (the “Group”) as at September 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2019 and 2018, and of its consolidated financial performance for the three months and nine months then ended and its consolidated cash flows for the nine months then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Chang, Shu-Chiung

Lin, Chun-Yao

For and on behalf of PricewaterhouseCoopers, Taiwan

November 11, 2019

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

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of September 30, 2019 and 2018 are reviewed, not audited)

Assets	Notes	September 30, 2019		December 31, 2018		September 30, 2018		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 1,545,791	33	\$ 773,409	17	\$ 1,116,426	23
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		198,253	4	276,972	6	319,841	7
1136	Financial assets at amortised cost -	6(3)						
	current, net		572,803	12	1,233,141	26	788,525	17
1170	Accounts receivable, net	6(4)	717,532	15	636,693	14	724,963	15
1180	Accounts receivable - related	6(4) and 7						
	parties, net		-	-	1,653	-	869	-
130X	Inventories, net	6(5)	397,252	9	497,264	11	467,037	10
1479	Other current assets		42,256	1	47,654	1	37,872	1
11XX	Total current assets		<u>3,473,887</u>	<u>74</u>	<u>3,466,786</u>	<u>75</u>	<u>3,455,533</u>	<u>73</u>
Non-current assets								
1517	Non-current financial assets at fair	6(6)						
	value through other comprehensive							
	income		370,526	8	284,042	6	338,003	7
1550	Investments accounted for using	6(7)						
	equity method		306,931	6	303,321	7	307,596	7
1600	Property, plant and equipment, net	6(8)	403,995	9	485,435	10	516,949	11
1755	Right-of-use assets	6(9)	90,431	2	-	-	-	-
1780	Intangible assets		6,816	-	6,909	-	7,639	-
1840	Deferred income tax assets		16,733	-	23,213	1	17,879	1
1900	Other non-current assets	6(10)	26,168	1	64,598	1	59,494	1
15XX	Total non-current assets		<u>1,221,600</u>	<u>26</u>	<u>1,167,518</u>	<u>25</u>	<u>1,247,560</u>	<u>27</u>
1XXX	Total assets		<u>\$ 4,695,487</u>	<u>100</u>	<u>\$ 4,634,304</u>	<u>100</u>	<u>\$ 4,703,093</u>	<u>100</u>

(Continued)

CREATIVE SENSOR INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of September 30, 2019 and 2018 are reviewed, not audited)

Liabilities and Equity	Notes	September 30, 2019		December 31, 2018		September 30, 2018		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2120	Financial liabilities at fair value	6(11)						
	through profit or loss - current		\$ 7,749	-	\$ -	-	\$ 8,648	-
2170	Accounts payable		714,215	15	789,060	17	881,840	19
2180	Accounts payable - related parties	7	114,958	3	115,601	3	115,501	3
2200	Other payables	6(12)	308,463	7	345,215	7	323,623	7
2230	Income tax payable		35,048	1	24,543	1	19,990	-
2280	Current lease liabilities		12,465	-	-	-	-	-
2300	Other current liabilities		11,645	-	10,173	-	13,938	-
21XX	Total current liabilities		<u>1,204,543</u>	<u>26</u>	<u>1,284,592</u>	<u>28</u>	<u>1,363,540</u>	<u>29</u>
Non-current liabilities								
2570	Deferred income tax liabilities		129,751	2	111,553	2	111,770	2
2580	Non-current lease liabilities		38,124	1	-	-	-	-
25XX	Total non-current liabilities		<u>167,875</u>	<u>3</u>	<u>111,553</u>	<u>2</u>	<u>111,770</u>	<u>2</u>
2XXX	Total liabilities		<u>1,372,418</u>	<u>29</u>	<u>1,396,145</u>	<u>30</u>	<u>1,475,310</u>	<u>31</u>
Equity attributable to owners of parent								
Share capital								
3110	Capital stock - common stock	6(14)	1,270,550	27	1,270,550	27	1,270,550	27
Capital surplus								
3200	Capital surplus	6(15)	677,467	14	677,467	15	677,467	14
Retained earnings								
3310	Legal reserve	6(16)	459,995	10	439,415	9	439,415	9
3320	Special reserve		39,847	1	39,847	1	39,847	1
3350	Unappropriated retained earnings		688,081	15	674,960	15	619,712	13
Other equity interest								
3400	Other equity interest	6(17)	187,129	4	135,920	3	180,792	5
31XX	Equity attributable to owners of the parent		<u>3,323,069</u>	<u>71</u>	<u>3,238,159</u>	<u>70</u>	<u>3,227,783</u>	<u>69</u>
3XXX	Total equity		<u>3,323,069</u>	<u>71</u>	<u>3,238,159</u>	<u>70</u>	<u>3,227,783</u>	<u>69</u>
3X2X	Total liabilities and equity		<u>\$ 4,695,487</u>	<u>100</u>	<u>\$ 4,634,304</u>	<u>100</u>	<u>\$ 4,703,093</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
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)
(REVIEWED, NOT AUDITED)

Items	Notes	Three months ended September 30				Nine months ended September 30				
		2019		2018		2019		2018		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Net revenue	6(18) and 7	\$ 1,097,033	100	\$ 1,278,867	100	\$ 3,322,644	100	\$ 3,409,336	100
5000	Cost of revenue	6(5)(21) and 7	(904,285)	(82)	(1,100,301)	(86)	(2,847,025)	(85)	(2,998,634)	(88)
5900	Gross profit		<u>192,748</u>	<u>18</u>	<u>178,566</u>	<u>14</u>	<u>475,619</u>	<u>15</u>	<u>410,702</u>	<u>12</u>
	Operating expenses	6(21)								
6100	Selling expenses		(20,598)	(2)	(24,596)	(2)	(59,278)	(2)	(68,228)	(2)
6200	General and administrative expenses		(61,969)	(6)	(49,865)	(4)	(131,312)	(4)	(118,542)	(3)
6300	Research and development expenses		(44,168)	(4)	(17,508)	(1)	(74,156)	(2)	(56,162)	(2)
6000	Total operating expenses		<u>(126,735)</u>	<u>(12)</u>	<u>(91,969)</u>	<u>(7)</u>	<u>(264,746)</u>	<u>(8)</u>	<u>(242,932)</u>	<u>(7)</u>
6900	Income from operations		<u>66,013</u>	<u>6</u>	<u>86,597</u>	<u>7</u>	<u>210,873</u>	<u>7</u>	<u>167,770</u>	<u>5</u>
	Non-operating income and expenses									
7010	Other income	6(19)	44,211	4	41,508	3	72,277	2	66,667	2
7020	Other gains and losses	6(20)	5,814	-	(131)	-	(1,847)	-	2,224	-
7050	Finance costs	6(9)	(315)	-	-	-	(465)	-	-	-
7060	Share of profit of associates and joint ventures accounted for using equity method, net		<u>7,388</u>	<u>1</u>	<u>8,878</u>	<u>1</u>	<u>7,437</u>	<u>-</u>	<u>13,807</u>	<u>1</u>
7000	Total non-operating income and expenses		<u>57,098</u>	<u>5</u>	<u>50,255</u>	<u>4</u>	<u>77,402</u>	<u>2</u>	<u>82,698</u>	<u>3</u>
7900	Profit before income tax		<u>123,111</u>	<u>11</u>	<u>136,852</u>	<u>11</u>	<u>288,275</u>	<u>9</u>	<u>250,468</u>	<u>8</u>
7950	Income tax expense	6(22)	(36,413)	(3)	(38,897)	(3)	(89,403)	(3)	(96,654)	(3)
8200	Net income		<u>\$ 86,698</u>	<u>8</u>	<u>\$ 97,955</u>	<u>8</u>	<u>\$ 198,872</u>	<u>6</u>	<u>\$ 153,814</u>	<u>5</u>
	Other comprehensive income									
	Components of other comprehensive income that will not be reclassified to profit or loss									
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(6)(17)	\$ 22,604	2	(\$ 18,775)	(1)	\$ 86,484	3	(\$ 67,030)	(2)
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method	6(17)	(3,310)	-	(10,962)	(1)	9,234	-	(12,914)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(22)	-	-	-	-	-	-	(172)	-
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss		<u>19,294</u>	<u>2</u>	<u>(29,737)</u>	<u>(2)</u>	<u>95,718</u>	<u>3</u>	<u>(80,116)</u>	<u>(2)</u>
	Components of other comprehensive income that will be reclassified to profit or loss									
8361	Exchange differences on translation	6(17)	(57,283)	(6)	(71,613)	(6)	(44,044)	(1)	(46,754)	(2)
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method	6(17)	(653)	-	(574)	-	(465)	-	(232)	-
8360	Other comprehensive income that will be reclassified to profit or loss		<u>(57,936)</u>	<u>(6)</u>	<u>(72,187)</u>	<u>(6)</u>	<u>(44,509)</u>	<u>(1)</u>	<u>(46,986)</u>	<u>(2)</u>
8500	Total comprehensive income (loss) for the period		<u>\$ 48,056</u>	<u>4</u>	<u>(\$ 3,969)</u>	<u>-</u>	<u>\$ 250,081</u>	<u>8</u>	<u>\$ 26,712</u>	<u>1</u>
	Basic earnings per share	6(23)								
9750	Total basic earnings per share		<u>\$ 0.69</u>		<u>\$ 0.77</u>		<u>\$ 1.57</u>		<u>\$ 1.21</u>	
	Diluted earnings per share	6(23)								
9850	Total diluted earnings per share		<u>\$ 0.68</u>		<u>\$ 0.77</u>		<u>\$ 1.55</u>		<u>\$ 1.20</u>	

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

CREATIVE SENSOR INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	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	Special 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	Unrealized gains (losses) on available-for-sale financial assets	
<u>Nine months ended September 30, 2018</u>											
Balance at January 1, 2018		\$ 1,270,550	\$ 673,471	\$ 3,996	\$ 418,413	\$ 39,847	\$ 693,805	\$ 164,115	\$ -	\$ 140,162	\$ 3,404,359
Effect of retrospective application and restatement		-	-	-	-	-	(3,438)	-	143,600	(140,162)	-
Balance at 1 January after adjustments		<u>1,270,550</u>	<u>673,471</u>	<u>3,996</u>	<u>418,413</u>	<u>39,847</u>	<u>690,367</u>	<u>164,115</u>	<u>143,600</u>	<u>-</u>	<u>3,404,359</u>
Net income for the period		-	-	-	-	-	153,814	-	-	-	153,814
Other comprehensive loss for the period	6(17)	-	-	-	-	-	(179)	(46,986)	(79,937)	-	(127,102)
Total comprehensive (loss) income		-	-	-	-	-	<u>153,635</u>	<u>(46,986)</u>	<u>(79,937)</u>	<u>-</u>	<u>26,712</u>
Appropriations of 2017 earnings:	6(16)										
Legal reserve		-	-	-	21,002	-	(21,002)	-	-	-	-
Cash dividends		-	-	-	-	-	(203,288)	-	-	-	(203,288)
Balance at September 30, 2018		<u>\$ 1,270,550</u>	<u>\$ 673,471</u>	<u>\$ 3,996</u>	<u>\$ 439,415</u>	<u>\$ 39,847</u>	<u>\$ 619,712</u>	<u>\$ 117,129</u>	<u>\$ 63,663</u>	<u>\$ -</u>	<u>\$ 3,227,783</u>
<u>Nine months ended September 30, 2019</u>											
Balance at January 1, 2019		\$ 1,270,550	\$ 673,471	\$ 3,996	\$ 439,415	\$ 39,847	\$ 674,960	\$ 133,776	\$ 2,144	\$ -	\$ 3,238,159
Net income for the period		-	-	-	-	-	198,872	-	-	-	198,872
Other comprehensive (loss) income for the period	6(17)	-	-	-	-	-	-	(44,509)	95,718	-	51,209
Total comprehensive (loss) income		-	-	-	-	-	<u>198,872</u>	<u>(44,509)</u>	<u>95,718</u>	<u>-</u>	<u>250,081</u>
Appropriation of 2018 earnings:	6(16)										
Legal reserve		-	-	-	20,580	-	(20,580)	-	-	-	-
Cash dividends		-	-	-	-	-	(165,171)	-	-	-	(165,171)
Balance at September 30, 2019		<u>\$ 1,270,550</u>	<u>\$ 673,471</u>	<u>\$ 3,996</u>	<u>\$ 459,995</u>	<u>\$ 39,847</u>	<u>\$ 688,081</u>	<u>\$ 89,267</u>	<u>\$ 97,862</u>	<u>\$ -</u>	<u>\$ 3,323,069</u>

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

CREATIVE SENSOR INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	Nine months ended September 30,	
		2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 288,275	\$ 250,468
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(9)(21)	92,871	125,318
Amortization	6(21)	4,277	4,147
Expected credit impairment loss	12(2)	24	218
Net loss on financial assets or liabilities at fair value through profit or loss	6(2)(11)(20)	32,844	47,096
Interest expense	6(9)	465	-
Share of profit of associates and joint ventures accounted for using equity method		(7,437)	(13,807)
Net gain on disposal of property, plant and equipment	6(20)	-	715)
Interest income	6(19)	(25,830)	(18,308)
Dividend income	6(19)	(15,811)	(15,351)
Reversal of impairment loss on non-financial assets	6(8)(20)	(4,919)	(2,669)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		53,624	34,039
Accounts receivable		(79,210)	(194,041)
Inventories		92,225	(147,904)
Other current assets		6,442	525
Changes in operating liabilities			
Accounts payable		(59,493)	237,541
Accounts payable - related parties		4,174	32,878
Other payables		(32,184)	(13,637)
Other current liabilities		1,472	3,946
Cash inflow generated from operations		351,809	329,744
Interest received		24,786	17,686
Dividends received		28,407	33,345
Interest paid		(465)	-
Income tax paid		(54,891)	(46,107)
Income tax refunded received		850	-
Net cash flows from operating activities		<u>350,496</u>	<u>334,668</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in financial assets at amortised cost		659,387	295,733
Acquisition of property, plant and equipment	6(25)	(9,666)	(45,770)
Proceeds from disposal of property, plant and equipment		-	738
Acquisition of intangible assets		(2,537)	(6,064)
Increase in refundable deposits		(103)	(432)
Increase in other non-current assets		(4,228)	2,945
Net cash flows from investing activities		<u>642,853</u>	<u>247,150</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of lease principal		(5,531)	-
Payment of cash dividends	6(16)	(165,171)	(203,288)
Net cash flows used in financing activities		<u>(170,702)</u>	<u>(203,288)</u>
Effect of exchange rate		(50,265)	(41,989)
Net increase in cash and cash equivalents		772,382	336,541
Cash and cash equivalents at beginning of period		773,409	779,885
Cash and cash equivalents at end of period		<u>\$ 1,545,791</u>	<u>\$ 1,116,426</u>

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

CREATIVE SENSOR INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

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

(REVIEWED, NOT AUDITED)

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 November 11, 2019.

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") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

IFRS 16, 'Leases'

A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognize a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred

herein as the ‘modified retrospective approach’) when applying International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations effective in 2019 as endorsed by the FSC. Accordingly, the Group increased ‘right-of-use asset’ by \$46,687, increased ‘lease liability’ by \$4,899 and decreased other non-current assets by \$41,788 with respect to the lease contracts of lessees on January 1, 2019.

- C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- (a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - (b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - (c) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of \$3,825 was recognized in the third quarter of 2019.
 - (d) The exclusion of initial direct costs for the measurement of ‘right-of-use asset’.
- D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 2.625%.
- E. The Group recognized lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognized as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$ 19,247
Less: Short-term leases	(14,245)
Total lease contracts amount recognized as lease liabilities by applying IFRS 16 on January 1, 2019	<u>\$ 5,002</u>
Incremental borrowing interest rate at the date of initial application	<u>2.625%</u>
Lease liabilities recognized as at January 1, 2019 by applying IFRS 16	<u>\$ 4,899</u>

(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 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020

Amendments to IFRS 3, 'Definition of a business' January 1, 2020

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
IFRS 17, 'Insurance contracts'	January 1, 2021

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

Except for the compliance statement, basis of preparation, basis of consolidation and additional policies that are set out below, the rest of the significant accounting policies applied in the preparation of these consolidated financial statements are the same as those disclosed in Note 4 to the consolidated financial statements as of and for the year ended December 31, 2018. The policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. These consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction together with the consolidated financial statements for the year ended December 31, 2018.

(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 liabilities 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 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:

The basis for preparation of these consolidated financial statements is the same as that for the preparation of the consolidated financial statements for the year ended December 31, 2018.

- B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		
			September 30, 2019	December 31, 2018	September 30, 2018
Creative Sensor Inc.	Creative Sensor Inc. (BVI)	Holding company	100	100	100
Creative Sensor Inc.	Creative Sensor (USA) Co.	Collection of marketing information and maintaining relationship with customers	100	100	100
Creative Sensor Inc. (BVI)	Creative Sensor Co. Ltd.	Holding company	100	100	100
Creative Sensor Co., Ltd.	Wuxi Creative Sensor Technology Co., Ltd.	Manufacturing of image sensor	100	100	100
Creative Sensor Co., Ltd.	Nanchang Creative Sensor Technology Co., Ltd.	Manufacturing of image sensor	100	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) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

Effective 2019

- 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 amortised 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.

(5) Operating leases (lessee)

Prior to 2019

Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(6) 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.
- F. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

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

There was no significant change during this period. Please refer to Note 5 to the consolidated financial statements for the year ended December 31, 2018 for related information.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Cash on hand and revolving funds	\$ 252	\$ 373	\$ 298
Checking accounts and demand deposits	478,362	616,013	641,047
Time deposits	<u>1,067,177</u>	<u>157,023</u>	<u>475,081</u>
Total	<u>\$ 1,545,791</u>	<u>\$ 773,409</u>	<u>\$ 1,116,426</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

<u>Items</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Beneficiary certificates	\$ 194,303	\$ 273,461	\$ 318,281
Derivative instrument	<u>2,938</u>	<u>1,802</u>	<u>-</u>
	197,241	275,263	318,281
Valuation adjustment	<u>1,012</u>	<u>1,709</u>	<u>1,560</u>
Total	<u>\$ 198,253</u>	<u>\$ 276,972</u>	<u>\$ 319,841</u>

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

	Three months ended September 30,	
	2019	2018
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 210	\$ 338
Derivative instrument	(19,530)	(39,842)
Total	<u>(\$ 19,320)</u>	<u>(\$ 39,504)</u>
	Nine months ended September 30,	
	2019	2018
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 874	\$ 1,152
Derivative instrument	(28,907)	(39,600)
Total	<u>(\$ 28,033)</u>	<u>(\$ 38,448)</u>

- 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:

Derivative instruments	September 30, 2019	
	Contract amount (Notional principal) (In thousands)	Maturity date of the contract
Cross currency swap	USD 3,000	2019.12.23
Cross currency swap	USD 2,000	2020.01.20
Cross currency swap	USD 4,000	2020.02.24
Cross currency swap	USD 5,500	2020.04.13

December 31, 2018

Derivative instruments	Contract amount (Notional principal) (In thousands)	Maturity date of the contract
Cross currency swap	USD 2,000	2019.01.22
Cross currency swap	USD 4,000	2019.02.22
Cross currency swap	USD 5,500	2019.04.12
Cross currency swap	USD 1,000	2019.04.22
Cross currency swap	USD 1,500	2019.06.20
Cross currency swap	USD 3,000	2019.06.21
Forward foreign exchange contracts	USD 3,000	2019.01.23
Forward foreign exchange contracts	USD 2,000	2019.01.29
Forward foreign exchange contracts	USD 1,000	2019.01.29
Forward foreign exchange contracts	USD 2,000	2019.04.26
Forward foreign exchange contracts	USD 2,000	2019.05.21

(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 amortised cost

Items	September 30, 2019	December 31, 2018	September 30, 2018
Current items:			
Time deposits with maturity over three months	\$ 572,803	\$ 1,233,141	\$ 788,525

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

	Three months ended September 30,	
	2019	2018
Interest income	\$ 1,813	\$ 4,199
Loss on disposal	-	-
	<u>\$ 1,813</u>	<u>\$ 4,199</u>
	Nine months ended September 30,	
	2019	2018
Interest income	\$ 15,052	\$ 10,834
Loss on disposal	-	(1,005)
	<u>\$ 15,052</u>	<u>\$ 9,829</u>

B. As at September 30, 2019, December 31, 2018 and September 30, 2018, 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 amortised cost held by the Group were \$572,803, \$1,233,141 and \$788,525, respectively.

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

D. Information on financial assets at amortised cost relating to credit risk is provided in Note 12(2).

(4) Accounts receivable

	September 30, 2019	December 31, 2018	September 30, 2018
Accounts receivable	\$ 717,748	\$ 636,885	\$ 725,181
Accounts receivable due from related parties	-	1,653	869
Less: Loss allowance	(216)	(192)	(218)
	<u>\$ 717,532</u>	<u>\$ 638,346</u>	<u>\$ 725,832</u>

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

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Without past due	\$ 705,958	\$ 637,034	\$ 715,424
Up to 30 days	11,790	1,504	10,626
31 to 90 days	-	-	-
	<u>\$ 717,748</u>	<u>\$ 638,538</u>	<u>\$ 726,050</u>

The above ageing analysis was based on past due date.

- B. As of September 30, 2019, December 31, 2018 and September 30, 2018, accounts receivable were all from contracts with customers. As of January 1, 2018, the balance of receivables from contracts with customers amounted to \$532,009.
- C. The Group does not hold any collateral as security.
- D. As at September 30, 2019, December 31, 2018 and September 30, 2018, 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 \$717,532, \$638,346 and \$725,832, respectively.
- E. Information on accounts receivable relating to credit risk is provided in Note 12(2).

(5) Inventories

	<u>September 30, 2019</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	\$ 180,706	(\$ 8,042)	\$ 172,664
Work in progress	18,414	(104)	18,310
Finished goods	217,312	(11,034)	206,278
Total	<u>\$ 416,432</u>	<u>(\$ 19,180)</u>	<u>\$ 397,252</u>
	<u>December 31, 2018</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	\$ 186,901	(\$ 7,332)	\$ 179,569
Work in progress	23,294	(90)	23,204
Finished goods	298,628	(4,137)	294,491
Total	<u>\$ 508,823</u>	<u>(\$ 11,559)</u>	<u>\$ 497,264</u>

	September 30, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 256,772	(\$ 4,892)	\$ 251,880
Work in progress	42,343	(503)	41,840
Finished goods	180,968	(7,651)	173,317
Total	<u>\$ 480,083</u>	<u>(\$ 13,046)</u>	<u>\$ 467,037</u>

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

	Three months ended September 30,	
	2019	2018
Cost of goods sold	\$ 902,812	\$ 1,103,833
Inventory valuation loss	1,539	-
Gain on reversal of decline in market value (Note)	-	(2,764)
Others	(66)	(768)
Total	<u>\$ 904,285</u>	<u>\$ 1,100,301</u>

	Nine months ended September 30,	
	2019	2018
Cost of goods sold	\$ 2,841,117	\$ 2,997,663
Inventory valuation loss	7,621	3,165
Others	(1,713)	(2,194)
Total	<u>\$ 2,847,025</u>	<u>\$ 2,998,634</u>

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	September 30, 2019	December 31, 2018	September 30, 2018
Non-current items:			
Equity instruments			
Listed stocks	\$ 286,186	\$ 286,186	\$ 286,186
Unlisted stocks	3,590	3,590	3,590
	<u>289,776</u>	<u>289,776</u>	<u>289,776</u>
Valuation adjustment	80,750	(5,734)	48,227
Total	<u>\$ 370,526</u>	<u>\$ 284,042</u>	<u>\$ 338,003</u>

A. The Group has elected to classify abovementioned 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 \$370,526, \$284,042 and \$338,003, respectively, as at September

30, 2019, December 31, 2018 and September 30 2018, respectively.

- B. Amounts recognized in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>Three months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ <u>22,604</u>	(\$ <u>18,775</u>)
Dividend income recognised in profit or loss Held at end of period	\$ <u>15,811</u>	\$ <u>15,351</u>
	<u>Nine months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ <u>86,484</u>	(\$ <u>67,030</u>)
Dividend income recognised in profit or loss Held at end of period	\$ <u>15,811</u>	\$ <u>15,351</u>

- C. The Group has no financial assets at fair value through other comprehensive income pledged to others.

(7) Investments accounted for using equity method

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
K9 Inc.	\$ -	\$ -	
Teco Image Systems Co., Ltd	<u>306,931</u>	<u>303,321</u>	<u>307,596</u>
	<u>\$ 306,931</u>	<u>\$ 303,321</u>	<u>\$ 307,596</u>

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

<u>Shareholding ratio</u>					
<u>Company name</u>	<u>Principal place of business</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>Nature of relationship</u>	<u>Method of measurement</u>
Teco Image Systems Co., Ltd	Taiwan	10.66%	10.66%	Buyer	Equity method

<u>Shareholding ratio</u>					
<u>Company name</u>	<u>Principal place of business</u>	<u>September 30, 2018</u>	<u>Nature of relationship</u>	<u>Method of measurement</u>	
Teco Image Systems Co., Ltd	Taiwan	10.66%	Buyer	Equity method	

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

Balance sheet

	<u>Teco Image Systems Co., Ltd.</u>		
	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Current assets	\$ 1,314,215	\$ 1,504,127	\$ 1,585,247
Non-current assets	1,186,936	1,010,122	1,002,633
Current liabilities	(671,739)	(742,630)	(774,054)
Non-current liabilities	(47,996)	(24,805)	(29,286)
Total net assets	<u>\$ 1,781,416</u>	<u>\$ 1,746,814</u>	<u>\$ 1,784,540</u>
Share in associate's net assets	\$ 189,895	\$ 186,285	\$ 190,560
Goodwill	<u>117,036</u>	<u>117,036</u>	<u>117,036</u>
Carrying amount of the associate	<u>\$ 306,931</u>	<u>\$ 303,321</u>	<u>\$ 307,596</u>

Statement of comprehensive income

	Three months ended September 30,	
	2019	2018
Revenue	\$ 487,950	\$ 596,260
Profit for the period from continuing operations	69,312	\$ 83,281
Other comprehensive loss, net of tax	(29,268)	(108,219)
Total comprehensive income (loss)	\$ 40,044	(\$ 24,938)
Dividends received from associates	\$ 12,596	\$ 17,994
	Nine months ended September 30,	
	2019	2018
Revenue	\$ 1,319,396	\$ 1,570,582
Profit for the period from continuing operations	\$ 70,445	\$ 126,476
Other comprehensive income (loss), net of tax	82,265	(125,694)
Total comprehensive income	\$ 152,710	\$ 782
Dividends received from associates	\$ 12,596	\$ 17,994

- C. The Group's material associate, Teco Image Systems Co., Ltd., has quoted market prices. As of September 30, 2019, December 31, 2018 and September 30, 2018, the fair value was \$164,345, \$167,944 and \$175,741, respectively.
- D. The Group owns less than 20% of the voting rights in Teco Image Systems Co., Ltd. but holds one-third seats (2 out of 7 board seats) in the Board of Directors of Teco Image. The Group is a substantial shareholder of Teco Image and accounts for its investment under the equity method.
- E. In January 2008, the Group invested US\$1,000,000 in K9 Inc. Due to the underperformance of K9 Inc. and changes in the Group's investment strategies, the Group adopted the conservatism principle and wrote-off the original investment amount of US\$1,000,000 (approximately NT\$32,314 thousand) in September 2008. As of September 30, 2019, December 31, 2018 and September 30, 2018, the Group's shareholding ratio in K9 Inc. was 33.82% and the balance of investment was \$0. For the three months and nine months ended September 30, 2019 and 2018, the investment income (loss) was both \$0.
- F. The Group has no investments accounted for using equity method pledged to others.

(8) Property, plant and equipment

	2019						
	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Other equipment</u>	<u>Construction in progress and equipment to be inspected</u>	<u>Total</u>
<u>At January 1</u>							
Cost	\$ 631,003	\$ 1,492,832	\$ 52,395	\$ 43,763	\$ 31,209	\$ 156	\$ 2,251,358
Accumulated depreciation and impairment	(447,756)	(1,205,191)	(46,259)	(37,454)	(29,263)	-	(1,765,923)
	<u>\$ 183,247</u>	<u>\$ 287,641</u>	<u>\$ 6,136</u>	<u>\$ 6,309</u>	<u>\$ 1,946</u>	<u>\$ 156</u>	<u>\$ 485,435</u>
Opening net book value as at January 1	\$ 183,247	\$ 287,641	\$ 6,136	\$ 6,309	\$ 1,946	\$ 156	\$ 485,435
Additions	-	3,949	400	-	34	3,713	8,096
Transfer	-	1,367	-	-	87	(1,454)	-
Gain on reversal of impairment	-	4,919	-	-	-	-	4,919
Depreciation	(17,982)	(61,224)	(2,352)	(4,004)	(740)	-	(86,302)
Net exchange differences	(3,458)	(3,377)	(75)	(34)	(21)	(1,188)	(8,153)
Closing net book value as at September 30	<u>\$ 161,807</u>	<u>\$ 233,275</u>	<u>\$ 4,109</u>	<u>\$ 2,271</u>	<u>\$ 1,306</u>	<u>\$ 1,227</u>	<u>\$ 403,995</u>
<u>At September 30</u>							
Cost	\$ 616,869	\$ 1,473,143	\$ 51,907	\$ 43,288	\$ 30,414	\$ 1,227	\$ 2,216,848
Accumulated depreciation and impairment	(455,062)	(1,239,868)	(47,798)	(41,017)	(29,108)	-	(1,812,853)
	<u>\$ 161,807</u>	<u>\$ 233,275</u>	<u>\$ 4,109</u>	<u>\$ 2,271</u>	<u>\$ 1,306</u>	<u>\$ 1,227</u>	<u>\$ 403,995</u>

2018

	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	\$ 640,818	\$ 1,549,118	\$ 49,281	\$ 41,868	\$ 30,547	\$ 396	\$ 2,312,028
Accumulated depreciation and impairment	(407,168)	(1,186,781)	(43,679)	(31,784)	(28,726)	-	(1,698,138)
	<u>\$ 233,650</u>	<u>\$ 362,337</u>	<u>\$ 5,602</u>	<u>\$ 10,084</u>	<u>\$ 1,821</u>	<u>\$ 396</u>	<u>\$ 613,890</u>
Opening net book value as at January 1	\$ 233,650	\$ 362,337	\$ 5,602	\$ 10,084	\$ 1,821	\$ 396	\$ 613,890
Additions	-	2,777	4,270	1,368	292	30,244	38,951
Disposals	-	(23)	-	-	-	-	(23)
Transfer	-	21,229	-	-	-	(21,229)	-
Reclassifications	-	-	-	-	-	(1,528)	(1,528)
Gain on reversal of impairment	-	2,669	-	-	-	-	2,669
Depreciation	(36,048)	(81,147)	(2,910)	(4,405)	(808)	-	(125,318)
Net exchange differences	(4,366)	(7,191)	(56)	(50)	(29)	-	(11,692)
Closing net book value as at September 30	<u>\$ 193,236</u>	<u>\$ 300,651</u>	<u>\$ 6,906</u>	<u>\$ 6,997</u>	<u>\$ 1,276</u>	<u>\$ 7,883</u>	<u>\$ 516,949</u>
<u>At September 30</u>							
Cost	\$ 625,446	\$ 1,469,276	\$ 52,492	\$ 42,756	\$ 30,095	\$ 7,883	\$ 2,227,948
Accumulated depreciation and impairment	(432,210)	(1,168,625)	(45,586)	(35,759)	(28,819)	-	(1,710,999)
	<u>\$ 193,236</u>	<u>\$ 300,651</u>	<u>\$ 6,906</u>	<u>\$ 6,997</u>	<u>\$ 1,276</u>	<u>\$ 7,883</u>	<u>\$ 516,949</u>

- A. The aforementioned property, plant and equipment were all for its own use.
- B. For the three months and nine months ended September 30, 2019 and 2018, no impairment loss was recognized after assessing and comparing the carrying amount and recoverable amount of property, plant and equipment. The gain on reversal of impairment was \$4,919, \$0, \$4,919 and \$2,669, respectively.
- C. The Group has not pledged property, plant and equipment as a collateral or capitalized the interest.

(9) Leasing arrangements - lessee

Effective 2019

- 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>At September 30, 2019</u>	<u>Nine months ended September 30, 2019</u>
	<u>Carrying amount</u>	<u>Depreciation charge</u>
Land use right	\$ 40,055	\$ 827
Buildings	48,975	4,426
Transportation equipment	1,401	1,316
	<u>\$ 90,431</u>	<u>\$ 6,569</u>

- D. For the three months and nine months ended September 30, 2019, the additions to right-of-use assets was \$51,219 for both periods.
- E. The information on income and expense relating to lease contracts is as follows:

	<u>Three months ended September 30, 2019</u>	<u>Nine months ended September 30, 2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 315	\$ 465
Expense on short-term lease contracts	1,616	10,631

- F. For the nine months ended September 30, 2019, the Group's total cash outflow for leases was \$16,627.

(10) Other non-current assets

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Long-term prepaid rents	\$ -	\$ 41,788	\$ 41,689
Prepayments for equipment	2,262	2,245	2,735
Refundable deposits	4,733	4,630	4,611
Others	19,173	15,935	10,459
	<u>\$ 26,168</u>	<u>\$ 64,598</u>	<u>\$ 59,494</u>

On September 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 Group recognized rental expenses of \$272 and \$834 for the three months and nine months ended September 30, 2018, respectively.

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

<u>Items</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Current items:			
Financial liabilities mandatorily measured at fair value through profit or loss			
Derivative instrument	<u>\$ 7,749</u>	<u>\$ -</u>	<u>\$ 8,648</u>

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

	<u>Three months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Financial liabilities mandatorily measured at fair value through profit or loss		
Derivative instrument	<u>\$ 4,009</u>	<u>\$ 23,003</u>
	<u>Nine months ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Financial liabilities mandatorily measured at fair value through profit or loss		
Derivative instrument	<u>(\$ 4,811)</u>	<u>(\$ 8,648)</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:

September 30, 2019		
Derivative instruments	Contract amount (Notional principal) (In thousands)	Maturity date of the contract
Cross currency swap	USD 2,000	2019.10.03
Cross currency swap	USD 1,000	2019.10.22
Cross currency swap	USD 2,000	2019.10.22
Cross currency swap	USD 1,000	2019.12.23
Forward foreign exchange contracts	USD 2,000	2019.12.27
Forward foreign exchange contracts	USD 2,000	2020.01.21
Forward foreign exchange contracts	USD 3,000	2020.01.21
Forward foreign exchange contracts	USD 2,000	2020.02.26
September 30, 2018		
Derivative instruments	Contract amount (Notional principal) (In thousands)	Maturity date of the contract
Cross currency swap	USD 4,000	2018.10.22
Cross currency swap	USD 1,000	2018.10.22
Cross currency swap	USD 1,000	2018.10.22
Cross currency swap	USD 3,000	2018.10.22
Cross currency swap	USD 5,500	2018.12.12
Cross currency swap	USD 1,500	2018.12.20
Cross currency swap	USD 2,000	2019.01.22
Forward foreign exchange contracts	USD 4,000	2018.12.21
Forward foreign exchange contracts	USD 3,000	2019.01.23
Forward foreign exchange contracts	USD 1,000	2019.01.29
Forward foreign exchange contracts	USD 2,000	2019.01.29
Forward foreign exchange contracts	USD 2,000	2019.04.29

(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

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Accrued employees' compensation and directors' and supervisors' remuneration	\$ 31,917	\$ 37,044	\$ 27,687
Royalties payable	52,191	52,191	52,191
Bonus payable	68,517	107,266	104,813
Wages and salaries payable	75,148	71,034	49,966
Service fees payable	4,645	6,798	5,370
Payables on equipment	5,057	6,627	13,888
Freight payable	5,282	6,811	4,847
Others	65,706	57,444	64,861
	<u>\$ 308,463</u>	<u>\$ 345,215</u>	<u>\$ 323,623</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 July 2018 and June 2019, the Department of Labor, Taipei City Government approved that the Company cease contributing to the retirement fund temporarily for 2019 and 2020.
- (b) For the aforementioned pension plan, no pension costs was recognized for the three months and nine months ended September 30, 2019 and 2018.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2019 amount to \$0.
- 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 three months and nine months ended September 30, 2019 and 2018 were \$3,626, \$4,237, \$12,321 and \$12,687, respectively.

(14) Capital stock

- A. As of September 30, 2019, the Company's authorized capital was \$1,600,000, consisting of 160 million shares of ordinary stock (including 15 million shares reserved for employee stock options), and the paid-in capital was \$1,270,550 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.
- B. For the nine months ended September 30, 2019 and 2018, there was no movement in the number of the Company's shares which was both 127,055 thousand shares.

(15) 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.

(16) 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. Details of 2018 and 2017 earnings appropriation resolved by the stockholders on June 25, 2019 and June 27, 2018, respectively, are as follows:

	Years ended December 31,			
	2018		2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 20,580	\$ -	\$ 21,002	\$ -
Cash dividends	165,171	1.3	203,288	1.6
Total	<u>\$ 185,751</u>		<u>\$ 224,290</u>	

As of September 30, 2019 and 2018, all cash dividends of earnings appropriation for the above years have been distributed.

- E. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6 (21).

(17) Other equity items

	2019		
	Unrealized gains (losses) on valuation	Currency translation	Total
At January 1	\$ 2,144	\$ 133,776	\$ 135,920
Valuation adjustment:			
— Group	86,484	-	86,484
— Associates	9,234	-	9,234
Currency translation differences:			
— Group	- (44,044) (44,044)
— Associates	- (465) (465)
At September 30	<u>\$ 97,862</u>	<u>\$ 89,267</u>	<u>\$ 187,129</u>

	2018		
	Unrealized gains (losses) on investment	Currency translation	Total
At January 1	\$ 140,162	\$ 164,115	\$ 304,277
Effect of retrospective application and retrospective restatement			
— Group	(3,590)	-	(3,590)
— Associates	7,028	-	7,028
Valuation adjustment:			
— Group	(67,030)	-	(67,030)
— Associates	(12,907)	-	(12,907)
Currency translation differences:			
— Group	-	(46,754)	(46,754)
— Associates	-	(232)	(232)
At September 30	<u>\$ 63,663</u>	<u>\$ 117,129</u>	<u>\$ 180,792</u>

(18) Operating revenue

	Three months ended September 30,	
	2019	2018
Revenue from contracts with customers	<u>\$ 1,097,033</u>	<u>\$ 1,278,867</u>
	Nine months ended September 30,	
	2019	2018
Revenue from contracts with customers	<u>\$ 3,322,644</u>	<u>\$ 3,409,336</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the following major geographical regions:

Three months ended September 30, 2019	China	Philippines	Thailand	Others	Total
Revenue from external customer contracts	<u>\$ 567,838</u>	<u>\$ 202,499</u>	<u>\$ 163,103</u>	<u>\$ 163,593</u>	<u>\$ 1,097,033</u>
Three months ended September 30, 2018	China	Philippines	Thailand	Others	Total
Revenue from external customer contracts	<u>\$ 619,158</u>	<u>\$ 209,504</u>	<u>\$ 216,771</u>	<u>\$ 233,434</u>	<u>\$ 1,278,867</u>

Nine months ended September 30, 2019	China	Philippines	Thailand	Others	Total
Revenue from external customer contracts	<u>\$ 1,525,356</u>	<u>\$ 700,676</u>	<u>\$ 540,157</u>	<u>\$ 556,455</u>	<u>\$ 3,322,644</u>
Nine months ended September 30, 2018	China	Philippines	Thailand	Others	Total
Revenue from external customer contracts	<u>\$ 1,739,134</u>	<u>\$ 563,651</u>	<u>\$ 540,848</u>	<u>\$ 565,703</u>	<u>\$ 3,409,336</u>

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

(19) Other income

	Three months ended September 30,	
	2019	2018
Interest income:		
Interest income from bank deposits	\$ 6,887	\$ 2,813
Interest income from financial assets measured at amortized cost	<u>1,813</u>	<u>4,199</u>
Total interest income	<u>8,700</u>	<u>7,012</u>
Rental revenue	635	1,017
Government grants	4,389	1,411
Dividend income	15,811	15,351
Directors' and supervisors' remuneration	13,404	13,381
Other income	<u>1,272</u>	<u>3,336</u>
	<u>\$ 44,211</u>	<u>\$ 41,508</u>
	Nine months ended September 30,	
	2019	2018
Interest income:		
Interest income from bank deposits	\$ 10,778	\$ 7,474
Interest income from financial assets measured at amortized cost	<u>15,052</u>	<u>10,834</u>
Total interest income	<u>25,830</u>	<u>18,308</u>
Rental revenue	2,052	3,080
Government grants	4,389	12,149
Dividend income	15,811	15,351
Directors' and supervisors' remuneration	13,404	13,381
Other income	<u>10,791</u>	<u>4,398</u>
	<u>\$ 72,277</u>	<u>\$ 66,667</u>

(20) Other gains and losses

	Three months ended September 30,	
	2019	2018
Gains on disposal of property, plant and equipment	\$ -	(\$ 11)
Foreign exchange losses	16,492	17,202
Losses on financial assets (liabilities) at fair value through profit or loss	(15,311)	(16,501)
Gains on reversal of impairment loss recognized in profit or loss - property, plant and equipment	4,919	-
Other gains and losses	(286)	(821)
	<u>\$ 5,814</u>	<u>(\$ 131)</u>

	Nine months ended September 30,	
	2019	2018
Gains on disposal of property, plant and equipment	\$ -	\$ 715
Foreign exchange losses	27,032	49,764
Losses on financial assets (liabilities) at fair value through profit or loss	(32,844)	(47,096)
Gains on reversal of impairment loss recognized in profit or loss - property, plant and equipment	4,919	2,669
Other gains and losses	(954)	(3,828)
	<u>(\$ 1,847)</u>	<u>\$ 2,224</u>

(21) Employee benefit expense, depreciation and amortization

For the three months and nine months ended September 30, 2019 and 2018, employee benefit expense, depreciation and amortization categorized by function were summarized as follows:

	Three months ended September 30, 2019		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Wages and salaries	\$ 83,001	\$ 85,059	\$ 168,060
Labor and health insurance fees	10,954	3,476	14,430
Pension costs	2,195	1,431	3,626
Other personnel expenses	6,339	1,696	8,035
Depreciation	24,142	6,465	30,607
Amortization	1,087	440	1,527

	Three months ended September 30, 2018		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Wages and salaries	\$ 92,034	\$ 52,143	\$ 144,177
Labor and health insurance fees	6,878	2,755	9,633
Pension costs	2,729	1,508	4,237
Other personnel expenses	2,656	1,984	4,640
Depreciation	37,239	4,387	41,626
Amortization	1,025	476	1,501

	Nine months ended September 30, 2019		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Wages and salaries	\$ 241,963	\$ 153,626	\$ 395,589
Labor and health insurance fees	29,496	8,126	37,622
Pension costs	7,951	4,370	12,321
Other personnel expenses	20,686	5,408	26,094
Depreciation	76,843	16,028	92,871
Amortization	3,070	1,207	4,277

	Nine months ended September 30, 2018		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Wages and salaries	\$ 253,693	\$ 124,190	\$ 377,883
Labor and health insurance fees	20,955	7,639	28,594
Pension costs	8,057	4,630	12,687
Other personnel expenses	6,846	5,590	12,436
Depreciation	111,674	13,644	125,318
Amortization	2,771	1,376	4,147

- 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 three months and nine months ended September 30, 2019 and 2018, employees' compensation were accrued at \$10,183, \$13,224, \$23,938 and \$20,765, respectively; directors' and supervisors' remuneration were accrued at \$3,394, \$4,408, \$7,979 and \$6,922, respectively. The aforementioned amounts were recognized in salary expenses, and estimated based on the current profit.

The employees' compensation and directors' and supervisors' remuneration for 2018 resolved by the Board of Directors were in agreement with the amounts recorded in the 2018 financial statements of \$27,783 and \$9,261, respectively. Employees' compensation would 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.

- C. In 2019, Wuxi Creative Sensor Technology Co., Ltd. downsized its scale of operation and moved its production operations to Nanchang Creative Sensor Technology Co., Ltd. Therefore, the Group recognised wage and salary expenditures relating to employee terminations arising from the streamlining process amounting to \$39,885 and \$49,232 for the three months and nine months ended September 30, 2019, which were recognised in operating costs and operating expenses, respectively.

(22) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three months ended September 30,	
	2019	2018
Current tax:		
Total current tax	\$ 24,313	\$ 18,213
Prior year income tax over estimation	(1,431)	(23)
Total current tax	<u>22,882</u>	<u>18,190</u>
Deferred tax:		
Origination and reversal of temporary differences	12,704	20,485
Effect of exchange rate	827	222
Total deferred tax	<u>13,531</u>	<u>20,707</u>
Income tax expense	<u>\$ 36,413</u>	<u>\$ 38,897</u>

	Nine months ended September 30,	
	2019	2018
Current tax:		
Total current tax	\$ 62,905	\$ 45,907
Tax imposed on undistributed surplus earnings	985	-
Prior year income tax over estimation	(144)	(71)
Total current tax	<u>63,746</u>	<u>45,836</u>
Deferred tax:		
Origination and reversal of temporary differences	24,678	27,292
Impact of change in tax rate	-	23,007
Effect of exchange rate	979	519
Total deferred tax	<u>25,657</u>	<u>50,818</u>
Income tax expense	<u>\$ 89,403</u>	<u>\$ 96,654</u>

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

	Three months ended September 30,	
	2019	2018
Impact of change in tax rate	<u>\$ -</u>	<u>\$ -</u>
	Nine months ended September 30,	
	2019	2018
Impact of change in tax rate	<u>\$ -</u>	<u>\$ 172</u>

- B. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.
- C. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate for the three months ended March 31, 2018.

Nine months ended September 30, 2019

	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 198,872	127,055	\$ 1.57
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 198,872	127,055	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,469	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 198,872	128,524	\$ 1.55

Nine months ended September 30, 2018			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 153,814	127,055	\$ 1.21
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 153,814	127,055	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,273	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 153,814	128,328	\$ 1.20

(24) Operating leases

Prior to 2019

The Group leases operational assets under non-cancellable operating lease agreements. The lease terms are between 1 and 5 years, and all these lease agreements are renewable at the end of the lease period. Rental is increased every 3 to 5 years to reflect market rental rates. The Group recognized rental expenses of \$4,835 and \$14,603 for these leases in profit or loss for the three months and nine months ended September 30, 2018. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018	September 30, 2018
Not later than one year	\$ 17,691	\$ 9,495
Later than one year but not later than five years	1,556	-
Total	\$ 19,247	\$ 9,495

(25) Supplemental cash flow information

Investing activities with partial cash payments:

	Nine months ended September 30,	
	2019	2018
Purchase of property, plant and equipment	\$ 8,096	\$ 38,951
Add: Opening balance of payable on equipment	6,627	20,707
Less: Ending balance of payable on equipment	(5,057)	(13,888)
Cash paid during the period	<u>\$ 9,666</u>	<u>\$ 45,770</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
Teco Image Systems Co., Ltd.	Associate
Teco Image Systems (DongGuan) Co., Ltd.	Associate

(2) Significant related party transactions and balances

A. Operating revenue

	Three months ended September 30,	
	2019	2018
Sales of goods:		
— Associates	(\$ 3)	\$ 1,352
	Nine months ended September 30,	
	2019	2018
Sales of goods:		
— Associates	<u>\$ 771</u>	<u>\$ 5,278</u>

Sales to aforementioned related parties are based on the price lists in force and terms that would be available to third parties. The term is 30 days after monthly billing upon shipment of goods.

B. Purchases

	Three months ended September 30,	
	2019	2018
Purchases of goods:		
– The Group’s key management		
– KROM ELECTRONICS	\$ 115,739	\$ 115,607
	<u>115,739</u>	<u>115,607</u>
	Nine months ended September 30,	
	2019	2018
Purchases of goods:		
– The Group’s key management		
– KROM ELECTRONICS	\$ 331,097	\$ 312,036
	<u>331,097</u>	<u>312,036</u>

Purchases from related parties are based on the price lists in force and terms that would be available to third parties.

C. Receivables from related parties

	September 30, 2019	December 31, 2018	September 30, 2018
Accounts receivable:			
– Associates	\$ -	\$ 1,653	\$ 869
	<u>-</u>	<u>1,653</u>	<u>869</u>

The sales and price terms to aforementioned related parties are approximately the same as the third parties which is 30 days after monthly billing upon shipment of goods.

D. Payables to related parties

	September 30, 2019	December 31, 2018	September 30, 2018
Accounts payable:			
– The Group’s key management			
– KROM ELECTRONICS	\$ 114,958	\$ 115,601	\$ 115,501
	<u>114,958</u>	<u>115,601</u>	<u>115,501</u>

The purchase and price terms to aforementioned related parties are approximately the same as the third parties which is 60 days after monthly billing upon purchase. The payables bear no interest.

(3) Key management compensation

For the three months and nine months ended September 30, 2019 and 2018, the key management compensation (including salaries and other short-term employee benefits) recognized for directors, supervisors, general manager and vice general manager was \$15,246, \$14,327, \$38,375 and \$33,568, respectively, including employees’ compensation and directors’ and supervisors’ remuneration accrued in profit or loss for the three months and nine months ended September 30, 2019 and 2018.

8. PLEDGED ASSETS

None.

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

None.

12. OTHERS

(1) Capital management

There is no significant change in this period. Please refer to Note 12 to the consolidated financial statements as of and for the year ended December 31, 2018 for the related information.

(2) Financial instruments

A. Financial instruments by category

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</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	\$ 198,253	\$ 276,972	\$ 319,841
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	370,526	284,042	338,003
Financial assets at amortized cost			
Cash and cash equivalents	1,545,791	773,409	1,116,426
Accounts receivable (including related parties)	717,532	638,346	725,832
Guarantee deposits paid	4,733	4,630	4,611
Financial assets at amortized cost	572,803	1,233,141	788,525
	<u>\$ 3,409,638</u>	<u>\$ 3,210,540</u>	<u>\$ 3,293,238</u>

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	\$ 7,749	\$ -	\$ 8,648
Financial liabilities at amortized cost			
Accounts payable (including related parties)	829,173	904,661	997,341
Other payables	308,463	345,215	323,623
	<u>\$ 1,145,385</u>	<u>\$ 1,249,876</u>	<u>\$ 1,329,612</u>
Lease liability (including current and noncurrent portion)	<u>\$ 50,589</u>	<u>\$ -</u>	<u>\$ -</u>

B. Financial risk management policies

There is no significant change in this period. Please refer to Note 12 to the consolidated financial statements as of and for the year ended December 31, 2018 for the related information.

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:

September 30, 2019						
	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	\$ 57,115	31.02	\$ 1,771,707	1%	\$ 17,717	\$ -
RMB : NTD	2,381	4.39	10,453	1%	105	-
USD : RMB	34,913	7.07	1,083,001	1%	10,830	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 35,016	31.02	\$ 1,086,196	1%	\$ 10,862	\$ -
USD : RMB	23,209	7.07	719,943	1%	7,199	-
December 31, 2018						
	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	\$ 55,185	30.79	\$ 1,699,146	1%	\$ 16,991	\$ -
RMB : NTD	2,371	4.49	10,646	1%	106	-
USD : RMB	36,882	6.86	1,135,597	1%	11,356	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 35,593	30.79	\$ 1,095,908	1%	\$ 10,959	\$ -
USD : RMB	25,114	6.86	773,260	1%	7,733	-

September 30, 2018

	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	\$ 60,202	30.59	\$ 1,841,579	1%	\$ 18,416	\$ -
RMB : NTD	2,368	4.45	10,538	1%	105	-
USD : RMB	39,106	6.88	1,196,253	1%	11,963	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 39,275	30.59	\$ 1,201,422	1%	\$ 12,014	\$ -
USD : RMB	25,819	6.88	789,803	1%	7,898	-

- v. For the three months and nine months ended September 30, 2019 and 2018, the total exchange gain (loss), including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group were \$16,492, \$17,202, \$27,032 and \$49,764, 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 nine months ended September 30, 2019 and 2018 would have increased/decreased by \$19,532 and \$31,984, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. For the nine months ended September 30, 2019, other components of equity would have increased/decreased by \$37,053 and \$33,800, 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

- i. The Group's interest rate risk arises from short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.
- ii. As of September 30, 2019 and 2018, the borrowing facilities have not been drawn by the Group.

(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 amortised cost.
- ii. The Group manages their 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 analysing 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 utilisation 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 September 30, 2019, December 31, 2018 and September 30, 2018, 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 September 30, 2019, December 31, 2018 and September 30, 2018, the total book value of accounts receivable and loss allowance were \$717,748, \$638,538, \$726,050 and \$216, \$192, \$218, respectively.

- ix. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2019	2018
	Accounts receivable (including related parties)	Accounts receivable (including related parties)
At January 1	\$ 192	\$ -
Provision for impairment	44	218
At September 30	<u>\$ 236</u>	<u>\$ 218</u>

For the nine months ended September 30, 2019 and 2018, the impairment gains (losses) arising from customers' contracts are (\$24) and (\$218), respectively.

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

		September 30, 2019		
		Lifetime		
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortized cost	<u>\$ 572,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 572,803</u>
		December 31, 2018		
		Lifetime		
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortized cost	<u>\$ 1,233,141</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,233,141</u>
		September 30, 2018		
		Lifetime		
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortized cost	<u>\$ 788,525</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 788,525</u>

The financial assets at amortised cost held by the Group are all time deposits with maturity over three months. 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>September 30, 2019</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Accounts payable (including related parties)	\$ 829,173	\$ -	\$ -
Other payables	308,463	-	-
Lease liability	13,522	12,290	27,749

Derivative financial liabilities

<u>September 30, 2019</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Cross currency swap	\$ 317	\$ -	\$ -
Forward foreign exchange contracts	7,432	-	-

Non-derivative financial liabilities

<u>December 31, 2018</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Accounts payable (including related parties)	\$ 904,661	\$ -	\$ -
Other payables	345,215	-	-

Non-derivative financial liabilities

<u>September 30, 2018</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Accounts payable (including related parties)	\$ 997,341	\$ -	\$ -
Other payables	323,623	-	-

Derivative financial liabilities

<u>September 30, 2018</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Cross currency swap	\$ 5,618	\$ -	\$ -
Forward foreign exchange contracts	3,030	-	-

- 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 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 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, accounts payable, other payables and lease liability are approximate to their fair values.

C. The related information of 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 of the nature of the assets and liabilities are as follows:

<u>September 30, 2019</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	\$ 195,315	\$ -	\$ -	\$ 195,315
Derivative instruments	-	2,938	-	2,938
Financial assets at fair value through other comprehensive income				
Equity securities	<u>370,526</u>	<u>-</u>	<u>-</u>	<u>370,526</u>
Total	<u>\$ 565,841</u>	<u>\$ 2,938</u>	<u>\$ -</u>	<u>\$ 568,779</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instruments	<u>\$ -</u>	<u>\$ 7,749</u>	<u>\$ -</u>	<u>\$ 7,749</u>
Total	<u>\$ -</u>	<u>\$ 7,749</u>	<u>\$ -</u>	<u>\$ 7,749</u>
<u>December 31, 2018</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	\$ 275,170	\$ -	\$ -	\$ 275,170
Derivative instruments	-	1,802	-	1,802
Financial assets at fair value through other comprehensive income				
Equity securities	<u>284,042</u>	<u>-</u>	<u>-</u>	<u>284,042</u>
Total	<u>\$ 559,212</u>	<u>\$ 1,802</u>	<u>\$ -</u>	<u>\$ 561,014</u>

<u>September 30, 2018</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	\$ 319,841	\$ -	\$ -	\$ 319,841
Financial assets at fair value through other comprehensive income				
Equity securities	338,003	-	-	338,003
Total	<u>\$ 657,844</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 657,844</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instruments	<u>\$ -</u>	<u>\$ 8,648</u>	<u>\$ -</u>	<u>\$ 8,648</u>
Total	<u>\$ -</u>	<u>\$ 8,648</u>	<u>\$ -</u>	<u>\$ 8,648</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>Open-end fund</u>
Market quoted price	Closing price	Net assets value

- 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 nine months ended September 30, 2019 and 2018, 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 nine months ended September 30, 2019 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): Please 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: Please refer to table 2.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 3.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2), 6(11) and 12(3).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

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

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) Segment information

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

	Nine months ended September 30, 2019		
	Single operating segment	Reconciliation and elimination	Total
Reportable segments income			
Revenue from external customers	\$ 3,322,644	\$ -	\$ 3,322,644
Total	\$ 3,322,644	\$ -	\$ 3,322,644
Reportable segments profit	\$ 288,275	\$ -	\$ 288,275
Reportable segments income			
Segments profit, including:			
Interest income	\$ 25,830	\$ -	\$ 25,830
Depreciation and amortization	\$ 97,148	\$ -	\$ 97,148
Share of profit of associates and joint ventures accounted for using equity method	\$ 7,437	\$ -	\$ 7,437
Income tax expense	\$ 89,403	\$ -	\$ 89,403

	Nine months ended September 30, 2018		
	Single operating segment	Reconciliation and elimination	Total
Reportable segments income			
Revenue from external customers	\$ 3,409,336	\$ -	\$ 3,409,336
Total	<u>\$ 3,409,336</u>	<u>\$ -</u>	<u>\$ 3,409,336</u>
Reportable segments profit	<u>\$ 250,468</u>	<u>\$ -</u>	<u>\$ 250,468</u>
Reportable segments income			
Segments profit, including:			
Interest income	\$ 18,308	\$ -	\$ 18,308
Depreciation and amortization	\$ 129,465	\$ -	\$ 129,465
Share of profit of associates and joint venturers accounted for using equity method	\$ 13,807	\$ -	\$ 13,807
Income tax expense	<u>\$ 96,654</u>	<u>\$ -</u>	<u>\$ 96,654</u>

(3) 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:

	Nine months ended September 30,	
	2019	2018
Reportable segments income	\$ 288,275	\$ 250,468
Income before tax from continuing operations	<u>\$ 288,275</u>	<u>\$ 250,468</u>

Creative Sensor Inc. and Subsidiaries

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

Nine months ended September 30, 2019

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

					As of September 30, 2019				
Securities held by	Marketable securities categories (Note 1)	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares (in thousands)	Book value (Note 2)	Ownership (%)	Fair value	Footnote
The Company	Beneficiary certificate	Taishin 1699 Financial Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,582	\$ 35,018	-	\$ 35,018	
"	"	Prudential Financial Money Market Fund	-	"	2,090	33,151	-	33,151	
"	"	FSITC Money Market Fund	-	"	115	20,502	-	20,502	
"	"	FSITC Taiwan Money Market Fund	-	"	2,006	30,767	-	30,767	
"	"	Allianz Global Investors Taiwan Money Market Fund	-	"	1,623	20,387	-	20,387	
"	"	Jih Sun Money Market Fund	-	"	2,046	30,397	-	30,397	
"	"	Union Money Market Fund	-	"	762	10,084	-	10,084	
"	"	CTBC Hua Win Money Market Fund	-	"	1,359	15,009		15,009	
						<u>\$ 195,315</u>		<u>\$ 195,315</u>	
					As of September 30, 2019				
Securities held by	Marketable securities categories (Note 1)	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares (in thousands)	Book value (Note 2)	Ownership (%)	Fair value	Footnote
The Company	Stock	TECO ELECTRIC & MACHINERY CO., LTD.	A company which accounts the Company using equity method	Financial assets at fair value through other comprehensive income- non-current	10,000	\$ 250,000	0.51%	\$ 250,000	
"	"	Koryo Electronics Co., Ltd.	-	"	2,871	72,350	5.54%	72,350	
"	"	MUTUALPAK	-	"	108	-	0.69%	-	
"	"	Taiwan Pelican Express Co., Ltd.	-	"	1,781	48,176	1.87%	48,176	
						<u>\$ 370,526</u>		<u>\$ 370,526</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 amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

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
Nine months ended September 30, 2019

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			Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
The Company	Wuxi Creative Sensor Technology Co., Ltd.	The Company's third-tier subsidiary	Purchases	\$ 366,614	12%	75~90 days after monthly billing	\$ -	Note	(\$ 95,169)	10%	-
"	Nanchang Creative Sensor Technology Co., Ltd.	"	"	2,605,203	88%	75~90 days after monthly billing	-	Note	(874,131)	90%	-
Nanchang Creative Sensor Technology Co., Ltd.	Krom Electronics Co., Ltd	The compnany is a director of the Company's ultimate holding company	"	312,008	23%	60 days after monthly billing	-	Note	(114,958)	15%	-

Note: 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
 Nine months ended September 30, 2019

Table 3

Expressed in thousands of NTD
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2019	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	\$ 874,131	3.91	\$ -	-	\$ 214,979	\$ -

Creative Sensor Inc. and Subsidiaries
Significant inter-company transactions during the reporting period
Nine months ended September 30, 2019

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)
				General ledger account	Amount	Transaction terms	
0	The Company	Wuxi Creative Sensor Technology Co., Ltd.	1	Accounts payable	\$ 95,169	75~90 days after monthly billing	2.03%
"	"	"	"	Purchases	366,614	"	7.81%
"	"	Nanchang Creative Sensor Technology Co., Ltd.	"	Accounts payable	874,131	"	18.62%
"	"	"	"	Purchases	2,605,203	"	55.48%
1	Nanchang Creative Sensor Technology Co., Ltd.	The Company	2	Accounts payable	11,489	60 days after monthly billing	0.24%
"	"	"	"	Purchases	33,240	"	0.71%
"	"	Wuxi Creative Sensor Technology Co., Ltd.	3	Accounts payable	48,775	"	1.04%
"	"	"	"	Purchases	57,099	"	1.22%
2	Wuxi Creative Sensor Technology Co., Ltd.	The Company	2	Property transation	16,958	"	0.36%

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: Individual transactions not reaching \$10,000 and their corresponding transactions will not be disclosed.

Creative Sensor Inc. and Subsidiaries
Information on investees
Nine months ended September 30, 2019

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2019			Net profit (loss) of the investee for the nine months ended September 30, 2019	Investment income (loss) recognised by the Company for the nine months ended September 30, 2019 (Note)	Footnote
				Balance as at September 30, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
The Company	Creative Sensor Inc.	British Virgin Islands	Holding company	\$ 974,576	\$ 974,576	29,414,994	100	\$ 2,688,288	\$ 86,321	\$ 70,658	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	3,146	19	19	Subsidiary
The Company	K9 Inc.	South Korea	Packaging for image sensor module	32,314	32,314	845,000	33.82	-	-	-	Investee accounted for using equity method
The Company	Teco Image Systems Co., Ltd.	Taiwan	Design, manufacturing and trading of multi-function printer, fax machine and scanner	271,728	271,728	11,996,000	10.66	306,931	70,445	7,437	Investee accounted for using equity method
Creative Sensor Inc.	Creative Sensor Co., Ltd.	Hong Kong	Holding company	977,388	977,388	29,501,368	100	1,844,817	64,911	-	Subsidiary

Note: The Company has not directly recognised the income (loss) on investment in Creative Sensor Co., Ltd.

Creative Sensor Inc. and Subsidiaries
Information on investments in Mainland China
Nine months ended September 30, 2019

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 nine months ended September 30, 2019			Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2019 (Note 3)	Net income of investee for the nine months ended September 30, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine months ended September 30, 2019 (Note 4)	Book value of investments in Mainland China as of September 30, 2019	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2019	Footnote
				Remitted to Mainland China	Remitted back to Taiwan	as of January 1, 2019 (Note 3)							
Wuxi Creative Sensor Technology Co., Ltd.	Image Sensor	\$ 543,488	Note 1	\$ 462,663	\$ -	\$ -	\$ 462,663	(\$ 15,590)	100	(\$ 15,590)	\$ 687,331	\$ 149,550	None
Nanchang Creative Sensor Technology Co., Ltd.	Image Sensor	952,662	Note 1	449,790	-	-	449,790	106,630	100	106,630	1,179,662	-	"

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\$123,920 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 and September 30, 2019 in the original currency was both US\$14,915 thousand. Nanchang Creative Sensor Technology Co., Ltd.'s accumulated amount of remittance from Taiwan to Mainland China as of January 1 and September 30, 2019 in the original currency was both US\$14,500 thousand.

Note 4: Investment income (loss) recognised for the nine months ended September 30, 2019 was evaluated and disclosed based on the financial statements reviewed by R.O.C. parent company's CPA.

B. Ceiling on reinvestments in Mainland Area

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2019	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	\$ 912,453	\$ 915,245	\$ 1,993,841

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2019 in original currency amounted to US\$29,415 thousand.

Note 2: Investment amount in the original currency approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) amounted to US\$29,505 thousand.

Furthermore, Wuxi Creative Sensor Technology Co., Ltd. distributed dividends to Creative Sensor Co., Ltd., then invested US\$15,300 thousand in Nanchang Creative Sensor Technology Co., Ltd.