

**CREATIVE SENSOR INC. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2020 AND 2019**

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.

INDEPENDENT AUDITORS' REVIEW REPORT 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, 2020 and 2019, 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 the 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, 2020 and 2019, and of its consolidated financial performance for the nine months and nine months then ended and its consolidated cash flows for the nine months then ended in accordance with the 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, 2020

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 balance sheets as of September 30, 2020 and 2019 are reviewed, not audited)

Assets	Notes	September 30, 2020		December 31, 2019		September 30, 2019		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 1,881,268	36	\$ 1,216,519	28	\$ 1,545,791	33
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		123,293	3	186,271	4	198,253	4
1136	Financial assets at amortized cost -	6(3)						
	current, net		371,103	7	934,749	22	572,803	12
1170	Accounts receivable, net	6(4)	582,318	11	533,634	12	717,532	15
1180	Accounts receivable - related	6(4) and 7						
	parties, net		-	-	100	-	-	-
130X	Inventories, net	6(5)	310,767	6	311,531	7	397,252	9
1479	Other current assets	7	56,073	1	37,625	1	42,256	1
11XX	Total current assets		<u>3,324,822</u>	<u>64</u>	<u>3,220,429</u>	<u>74</u>	<u>3,473,887</u>	<u>74</u>
Non-current assets								
1517	Non-current financial assets at fair	6(6) and 8						
	value through other comprehensive							
	income		1,217,660	23	389,477	9	370,526	8
1550	Investments accounted for using	6(7)						
	the equity method		239,113	5	256,665	6	306,931	6
1600	Property, plant and equipment, net	6(8)	303,945	6	371,289	8	403,995	9
1755	Right-of-use assets	6(9)	77,758	1	86,841	2	90,431	2
1780	Intangible assets		5,490	-	6,170	-	6,816	-
1840	Deferred income tax assets	6(23)	13,266	-	16,802	-	16,733	-
1990	Other non-current assets		35,842	1	25,509	1	26,168	1
15XX	Total non-current assets		<u>1,893,074</u>	<u>36</u>	<u>1,152,753</u>	<u>26</u>	<u>1,221,600</u>	<u>26</u>
1XXX	Total assets		<u>\$ 5,217,896</u>	<u>100</u>	<u>\$ 4,373,182</u>	<u>100</u>	<u>\$ 4,695,487</u>	<u>100</u>

(Continued)

CREATIVE SENSOR INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The balance sheets as of September 30, 2020 and 2019 are reviewed, not audited)

Liabilities and Equity		Notes	September 30, 2020		December 31, 2019		September 30, 2019	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Short-term borrowings	6(10)	\$ 795,000	15	\$ -	-	\$ -	-
2120	Financial liabilities at fair value	6(11)						
	through profit or loss - current		134	-	1,563	-	7,749	-
2170	Accounts payable		583,606	11	516,100	12	714,215	15
2180	Accounts payable - related parties	7	75,150	2	85,048	2	114,958	3
2200	Other payables	6(12)	218,494	4	256,323	6	308,463	7
2220	Other payables - related parties	6(12) and 7	1,284	-	-	-	-	-
2230	Income tax payable		70,972	2	38,582	1	35,048	1
2280	Current lease liabilities		12,783	-	12,309	-	12,465	-
2300	Other current liabilities		7,175	-	10,533	-	11,645	-
21XX	Total current liabilities		<u>1,764,598</u>	<u>34</u>	<u>920,458</u>	<u>21</u>	<u>1,204,543</u>	<u>26</u>
Non-current liabilities								
2570	Deferred income tax liabilities	6(23)	59,290	1	119,303	3	129,751	2
2580	Non-current lease liabilities		27,629	-	35,838	1	38,124	1
25XX	Total non-current liabilities		<u>86,919</u>	<u>1</u>	<u>155,141</u>	<u>4</u>	<u>167,875</u>	<u>3</u>
2XXX	Total liabilities		<u>1,851,517</u>	<u>35</u>	<u>1,075,599</u>	<u>25</u>	<u>1,372,418</u>	<u>29</u>
Equity attributable to owners of parent								
Share capital 6(14)								
3110	Common stock		1,270,550	25	1,270,550	29	1,270,550	27
Capital surplus 6(15)								
3200	Capital surplus		677,467	13	677,467	15	677,467	14
Retained earnings 6(16)								
3310	Legal reserve		478,365	9	459,995	11	459,995	10
3320	Special reserve		-	-	39,847	1	39,847	1
3350	Unappropriated retained earnings		691,470	13	672,914	15	688,081	15
Other equity interest 6(17)								
3400	Other equity interest		248,527	5	176,810	4	187,129	4
31XX	Equity attributable to owners of the parent		<u>3,366,379</u>	<u>65</u>	<u>3,297,583</u>	<u>75</u>	<u>3,323,069</u>	<u>71</u>
3XXX	Total equity		<u>3,366,379</u>	<u>65</u>	<u>3,297,583</u>	<u>75</u>	<u>3,323,069</u>	<u>71</u>
Significant subsequent events 11								
3X2X	Total liabilities and equity		<u>\$ 5,217,896</u>	<u>100</u>	<u>\$ 4,373,182</u>	<u>100</u>	<u>\$ 4,695,487</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				
		2020		2019		2020		2019		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Net revenue	6(18) and 7	\$ 949,580	100	\$ 1,097,033	100	\$ 2,492,550	100	\$ 3,322,644	100
5000	Cost of revenue	6(5)(22) and 7	(804,518)	(85)	(904,285)	(82)	(2,147,795)	(86)	(2,847,025)	(85)
5900	Gross profit		<u>145,062</u>	<u>15</u>	<u>192,748</u>	<u>18</u>	<u>344,755</u>	<u>14</u>	<u>475,619</u>	<u>15</u>
	Operating expenses	6(22) and 7								
6100	Selling expenses		(20,813)	(2)	(20,598)	(2)	(52,990)	(2)	(59,278)	(2)
6200	General and administrative expenses		(44,268)	(5)	(61,969)	(6)	(118,531)	(5)	(131,312)	(4)
6300	Research and development expenses		(21,334)	(2)	(44,168)	(4)	(53,917)	(2)	(74,156)	(2)
6000	Total operating expenses		(86,415)	(9)	(126,735)	(12)	(225,438)	(9)	(264,746)	(8)
6900	Income from operations		<u>58,647</u>	<u>6</u>	<u>66,013</u>	<u>6</u>	<u>119,317</u>	<u>5</u>	<u>210,873</u>	<u>7</u>
	Non-operating income and expenses									
7100	Interest income	6(19)	4,165	-	8,700	1	18,032	1	25,830	1
7010	Other income	6(20) and 7	42,534	5	35,511	3	57,378	2	46,447	1
7020	Other gains and losses	6(21)	331	-	5,814	-	(1,617)	-	(1,847)	-
7050	Finance costs	6(9)(10)	(975)	-	(315)	-	(2,269)	-	(465)	-
7060	Share of profit of associates and joint ventures accounted for using equity method, net	6(7)								
			<u>5,969</u>	<u>1</u>	<u>7,388</u>	<u>1</u>	<u>96</u>	<u>-</u>	<u>7,437</u>	<u>-</u>
7000	Total non-operating income and expenses		<u>52,024</u>	<u>6</u>	<u>57,098</u>	<u>5</u>	<u>71,620</u>	<u>3</u>	<u>77,402</u>	<u>2</u>
7900	Profit before income tax		<u>110,671</u>	<u>12</u>	<u>123,111</u>	<u>11</u>	<u>190,937</u>	<u>8</u>	<u>288,275</u>	<u>9</u>
7950	Income tax expense	6(23)	(18,955)	(2)	(36,413)	(3)	(41,392)	(2)	(89,403)	(3)
8200	Net income		<u>\$ 91,716</u>	<u>10</u>	<u>\$ 86,698</u>	<u>8</u>	<u>\$ 149,545</u>	<u>6</u>	<u>\$ 198,872</u>	<u>6</u>
	Other comprehensive income									
	Components of other comprehensive income that will not be reclassified to profit or loss									
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	6(6)(17)	\$ 80,288	8	\$ 22,604	2	\$ 97,354	4	\$ 86,484	3
8320	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method	6(17)	(2,003)	-	(3,310)	-	(12,227)	(1)	9,234	-
8310	Other comprehensive income that will not be reclassified to profit or loss		<u>78,285</u>	<u>8</u>	<u>19,294</u>	<u>2</u>	<u>85,127</u>	<u>3</u>	<u>95,718</u>	<u>3</u>
	Components of other comprehensive income that will be reclassified to profit or loss									
8361	Exchange differences on translation	6(17)	37,368	4	(57,283)	(6)	(13,267)	-	(44,044)	(1)
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method	6(17)	<u>255</u>	<u>-</u>	<u>(653)</u>	<u>-</u>	<u>(143)</u>	<u>-</u>	<u>(465)</u>	<u>-</u>
8360	Other comprehensive income (loss) that will be reclassified to profit or loss		<u>37,623</u>	<u>4</u>	<u>(57,936)</u>	<u>(6)</u>	<u>(13,410)</u>	<u>-</u>	<u>(44,509)</u>	<u>(1)</u>
8500	Total comprehensive income for the period		<u>\$ 207,624</u>	<u>22</u>	<u>\$ 48,056</u>	<u>4</u>	<u>\$ 221,262</u>	<u>9</u>	<u>\$ 250,081</u>	<u>8</u>
	Basic earnings per share (in dollars)	6(24)								
9750	Total basic earnings per share		<u>\$ 0.72</u>		<u>\$ 0.69</u>		<u>\$ 1.18</u>		<u>\$ 1.57</u>	
	Diluted earnings per share (in dollars)	6(24)								
9850	Total diluted earnings per share		<u>\$ 0.72</u>		<u>\$ 0.68</u>		<u>\$ 1.16</u>		<u>\$ 1.55</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 from financial assets measured at fair value through other comprehensive income	
<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 income (loss) for the period	6(17)	-	-	-	-	-	-	(44,509)	95,718	51,209
Total comprehensive income (loss)		-	-	-	-	-	198,872	(44,509)	95,718	250,081
Appropriations 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>\$ 3,323,069</u>
<u>Nine months ended September 30, 2020</u>										
Balance at January 1, 2020		\$ 1,270,550	\$ 673,471	\$ 3,996	\$ 459,995	\$ 39,847	\$ 672,914	\$ 54,873	\$ 121,937	\$ 3,297,583
Net income for the period		-	-	-	-	-	149,545	-	-	149,545
Other comprehensive income (loss) for the period	6(17)	-	-	-	-	-	-	(13,410)	85,127	71,717
Total comprehensive income (loss)		-	-	-	-	-	149,545	(13,410)	85,127	221,262
Appropriations of 2019 earnings:	6(16)									
Legal reserve		-	-	-	18,370	-	(18,370)	-	-	-
Reserval of special reserve		-	-	-	-	(39,847)	39,847	-	-	-
Cash dividends		-	-	-	-	-	(152,466)	-	-	(152,466)
Balance at September 30, 2020		<u>\$ 1,270,550</u>	<u>\$ 673,471</u>	<u>\$ 3,996</u>	<u>\$ 478,365</u>	<u>\$ -</u>	<u>\$ 691,470</u>	<u>\$ 41,463</u>	<u>\$ 207,064</u>	<u>\$ 3,366,379</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	
		2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 190,937	\$ 288,275
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(9)(22)	81,671	92,871
Amortization	6(22)	6,837	4,277
Expected credit impairment loss	12(2)	12	24
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	6(2)(11)(21)	(32,728)	32,844
Interest expense	6(9)(10)	2,269	465
Share of profit of associates and joint ventures accounted for using equity method	6(7)		(7,437)
Net gain on disposal of property, plant and equipment	6(21)	(714)	-
Interest income	6(19)	(18,032)	(25,830)
Dividend income	6(6)(20)	(23,321)	(15,811)
Reversal of impairment loss on non-financial assets	6(8)(21)	(788)	(4,919)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		94,277	53,624
Accounts receivable		(48,596)	(79,210)
Inventories		(1,086)	92,225
Other current assets		(17,634)	6,442
Changes in operating liabilities			
Accounts payable		70,336	(59,493)
Accounts payable - related parties		(8,968)	4,174
Other payables		(35,072)	(32,184)
Other current liabilities		(3,358)	1,472
Cash inflow generated from operations		255,946	351,809
Interest received		15,574	24,786
Dividends received		28,599	28,407
Interest paid		(2,269)	(465)
Income tax paid		(63,178)	(54,891)
Income tax refund received		7,085	850
Net cash flows from operating activities		<u>241,757</u>	<u>350,496</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at amortized cost		(63,231)	-
Proceeds from disposal of financial assets at amortized cost		623,850	659,387
Acquisition of non-current financial assets at fair value through other comprehensive income		(730,829)	-
Acquisition of property, plant and equipment	6(25)	(4,573)	(9,666)
Proceeds from disposal of property, plant and equipment		1,502	-
Acquisition of intangible assets		(1,297)	(2,537)
Decrease (increase) in refundable deposits		2,574	(103)
Increase in other non-current assets		(18,385)	(4,228)
Net cash flows (used in) from investing activities		<u>(190,389)</u>	<u>642,853</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(26)	795,000	-
Repayments of lease principal	6(9)(26)	(10,994)	(5,531)
Payment of cash dividends	6(16)	(152,466)	(165,171)
Net cash flows from (used in) financing activities		<u>631,540</u>	<u>170,702</u>
Effect of exchange rate		(18,159)	(50,265)
Net increase in cash and cash equivalents		664,749	772,382
Cash and cash equivalents at beginning of period		1,216,519	773,409
Cash and cash equivalents at end of period		<u>\$ 1,881,268</u>	<u>\$ 1,545,791</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, 2020 AND 2019

(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, 2020.

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 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020
Amendment to IFRS 16, 'Covid-19-related rent concessions'	June 1, 2020 (Note)

Note: Earlier application from January 1, 2020 is allowed by the FSC.

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, 'Extension of the temporary exemption from applying	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.

(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>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
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, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts-cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018-2020	January 1, 2022
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform-Phase 2'	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 and basis of consolidation 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, 2019. 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, 2019.

(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, 2019.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		
			September 30, 2020	December 31, 2019	September 30, 2019
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.	Research and development 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) Borrowings

Borrowings comprise short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

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, 2019 for related information.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Cash on hand and revolving funds	\$ 166	\$ 222	\$ 252
Checking accounts and demand deposits	1,774,202	564,017	478,362
Time deposits	<u>106,900</u>	<u>652,280</u>	<u>1,067,177</u>
Total	<u>\$ 1,881,268</u>	<u>\$ 1,216,519</u>	<u>\$ 1,545,791</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, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Beneficiary certificates	\$ 100,000	\$ 169,490	\$ 194,303
Derivative instrument	<u>11,893</u>	<u>15,787</u>	<u>2,938</u>
	111,893	185,277	197,241
Valuation adjustment	<u>11,400</u>	<u>994</u>	<u>1,012</u>
Total	<u>\$ 123,293</u>	<u>\$ 186,271</u>	<u>\$ 198,253</u>

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

	<u>Three months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 4,400	\$ 210
Derivative instrument	<u>16,049</u>	<u>(19,530)</u>
Total	<u>\$ 20,449</u>	<u>(\$ 19,320)</u>
	<u>Nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 11,632	\$ 874
Derivative instrument	<u>26,054</u>	<u>(28,907)</u>
Total	<u>\$ 37,686</u>	<u>(\$ 28,033)</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:

September 30, 2020		
Derivative instruments	Contract amount (Notional principal) (In thousands)	Maturity date of the contract
Cross currency swap	USD 1,000	2020.10.16
Cross currency swap	USD 1,000	2020.10.21
Cross currency swap	USD 2,000	2020.10.21
Cross currency swap	USD 1,000	2020.10.26
Cross currency swap	USD 2,000	2020.10.26
Cross currency swap	USD 2,000	2020.10.26
Cross currency swap	USD 2,000	2020.10.27
Forward foreign exchange contracts	USD 2,000	2020.10.23
Forward foreign exchange contracts	USD 1,000	2020.10.23
Forward foreign exchange contracts	USD 2,000	2020.11.23
Forward foreign exchange contracts	USD 3,000	2021.01.21
Forward foreign exchange contracts	USD 2,000	2021.01.22

December 31, 2019		
Derivative instruments	Contract amount (Notional principal) (In thousands)	Maturity date of the contract
Cross currency swap	USD 2,000	2020.01.20
Cross currency swap	USD 2,000	2020.01.20
Cross currency swap	USD 2,000	2020.01.21
Cross currency swap	USD 1,000	2020.01.21
Cross currency swap	USD 1,000	2020.02.19
Cross currency swap	USD 4,000	2020.02.24
Cross currency swap	USD 3,000	2020.02.24
Cross currency swap	USD 5,500	2020.04.13
Forward foreign exchange contracts	USD 2,000	2020.02.26
Forward foreign exchange contracts	USD 2,000	2020.04.29

September 30, 2019		
Derivative instruments	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

(a) Cross currency swap

The Group entered into cross currency swap contracts which were exchange swap transactions between foreign currencies to hedge the volatility risk of the exchange rate. However, these cross currency swap contracts are not accounted for under hedge accounting.

(b) Forward foreign exchange contracts

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

(3) Financial assets at amortized cost

Items	September 30, 2020	December 31, 2019	September 30, 2019
Current items:			
Time deposits with maturity over three months	\$ 307,872	\$ 934,749	\$ 572,803
Special-purpose demand deposits	63,231	-	-
Total	<u>\$ 371,103</u>	<u>\$ 934,749</u>	<u>\$ 572,803</u>

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

	Three months ended September 30,	
	2020	2019
Interest income	<u>\$ 2,681</u>	<u>\$ 1,813</u>
	Nine months ended September 30,	
	2020	2019
Interest income	<u>\$ 11,255</u>	<u>\$ 15,052</u>

B. As at September 30, 2020, December 31, 2019 and September 30, 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Group were \$371,103, \$934,749 and \$572,803, respectively.

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

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

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

(4) Accounts receivable

	September 30, 2020	December 31, 2019	September 30, 2019
Accounts receivable	\$ 582,493	\$ 533,797	\$ 717,748
Accounts receivable due from related parties	-	100	-
Less: Loss allowance	(175)	(163)	(216)
	<u>\$ 582,318</u>	<u>\$ 533,734</u>	<u>\$ 717,532</u>

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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Without past due	\$ 582,493	\$ 508,858	\$ 705,958
Up to 30 days	-	22,180	11,790
31 to 90 days	-	2,859	-
	<u>\$ 582,493</u>	<u>\$ 533,897</u>	<u>\$ 717,748</u>

The above ageing analysis was based on past due date.

- B. As at September 30, 2020, December 31, 2019 and September 30, 2019, accounts receivable were all from contracts with customers. As of January 1, 2019, the balance of receivables from contracts with customers amounted to \$638,346.
- C. The Group does not hold any collateral as security.
- D. As at September 30, 2020, December 31, 2019 and September 30, 2019, 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 \$582,318, \$533,734 and \$717,532, respectively.
- E. Information on accounts receivable relating to credit risk is provided in Note 12(2).

(5) Inventories

	<u>September 30, 2020</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	\$ 143,965	(\$ 4,021)	\$ 139,944
Work in progress	22,641	(234)	22,407
Finished goods	179,163	(30,747)	148,416
Total	<u>\$ 345,769</u>	<u>(\$ 35,002)</u>	<u>\$ 310,767</u>
	<u>December 31, 2019</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	\$ 113,285	(\$ 2,828)	\$ 110,457
Work in progress	13,351	(766)	12,585
Finished goods	200,596	(12,107)	188,489
Total	<u>\$ 327,232</u>	<u>(\$ 15,701)</u>	<u>\$ 311,531</u>
	<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>

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

	<u>Three months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Cost of goods sold	\$ 808,077	\$ 902,812
Inventory valuation loss	(2,651)	1,539
Others	(908)	(66)
Total	<u>\$ 804,518</u>	<u>\$ 904,285</u>

	<u>Nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Cost of goods sold	\$ 2,130,550	\$ 2,841,117
Inventory valuation loss	19,301	7,621
Others	(2,056)	(1,713)
Total	<u>\$ 2,147,795</u>	<u>\$ 2,847,025</u>

B. The Group has no inventories pledged to others.

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

<u>Items</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Non-current items:			
Equity instruments			
Listed stocks	\$ 1,017,015	\$ 286,186	\$ 286,186
Unlisted stocks	<u>3,590</u>	<u>3,590</u>	<u>3,590</u>
	1,020,605	289,776	289,776
Valuation adjustment	<u>197,055</u>	<u>99,701</u>	<u>80,750</u>
Total	<u>\$ 1,217,660</u>	<u>\$ 389,477</u>	<u>\$ 370,526</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 \$1,217,660, \$389,477 and \$370,526 as at September 30, 2020, December 31, 2019 and September 30, 2019, 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>2020</u>	<u>2019</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	<u>\$ 80,288</u>	<u>\$ 22,604</u>
Dividend income recognized in profit or loss		
Held at end of period	<u>\$ 23,321</u>	<u>\$ 15,811</u>

	Nine months ended September 30,	
	2020	2019
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	\$ 97,354	\$ 86,484
Dividend income recognized in profit or loss		
Held at end of period	\$ 23,321	\$ 15,811

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

(7) Investments accounted for using equity method

	September 30, 2020		December 31, 2019		September 30, 2019	
	Book value	Shareholding ratio	Book value	Shareholding ratio	Book value	Shareholding ratio
		Associate:				
K9 Inc.	\$ -	33.82%	\$ -	33.82%	\$ -	33.82%
Teco Image Systems Co., Ltd (Teco Image)	239,113	10.66%	256,665	10.66%	306,931	10.66%
	<u>\$ 239,113</u>		<u>\$ 256,665</u>		<u>\$ 306,931</u>	

	Three months ended September 30,			
	2020		2019	
	Share of profit of associates and joint ventures accounted for using equity method, net	Other comprehensive loss after tax	Share of profit of associates and joint ventures accounted for using equity method, net	Other comprehensive loss after tax
Associate:				
K9 Inc.	\$ -	\$ -	\$ -	\$ -
Teco Image Systems Co., Ltd (Teco Image)	5,969	(1,748)	7,388	(3,963)
	<u>\$ 5,969</u>	<u>(\$ 1,748)</u>	<u>\$ 7,388</u>	<u>(\$ 3,963)</u>

	Nine months ended September 30,			
	2020		2019	
	Share of profit of associates and joint ventures accounted for using equity method, net	Other comprehensive loss after tax	Share of profit of associates and joint ventures accounted for using equity method, net	Other comprehensive income after tax
Associate:				
K9 Inc.	\$ -	\$ -	\$ -	\$ -
Teco Image Systems Co., Ltd (Teco Image)	96	(12,370)	7,437	8,769
	<u>\$ 96</u>	<u>(\$ 12,370)</u>	<u>\$ 7,437</u>	<u>\$ 8,769</u>

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

<u>Company name</u>	<u>Principal place of business</u>	<u>Shareholding ratio</u>		<u>Nature of relationship</u>	<u>Method of measurement</u>
		<u>September 30, 2020</u>	<u>December 31, 2019</u>		
Teco Image Systems Co., Ltd	Taiwan	10.66%	10.66%	Note D	Equity method

<u>Company name</u>	<u>Principal place of business</u>	<u>Shareholding ratio</u>		<u>Nature of relationship</u>	<u>Method of measurement</u>
		<u>September 30, 2019</u>			
Teco Image Systems Co., Ltd	Taiwan	10.66%		Note D	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, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Current assets	\$ 986,646	\$ 1,235,009	\$ 1,314,215
Non-current assets	1,345,639	1,232,239	1,186,936
Current liabilities	(653,142)	(616,623)	(671,739)
Non-current liabilities	(36,738)	(43,568)	(47,996)
Total net assets	<u>\$ 1,642,405</u>	<u>\$ 1,807,057</u>	<u>\$ 1,781,416</u>
Share in associate's net assets	175,077	192,629	189,895
Goodwill	64,036	64,036	117,036
Carrying amount of the associate	<u>\$ 239,113</u>	<u>\$ 256,665</u>	<u>\$ 306,931</u>

Statement of comprehensive income

	<u>Three months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Revenue	<u>\$ 421,335</u>	<u>\$ 487,950</u>
Profit for the period from continuing operations	55,994	69,312
Other comprehensive loss, net of tax	(16,393)	(29,268)
Total comprehensive income	<u>\$ 39,601</u>	<u>\$ 40,044</u>
Dividends received from associates	<u>\$ 5,278</u>	<u>\$ 12,596</u>
	<u>Nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Revenue	<u>\$ 909,337</u>	<u>\$ 1,319,396</u>
Profit for the period from continuing operations	903	70,445
Other comprehensive (loss) income, net of tax	(116,039)	82,265
Total comprehensive (loss) income	<u>(\$ 115,136)</u>	<u>\$ 152,710</u>
Dividends received from associates	<u>\$ 5,278</u>	<u>\$ 12,596</u>

- C. The Group's material associate, Teco Image, has quoted market prices. As of September 30, 2020, December 31, 2019 and September 30, 2019, the fair value was \$139,753, \$163,745 and \$164,345, respectively.
- D. The Group owns less than 20% of the voting rights in Teco Image but holds one-fifth seats (2 out of 9 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. The Group is the single largest shareholder of Teco Image with a 10.66% equity interest. Taken into consideration the extent of other shareholders' participation in previous shareholders' meeting of Teco Image and the voting right record of significant proposals, which indicates that the Group has no current ability to direct the relevant activities of Teco Image, the Group has no control, but only has significant influence, over the investee.
- 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 June 2008. As of September 30, 2020, December 31, 2019 and September 30, 2019, 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, 2020 and 2019, 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

	2020						
	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	\$ 605,258	\$ 1,041,598	\$ 45,157	\$ 42,898	\$ 26,392	\$ -	\$ 1,761,303
Accumulated depreciation and impairment	(452,167)	(829,715)	(41,685)	(41,253)	(25,194)	-	(1,390,014)
	<u>\$ 153,091</u>	<u>\$ 211,883</u>	<u>\$ 3,472</u>	<u>\$ 1,645</u>	<u>\$ 1,198</u>	<u>\$ -</u>	<u>\$ 371,289</u>
Opening net book value as at January 1	\$ 153,091	\$ 211,883	\$ 3,472	\$ 1,645	\$ 1,198	\$ -	\$ 371,289
Additions	-	548	1,067	3,012	-	325	4,952
Transfer	-	278	-	-	47	(325)	-
Disposals	-	(788)	-	-	-	-	(788)
Gain on reversal of impairment	-	788	-	-	-	-	788
Depreciation	(11,925)	(54,727)	(1,684)	(800)	(445)	-	(69,581)
Net exchange differences	(1,041)	(1,648)	(9)	(7)	(10)	-	(2,715)
Closing net book value as at September 30	<u>\$ 140,125</u>	<u>\$ 156,334</u>	<u>\$ 2,846</u>	<u>\$ 3,850</u>	<u>\$ 790</u>	<u>\$ -</u>	<u>\$ 303,945</u>
<u>At September 30</u>							
Cost	\$ 601,432	\$ 981,025	\$ 45,651	\$ 27,232	\$ 13,680	\$ -	\$ 1,669,020
Accumulated depreciation and impairment	(461,307)	(824,691)	(42,805)	(23,382)	(12,890)	-	(1,365,075)
	<u>\$ 140,125</u>	<u>\$ 156,334</u>	<u>\$ 2,846</u>	<u>\$ 3,850</u>	<u>\$ 790</u>	<u>\$ -</u>	<u>\$ 303,945</u>

2019

	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	\$ 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>

- A. The aforementioned property, plant and equipment were all for its own use.
- B. For the three months and nine months ended September 30, 2020 and 2019, 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 \$0, \$4,919, \$788 and \$4,919, respectively.
- C. The Group has not pledged property, plant and equipment as a collateral or capitalized the interest.

(9) Leasing arrangements - lessee

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

	Land use right	Building	Transportation equipment	Total
At January 1, 2020	\$ 39,040	\$ 46,839	\$ 962	\$ 86,841
Additions	-	895	2,370	3,265
Depreciation	(773)	(9,910)	(1,407)	(12,090)
Net exchange differences	(251)	(7)	-	(258)
At September 30, 2020	<u>\$ 38,016</u>	<u>\$ 37,817</u>	<u>\$ 1,925</u>	<u>\$ 77,758</u>

	Land use right	Building	Transportation equipment	Total
At January 1, 2019	\$ 41,788	\$ 2,182	\$ 2,717	\$ 46,687
Additions	-	51,219	-	51,219
Depreciation	(827)	(4,426)	(1,316)	(6,569)
Net exchange differences	(906)	-	-	(906)
At September 30, 2019	<u>\$ 40,055</u>	<u>\$ 48,975</u>	<u>\$ 1,401</u>	<u>\$ 90,431</u>

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

	Three months ended September 30,	
	2020	2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 278	\$ 315
Expense on short-term lease contracts	18	1,616
	Nine months ended September 30,	
	2020	2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 906	\$ 465
Expense on short-term lease contracts	54	10,631

- E. For the nine months ended September 30, 2020 and 2019, the Group's total cash outflow for leases was \$11,954 and \$16,627, respectively.
- F. On June 29, 2007, the Group signed a land use right contract with Gaoxin branch of the Bureau of Land and Resources Bureau in Nanchang City, Jiangxi Province, People's Republic of China with a term of 50 years. All rentals had been paid on the contract date. The aforementioned amounts were recognized in right-of-use assets – land use right.

(10) Short-term borrowings

<u>Type of borrowings</u>	<u>September 30, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	\$ 345,000	1.00% ~ 1.05%	None
Secured borrowings	450,000	0.90% ~ 1.00%	Stocks
	<u>\$ 795,000</u>		

- A. For the three months and nine months ended September 30, 2020, the Group's interest expense recognized in profit or loss amounted to \$697 and \$1,363, respectively.
- B. The Group has no short-term borrowings as of December 31, 2019 and September 30, 2019.

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

<u>Items</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Current items:			
Financial liabilities mandatorily measured at fair value through profit or loss			
Derivative instrument	<u>\$ 134</u>	<u>\$ 1,563</u>	<u>\$ 7,749</u>

- A. Amounts 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>2020</u>	<u>2019</u>
Financial liabilities mandatorily measured at fair value through profit or loss		
Derivative instrument	<u>\$ 1,494</u>	<u>\$ 4,009</u>
	<u>Nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Financial liabilities mandatorily measured at fair value through profit or loss		
Derivative instrument	<u>(\$ 4,958)</u>	<u>(\$ 4,811)</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, 2020		
Derivative instruments	Contract amount (Notional principal) (In thousands)	Maturity date of the contract
Forward foreign exchange contracts	USD 1,000	2021.03.25
December 31, 2019		
Derivative instruments	Contract amount (Notional principal) (In thousands)	Maturity date of the contract
Forward foreign exchange contracts	USD 2,000	2020.01.21
Forward foreign exchange contracts	USD 3,000	2020.01.21
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

(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 (including related parties)

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Accrued employees' compensation and directors' and supervisors' remuneration	\$ 23,581	\$ 31,269	\$ 31,917
Royalties payable	52,191	52,191	52,191
Bonus payable	64,032	69,329	68,517
Wages and salaries payable	27,366	49,659	75,148
Service fees payable	5,879	5,405	4,645
Payables on equipment	379	-	5,057
Freight payable	3,255	3,029	5,282
Others	43,095	45,441	65,706
	<u>\$ 219,778</u>	<u>\$ 256,323</u>	<u>\$ 308,463</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 June 2019 and June 2020, the Department of Labor, Taipei City Government approved that the Company cease contributing to the retirement fund temporarily for 2020 and 2021, respectively.
- (b) For the aforementioned pension plan, no pension costs was recognized for the three months and nine months ended September 30, 2020 and 2019.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2020 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, 2020 and 2019 were \$3,345, \$3,626, \$9,192 and \$12,321, respectively.

(14) Capital stock

- A. As of September 30, 2020, 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, 2020 and 2019, 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% of total dividends distributed.

- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. Details of 2019 and 2018 earnings appropriation resolved by the stockholders on June 12, 2020 and June 25, 2019, respectively, are as follows:

	Years ended December 31,			
	2019		2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 18,370		\$ 20,580	
Special reserve	(39,847)		-	
Cash dividends	152,466	\$ 1.2	165,171	\$ 1.3
Total	<u>\$ 130,989</u>		<u>\$ 185,751</u>	

Abovementioned distribution of 2019 earnings is consistent with the proposal of the Board of Directors of the Company on March 18, 2020.

As of September 30, 2020 and 2019, 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 (22).

(17) Other equity items

	2020		
	Unrealized gains (losses) on valuation	Currency translation	Total
At January 1	\$ 121,937	\$ 54,873	\$ 176,810
Valuation adjustment:			
— Group	97,354	-	97,354
— Associates	(12,227)	-	(12,227)
Currency translation differences:			
— Group	-	(13,267)	(13,267)
— Associates	-	(143)	(143)
At September 30	<u>\$ 207,064</u>	<u>\$ 41,463</u>	<u>\$ 248,527</u>

	2019		
	Unrealized gains (losses) on investment	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>

(18) Operating revenue

	Three months ended September 30,	
	2020	2019
Revenue from contracts with customers	<u>\$ 949,580</u>	<u>\$ 1,097,033</u>
	Nine months ended September 30,	
	2020	2019
Revenue from contracts with customers	<u>\$ 2,492,550</u>	<u>\$ 3,322,644</u>

Disaggregation of revenue from contracts with customers

The Group derives revenue from the following major geographical regions:

Three months ended September 30, 2020	China	Philippines	Thailand	Others	Total
Revenue from external customer contracts	<u>\$ 407,366</u>	<u>\$ 97,895</u>	<u>\$ 181,872</u>	<u>\$ 262,447</u>	<u>\$ 949,580</u>
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>
Nine months ended September 30, 2020	China	Philippines	Thailand	Others	Total
Revenue from external customer contracts	<u>\$ 984,704</u>	<u>\$ 346,915</u>	<u>\$ 536,146</u>	<u>\$ 624,785</u>	<u>\$ 2,492,550</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>

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

(19) Interest income

	Three months ended September 30,	
	2020	2019
Interest income from bank deposits	\$ 1,484	\$ 6,887
Interest income from financial assets measured at amortised cost	2,681	1,813
	<u>\$ 4,165</u>	<u>\$ 8,700</u>
	Nine months ended September 30,	
	2020	2019
Interest income from bank deposits	\$ 6,777	\$ 10,778
Interest income from financial assets measured at amortised cost	11,255	15,052
	<u>\$ 18,032</u>	<u>\$ 25,830</u>

(20) Other income

	Three months ended September 30,	
	2020	2019
Rental revenue	\$ 781	\$ 635
Dividend income	23,321	15,811
Government grants	3,938	4,389
Directors' and supervisors' remuneration	12,344	13,404
Other income	2,150	1,272
	<u>\$ 42,534</u>	<u>\$ 35,511</u>
	Nine months ended September 30,	
	2020	2019
Rental revenue	\$ 2,264	\$ 2,052
Dividend income	23,321	15,811
Government grants	13,383	4,389
Directors' and supervisors' remuneration	12,344	13,404
Other income	6,066	10,791
	<u>\$ 57,378</u>	<u>\$ 46,447</u>

(21) Other gains and losses

	Three months ended September 30,	
	2020	2019
Foreign exchange (losses) gains	(\$ 21,357)	\$ 16,492
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	21,943	(15,311)
Gains on reversal of impairment loss recognized in profit or loss - property, plant and equipment	-	4,919
Other gains and losses	(255)	(286)
	<u>\$ 331</u>	<u>\$ 5,814</u>

	Nine months ended September 30,	
	2020	2019
Gains on disposal of property, plant and equipment	\$ 714	\$ -
Foreign exchange (losses) gains	(35,017)	27,032
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	32,728 (32,844)
Gains on reversal of impairment loss recognized in profit or loss - property, plant and equipment	788	4,919
Other gains and losses	(830)	(954)
	(\$ 1,617)	(\$ 1,847)

(22) Employee benefit expense, depreciation and amortization

For the three months and nine months ended September 30, 2020 and 2019, employee benefit expense, depreciation and amortization categorized by function were summarized as follows:

	Three months ended September 30, 2020		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Wages and salaries	\$ 70,239	\$ 51,738	\$ 121,977
Labor and health insurance fees	3,337	2,738	6,075
Pension costs	2,280	1,065	3,345
Other personnel expenses	5,064	1,540	6,604
Depreciation	20,598	5,891	26,489
Amortization	2,897	421	3,318
	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

	Nine months ended September 30, 2020		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Wages and salaries	\$ 198,307	\$ 118,598	\$ 316,905
Labor and health insurance fees	9,366	7,109	16,475
Pension costs	6,074	3,118	9,192
Other personnel expenses	14,074	4,344	18,418
Depreciation	63,191	18,480	81,671
Amortization	5,599	1,238	6,837
	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

- 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, 2020 and 2019, employees' compensation were accrued at \$10,487, \$10,183, \$17,686 and \$23,938, respectively; directors' and supervisors' remuneration were accrued at \$3,495, \$3,394, \$5,895 and \$7,979, 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 2019 resolved by the Board of Directors were in agreement with the amounts recorded in the 2019 financial statements of \$23,452 and \$7,817, 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 recognized 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 recognized in operating costs and operating expenses, respectively.

(23) Income tax

A. Income tax expense

Components of income tax expense:

	Three months ended September 30,	
	2020	2019
Current tax:		
Current tax	\$ 24,761	\$ 24,313
Prior year income tax over estimation	(3,063)	(1,431)
Total current tax	<u>21,698</u>	<u>22,882</u>
Deferred tax:		
Origination and reversal of temporary differences	(2,844)	12,704
Effect of exchange rate	<u>101</u>	<u>827</u>
Total deferred tax	(2,743)	<u>13,531</u>
Income tax expense	<u>\$ 18,955</u>	<u>\$ 36,413</u>
	Nine months ended September 30,	
	2020	2019
Current tax:		
Current tax	\$ 101,444	\$ 62,905
Tax imposed on undistributed surplus earnings	643	985
Prior year income tax over estimation	(4,016)	(144)
Total current tax	<u>98,071</u>	<u>63,746</u>
Deferred tax:		
Origination and reversal of temporary differences	(56,477)	24,678
Effect of exchange rate	(202)	<u>979</u>
Total deferred tax	(56,679)	<u>25,657</u>
Income tax expense	<u>\$ 41,392</u>	<u>\$ 89,403</u>

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

	2020			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	September 30
Temporary differences:				
– Deferred tax assets:				
Unrealized gain on affiliates	\$ 162	(\$ 88)	\$ -	\$ 74
Unrealized inventory valuation losses	4,142	4,507	-	8,649
Unrealized expenses	9,140	(6,395)	-	2,745
Loss on scraps of property, plant and equipment	971	(971)	-	-
Unrealized grant revenue	1,087	(386)	-	701
Impairment loss on property, plant and equipment	1,300	(203)	-	1,097
	<u>16,802</u>	<u>(3,536)</u>	<u>-</u>	<u>13,266</u>
– Deferred tax liabilities:				
Unrealized exchange gain	(1,489)	(486)	-	(1,975)
Gain on investments accounted for using equity method	(112,728)	60,006	-	(52,722)
Unrealized valuation gain on financial assets	(2,845)	493	-	(2,352)
Defined benefit plan	(2,241)	-	-	(2,241)
	<u>(119,303)</u>	<u>60,013</u>	<u>-</u>	<u>(59,290)</u>
	<u>(\$ 102,501)</u>	<u>\$ 56,477</u>	<u>\$ -</u>	<u>(\$ 46,024)</u>

	2019			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	September 30
Temporary differences:				
— Deferred tax assets:				
Unrealized gain on affiliates	\$ 321	\$ 250	\$ -	\$ 571
Unrealized inventory valuation losses	3,017	2,120	-	5,137
Unrealized expenses	11,481	(7,050)	-	4,431
Loss on scraps of property, plant and equipment	1,720	(39)	-	1,681
Unrealized grant revenue	1,703	(464)	-	1,239
Impairment loss on property, plant and equipment	4,971	(1,297)	-	3,674
Unrealized exchange loss	-	-	-	-
	<u>23,213</u>	<u>(6,480)</u>	<u>-</u>	<u>16,733</u>
— Deferred tax liabilities:				
Unrealized exchange gain	(676)	676	-	-
Gain on investments accounted for using equity method	(108,321)	(19,234)	-	(127,555)
Unrealized valuation gain on financial assets	(360)	360	-	-
Defined benefit plan	(2,196)	-	-	(2,196)
	<u>(111,553)</u>	<u>(18,198)</u>	<u>-</u>	<u>(129,751)</u>
	<u>(\$ 88,340)</u>	<u>(\$ 24,678)</u>	<u>\$ -</u>	<u>(\$ 113,018)</u>

C. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

	Nine months ended September 30, 2020		
	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	\$ 149,545	127,055	\$ 1.18
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 149,545	127,055	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,447	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 149,545	128,502	\$ 1.16
	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

(25) Supplemental cash flow information

Investing activities with partial cash payments:

	Nine months ended September 30,	
	2020	2019
Purchase of property, plant and equipment	\$ 4,952	\$ 8,096
Add: Opening balance of payable on equipment	-	6,627
Less: Ending balance of payable on equipment	(379)	(5,057)
Cash paid during the period	<u>\$ 4,573</u>	<u>\$ 9,666</u>

(26) Changes in liabilities from financing activities

	2020		
	Short-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1	\$ -	\$ 48,147	\$ 48,147
Changes in cash flow from financing activities	795,000	(10,994)	784,006
Increase in lease liabilities	-	3,265	3,265
Interest amortized in lease liabilities	-	906	906
Interest paid in lease liabilities	-	(906)	(906)
Impact of changes in foreign exchange rate	-	(6)	(6)
At September 30	<u>\$ 795,000</u>	<u>\$ 40,412</u>	<u>\$ 835,412</u>

	2019	
	Lease liabilities	Liabilities from financing activities-gross
At January 1	\$ 4,899	\$ 4,899
Changes in cash flow from financing activities	(5,531)	(5,531)
Increase in lease liabilities	51,219	51,219
Interest amortized in lease liabilities	465	465
Interest paid in lease liabilities	(465)	(465)
Impact of changes in foreign exchange rate	2	2
At September 30	<u>\$ 50,589</u>	<u>\$ 50,589</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

	<u>Three months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Sales of goods:		
– Associates	\$ 47	(\$ 3)
	<u>Nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Sales of goods:		
– Associates	\$ 47	\$ 771

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

	<u>Three months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Purchases of goods:		
– The Group's key management		
– KROM ELECTRONICS	\$ 74,983	\$ 115,739
	<u>Nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Purchases of goods:		
– The Group's key management		
– KROM ELECTRONICS	\$ 232,749	\$ 331,097

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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Accounts receivable:			
– Associates	\$ <u> -</u>	\$ <u> 100</u>	\$ <u> -</u>
	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Other accounts receivable:			
– Associates			
– Teco Image Systems Co., Ltd.	\$ <u> 144</u>	\$ <u> -</u>	\$ <u> -</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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Accounts payable:			
– The Group’s key management			
– KROM ELECTRONICS	\$ <u> 75,150</u>	\$ <u> 85,048</u>	\$ <u> 114,958</u>
	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Other payables:			
– Associates			
– Teco Image Systems Co., Ltd.	\$ <u> 1,284</u>	\$ <u> -</u>	\$ <u> -</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.

E. Other income

	<u>Three months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Associates –		
Teco Image Systems Co., Ltd.	\$ <u> 137</u>	\$ <u> -</u>
	<u>Nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Associates –		
Teco Image Systems Co., Ltd.	\$ <u> 5,978</u>	\$ <u> -</u>

F. Other expense

	<u>Three months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Associates —		
Teco Image Systems Co., Ltd.	\$ 1,238	\$ -
	<u> </u>	<u> </u>
	<u>Nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Associates —		
Teco Image Systems Co., Ltd.	\$ 2,710	\$ -
	<u> </u>	<u> </u>

(3) Key management compensation

For the three months and nine months ended September 30, 2020 and 2019, the key management compensation (including salaries and other short-term employee benefits) recognized for directors, supervisors, general manager and vice general manager was \$13,715, \$15,246, \$26,814 and \$38,375, including employees' compensation and directors' and supervisors' remuneration accrued in profit or loss of \$3,495, \$3,394, \$5,895 and \$7,979 for the three months and nine months ended September 30, 2020 and 2019, respectively.

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>			<u>Purpose</u>
	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>September 30,</u> <u>2019</u>	
Financial asset measured at fair value through other comprehensive income - non-current	\$ 874,605	\$ -	\$ -	Short-term borrowings
	<u> </u>	<u> </u>	<u> </u>	

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

In October 2020, the Board of Directors of the Group resolved to invest \$360,000 in cash to participate in the establishment of Tianda Investment Co., Ltd. for a 20% equity interest.

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, 2019 for the related information.

(2) Financial instruments

A. Financial instruments by category

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</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	\$ 123,293	\$ 186,271	\$ 198,253
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	1,217,660	389,477	370,526
Financial assets at amortized cost			
Cash and cash equivalents	1,881,268	1,216,519	1,545,791
Accounts receivable (including related parties)	582,318	533,734	717,532
Other accounts receivable (including related parties)	144	-	-
Guarantee deposits paid	2,114	4,688	4,733
Financial assets at amortized cost	<u>371,103</u>	<u>934,749</u>	<u>572,803</u>
	<u>\$ 4,177,900</u>	<u>\$ 3,265,438</u>	<u>\$ 3,409,638</u>

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 134	\$ 1,563	\$ 7,749
Financial liabilities at amortized cost			
Short-term borrowings	795,000	-	-
Accounts payable (including related parties)	658,756	601,148	829,173
Other payables (including related parties)	219,778	256,323	308,463
	<u>\$ 1,673,668</u>	<u>\$ 859,034</u>	<u>\$ 1,145,385</u>
Lease liability (including current and non-current portion)			
	<u>\$ 40,412</u>	<u>\$ 48,147</u>	<u>\$ 50,589</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, 2019 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, 2020						
			Sensitivity analysis			
Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency : functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 46,396	29.12	\$ 1,351,052	1%	\$ 13,511	\$ -
RMB : NTD	300	4.28	1,284	1%	13	-
USD : RMB	32,815	6.81	955,573	1%	9,556	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 32,561	29.12	\$ 948,176	1%	\$ 9,482	\$ -
USD : RMB	18,430	6.81	536,682	1%	5,367	-
December 31, 2019						
			Sensitivity analysis			
Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency : functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 50,927	30.02	\$ 1,528,829	1%	\$ 15,288	\$ -
RMB : NTD	2,393	4.30	10,290	1%	103	-
USD : RMB	27,893	6.98	837,348	1%	8,373	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 26,063	30.02	\$ 782,411	1%	\$ 7,824	\$ -
USD : RMB	19,584	6.98	587,912	1%	5,879	-

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	-

- v. For the three months and nine months ended September 30, 2020 and 2019, the total exchange (loss) gain, including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group were (\$21,357), \$16,492, (\$35,017) and \$27,032, 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, 2020 and 2019 would have increased/decreased by \$11,140 and \$19,532, 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, 2020 and 2019, other components of equity would have increased/decreased by \$121,766 and \$37,053, 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 fixed rates expose the Group to fair value interest rate risk.
- ii. If the borrowing interest rate had increased / decreased by 1% with all other variables held constant, profit net of tax for the nine months ended September 30, 2020 would have decreased /increased by \$4,770. The main factor is that changes in interest expense result from floating rate borrowings.

(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, 2020, December 31, 2019 and September 30, 2019, 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, 2020, December 31, 2019 and September 30, 2019, the total book value of accounts receivable and loss allowance were \$582,493, \$533,897, \$717,748 and \$175, \$163, \$216, respectively.

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

	2020	2019
	Accounts receivable (including related parties)	Accounts receivable (including related parties)
At January 1	\$ 163	\$ 192
Provision for impairment	12	24
At September 30	<u>\$ 175</u>	<u>\$ 216</u>

For the nine months ended September 30, 2020 and 2019, the impairment losses arising from customers' contracts are \$12 and \$24, respectively.

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

	September 30, 2020			
		Lifetime		
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortized cost	<u>\$ 371,103</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 371,103</u>
	December 31, 2019			
		Lifetime		
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortized cost	<u>\$ 934,749</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 934,749</u>
	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>

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

(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.

<u>Non-derivative financial liabilities</u>			
<u>September 30, 2020</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Short-term borrowings	\$ 796,729	\$ -	\$ -
Accounts payable (including related parties)	658,756	-	-
Other payables (including related parties)	219,778	-	-
Lease liability	13,618	12,146	16,418
<u>Derivative financial liabilities</u>			
<u>September 30, 2020</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Forward foreign exchange contracts	\$ 134	\$ -	\$ -
<u>Non-derivative financial liabilities</u>			
<u>December 31, 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)	\$ 601,148	\$ -	\$ -
Other payables	256,323	-	-
Lease liability	12,991	12,065	24,838
<u>Derivative financial liabilities</u>			
<u>December 31, 2019</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Forward foreign exchange contracts	\$ 1,563	\$ -	\$ -

<u>Non-derivative financial liabilities</u>			
<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
<u>Derivative financial liabilities</u>			
<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	-	-

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

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

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

<u>September 30, 2020</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	\$ 111,400	\$ -	\$ -	\$ 111,400
Derivative instruments	-	11,893	-	11,893
Financial assets at fair value through other comprehensive income				
Equity securities	<u>1,217,660</u>	<u>-</u>	<u>-</u>	<u>1,217,660</u>
Total	<u>\$ 1,329,060</u>	<u>\$ 11,893</u>	<u>\$ -</u>	<u>\$ 1,340,953</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instruments	<u>\$ -</u>	<u>\$ 134</u>	<u>\$ -</u>	<u>\$ 134</u>
December 31, 2019				
<u>December 31, 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	\$ 170,484	\$ -	\$ -	\$ 170,484
Derivative instruments	-	15,787	-	15,787
Financial assets at fair value through other comprehensive income				
Equity securities	<u>389,477</u>	<u>-</u>	<u>-</u>	<u>389,477</u>
Total	<u>\$ 559,961</u>	<u>\$ 15,787</u>	<u>\$ -</u>	<u>\$ 575,748</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instruments	<u>\$ -</u>	<u>\$ 1,563</u>	<u>\$ -</u>	<u>\$ 1,563</u>

September 30, 2019	Level 1	Level 2	Level 3	Total
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	370,526	-	-	370,526
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	\$ -	\$ 7,749	\$ -	\$ 7,749
Total	<u>\$ -</u>	<u>\$ 7,749</u>	<u>\$ -</u>	<u>\$ 7,749</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:

	Listed shares	Open-end fund
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, 2020 and 2019, 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, 2020 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: Please refer to table 2.
- 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 3.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 4.
- 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 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland China: Please refer to table 5.

(4) Major shareholders information

Major shareholders information: Please refer to table 8.

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, 2020		
	Single operating segment	Reconciliation and elimination	Total
Reportable segments income			
Revenue from external customers	\$ 2,492,550	\$ -	\$ 2,492,550
Total	\$ 2,492,550	\$ -	\$ 2,492,550
Reportable segments profit	\$ 190,937	\$ -	\$ 190,937
Segments profit, including:			
Interest income	\$ 18,032	\$ -	\$ 18,032
Depreciation and amortization	\$ 88,508	\$ -	\$ 88,508
Share of profit of associates and joint ventures accounted for using equity method	\$ 96	\$ -	\$ 96
Income tax expense	\$ 41,392	\$ -	\$ 41,392

	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
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

(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,	
	2020	2019
Reportable segments income	\$ 190,937	\$ 288,275
Income before tax from continuing operations	\$ 190,937	\$ 288,275

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, 2020

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

					As of September 30, 2020				
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	Yuanta Taiwan High-yield Leading Company Fund	-	Financial assets at fair value through profit or loss - current	10,000	<u>\$ 111,400</u>	-	<u>\$ 111,400</u>	
					As of September 30, 2020				
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	36,751	\$ 1,097,017	1.87%	\$ 1,097,017	
"	"	Koryo Electronics Co., Ltd.	-	"	2,871	61,870	5.54%	61,870	
"	"	MUTUALPAK	-	"	108	-	0.65%	-	
"	"	Taiwan Pelican Express Co., Ltd.	-	"	1,781	<u>58,773</u>	1.87%	<u>58,773</u>	
						<u>\$ 1,217,660</u>		<u>\$ 1,217,660</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

Acquisition or sale of the same security with the accumulated cost reaching NT\$300 million or 20% of paid-in capital or more

Nine months ended September 30, 2020

Table 2

Expressed in thousands of TWD
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Balance as at January 1, 2020		Addition		Disposal				Balance as at September 30, 2020 (Note 3)		
			Number of shares (in thousand shares)	Amount	Number of shares (in thousand shares)	Amount	Number of shares (in thousand shares)	Selling price	Book value	Gain (loss) on disposal	Number of shares (in thousand shares)	Amount	
The Company	TECO ELECTRIC & MACHINERY CO., LTD.	Non-current financial assets at fair value through other comprehensive income	10,000	\$ 262,000	26,751	\$ 730,829	-	\$ -	\$ -	\$ -	-	36,751	\$ 1,097,017

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

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 3: Balance as at September 30, 2020 included fair value valuation amounting to \$104,188.

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, 2020

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Transaction		Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote
				Amount	Percentage of total purchases (sales)	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)		
The Company	Nanchang Creative Sensor Technology Co., Ltd.	The Company's third-tier subsidiary	Purchases	\$ 2,186,042	100%	\$ -	75~90 days after monthly billing	Note	(\$ 900,356)	99.84%	-
Nanchang Creative Sensor Technology Co., Ltd.	KROM ELECTRONICS CO., LTD.	The Company is a director of the company's ultimate holding company	"	232,749	12.99%	-	60 days after monthly billing	Note	(75,150)	11.33%	

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
 September 30, 2020

Table 4

Expressed in thousands of NTD
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2020	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	\$ 900,356	3.58	\$ -	-	\$ 193,718	\$ -

Creative Sensor Inc. and Subsidiaries
 Significant inter-company transactions during the reporting period
 Nine months ended September 30, 2020

Table 5

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	Nanchang Creative Sensor Technology Co., Ltd.	1	Accounts payable	\$ 900,356	75~90 days after monthly billing	17.26%
"	"	"	"	Purchases	2,186,042	"	87.70%
1	Nanchang Creative Sensor Technology Co., Ltd.	The Company	2	Purchases	21,911	60 days after monthly billing	0.88%

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, 2020

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2020			Net profit (loss) of the investee for the nine months ended September 30, 2020	Investment income (loss) recognized by the Company for the nine months ended September 30, 2020 (Note)	Footnote
				Balance as at September 30, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
The Company	Creative Sensor Inc.	British Virgin Islands	Holding company	\$ 974,576	\$ 974,576	29,414,994	100	\$ 2,221,806	\$ 12,164	\$ 12,387	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	2,959	-	-	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	239,113	903	96	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	1,732,487	22,780	-	Subsidiary

Note: The Company has not directly recognized 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, 2020

Table 7

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, 2020			Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020 (Note 3)	Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2020 (Note 3)	Net income of investee for the nine months ended September 30, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the nine months ended September 30, 2020 (Note 4)	Book value of investments in Mainland China as of September 30, 2020	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2020	Footnote
				as of January 1, 2020 (Note 3)	Remitted to Mainland China	Remitted back to Taiwan										
Wuxi Creative Sensor Technology Co., Ltd.	Image Sensor	\$ 529,882	Note 1	\$ 434,325	\$ -	\$ -	\$ 434,325	\$ -	\$ 434,325	(\$ 8,218)	100	(\$ 8,218)	\$ 637,235	\$ 555,881	None	
Nanchang Creative Sensor Technology Co., Ltd.	Image Sensor	928,812	Note 1	422,240	-	-	422,240	-	422,240	33,761	100	33,761	1,017,049	-	"	

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, 2020 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, 2020 in the original currency was both US\$14,500 thousand.

Note 4: Investment income (loss) recognized for the nine months ended September 30, 2020 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, 2020	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	\$ 856,565	\$ 316,505	\$ 2,019,827

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2020 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\$10,869 thousand.

(Excluded from Wuxi Creative Sensor Technology Co., Ltd.'s accumulated amount of income remitted back to Taiwan US\$13,635 thousand in 2020.)

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.

Table 7

Creative Sensor Inc. and Subsidiaries

Major shareholders information

September 30, 2020

Table 8

Major shareholders name	Ownership	Ownership (%)
Teco Image Systems Co., Ltd.	21,928,260	17.25%
Teco International Investment Co., Ltd.	7,913,310	6.22%

- (a) The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference in calculation basis.
- (b) If the aforementioned data contains shares which were held in trust by the shareholders, the data was disclosed as a separate account of client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio includes the self-owned shares and shares held in trust, and at the same time, the shareholder has the power to decide how to allocate the trust assets. For the information on reported share equity of insider, please refer to Market Observation Post System.