

**CREATIVE SENSOR INC. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
JUNE 30, 2021 AND 2020**

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 June 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months and six months then ended, as well as the consolidated statements of changes in equity and of cash flows for the six 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.



資誠

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 June 30, 2021 and 2020, and of its consolidated financial performance for the three months and six months then ended and its consolidated cash flows for the six 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, Shi-Chiung



Lin, Chun-Yao

For and on behalf of PricewaterhouseCoopers, Taiwan

August 9, 2021

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 independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

CREATIVE SENSOR INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of June 30, 2021 and 2020 are reviewed, not audited)

Assets	Notes	June 30, 2021		December 31, 2020		June 30, 2020		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 751,339	13	\$ 1,884,250	36	\$ 1,420,967	30
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		1,453	-	144,239	3	113,246	2
1136	Financial assets at amortized cost -	6(3)						
	current, net		181,368	3	174,835	3	831,408	18
1170	Accounts receivable, net	6(4)	716,244	12	539,744	10	561,066	12
1180	Accounts receivable - related	6(4) and 7						
	parties, net		419	-	52	-	-	-
1210	Other receivables - related parties,	7						
	net		-	-	288	-	5,571	-
130X	Inventories, net	6(5)	384,903	7	393,710	8	354,590	8
1479	Other current assets		42,418	1	56,496	1	62,798	1
11XX	Total current assets		<u>2,078,144</u>	<u>36</u>	<u>3,193,614</u>	<u>61</u>	<u>3,349,646</u>	<u>71</u>
Non-current assets								
1517	Non-current financial assets at fair	6(6) and 8						
	value through other comprehensive							
	income		3,053,281	53	1,384,827	26	668,460	14
1550	Investments accounted for using	6(7)						
	the equity method		301,715	5	245,365	5	234,892	5
1600	Property, plant and equipment, net	6(8)	255,847	4	293,774	6	317,714	7
1755	Right-of-use assets	6(9)	67,118	1	74,828	1	80,831	2
1780	Intangible assets		6,226	-	7,510	-	5,742	-
1840	Deferred income tax assets	6(23)	13,567	-	8,705	-	15,642	-
1990	Other non-current assets		40,615	1	36,112	1	28,320	1
15XX	Total non-current assets		<u>3,738,369</u>	<u>64</u>	<u>2,051,121</u>	<u>39</u>	<u>1,351,601</u>	<u>29</u>
1XXX	Total assets		<u>\$ 5,816,513</u>	<u>100</u>	<u>\$ 5,244,735</u>	<u>100</u>	<u>\$ 4,701,247</u>	<u>100</u>

(Continued)

CREATIVE SENSOR INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of June 30, 2021 and 2020 are reviewed, not audited)

Liabilities and Equity	Notes	June 30, 2021		December 31, 2020		June 30, 2020		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(10)	\$ 785,000	14	\$ 750,000	14	\$ 250,000	6
2120	Financial liabilities at fair value	6(11)						
	through profit or loss - current		1,392	-	1,039	-	3,636	-
2170	Accounts payable		692,589	12	596,832	11	622,739	13
2180	Accounts payable - related parties	7	99,907	2	119,544	2	89,700	2
2200	Other payables	6(12)	225,737	4	235,796	5	376,245	8
2220	Other payables - related parties	6(12) and 7	-	-	-	-	1,498	-
2230	Income tax payable		15,371	-	141,604	3	81,718	2
2280	Current lease liabilities		10,749	-	12,347	-	13,245	-
2300	Other current liabilities		6,029	-	8,643	-	8,430	-
21XX	Total current liabilities		<u>1,836,774</u>	<u>32</u>	<u>1,865,805</u>	<u>35</u>	<u>1,447,211</u>	<u>31</u>
Non-current liabilities								
2570	Deferred income tax liabilities	6(23)	12,094	-	9,819	-	64,510	1
2580	Non-current lease liabilities		19,507	-	24,659	1	30,771	1
25XX	Total non-current liabilities		<u>31,601</u>	<u>-</u>	<u>34,478</u>	<u>1</u>	<u>95,281</u>	<u>2</u>
2XXX	Total liabilities		<u>1,868,375</u>	<u>32</u>	<u>1,900,283</u>	<u>36</u>	<u>1,542,492</u>	<u>33</u>
Equity attributable to owners of parent								
	Share capital	6(14)						
3110	Common stock		1,270,550	22	1,270,550	24	1,270,550	27
	Capital surplus	6(15)						
3200	Capital surplus		677,467	12	677,467	13	677,467	14
	Retained earnings	6(16)						
3310	Legal reserve		478,365	8	478,365	9	478,365	10
3320	Special reserve		-	-	-	-	-	-
3350	Unappropriated retained earnings		775,218	13	731,467	14	599,754	13
	Other equity interest	6(17)						
3400	Other equity interest		746,538	13	186,603	4	132,619	3
31XX	Equity attributable to owners of the parent		<u>3,948,138</u>	<u>68</u>	<u>3,344,452</u>	<u>64</u>	<u>3,158,755</u>	<u>67</u>
3XXX	Total equity		<u>3,948,138</u>	<u>68</u>	<u>3,344,452</u>	<u>64</u>	<u>3,158,755</u>	<u>67</u>
	Significant subsequent events	11						
3X2X	Total liabilities and equity		<u>\$ 5,816,513</u>	<u>100</u>	<u>\$ 5,244,735</u>	<u>100</u>	<u>\$ 4,701,247</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 (loss) per share amount)
(REVIEWED, NOT AUDITED)

Items	Notes	Three months ended June 30				Six months ended June 30				
		2021		2020		2021		2020		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Net revenue	6(18) and 7	\$ 1,174,668	100	\$ 971,551	100	\$ 2,111,910	100	\$ 1,542,970	100
5000	Cost of revenue	6(5)(22) and 7	(1,012,666)	(86)	(812,176)	(83)	(1,835,115)	(87)	(1,343,277)	(87)
5900	Gross profit		<u>162,002</u>	<u>14</u>	<u>159,375</u>	<u>17</u>	<u>276,795</u>	<u>13</u>	<u>199,693</u>	<u>13</u>
	Operating expenses	6(22)								
6100	Selling expenses		(16,603)	(1)	(17,475)	(2)	(33,995)	(1)	(32,177)	(2)
6200	General and administrative expenses		(21,359)	(2)	(43,341)	(4)	(62,995)	(3)	(74,263)	(5)
6300	Research and development expenses		(17,428)	(2)	(17,197)	(2)	(37,278)	(2)	(32,583)	(2)
6000	Total operating expenses		(55,390)	(5)	(78,013)	(8)	(134,268)	(6)	(139,023)	(9)
6900	Income from operations		<u>106,612</u>	<u>9</u>	<u>81,362</u>	<u>9</u>	<u>142,527</u>	<u>7</u>	<u>60,670</u>	<u>4</u>
	Non-operating income and expenses									
7100	Interest income	6(19)	1,346	-	5,801	-	2,855	-	13,867	1
7010	Other income	6(20) and 7	1,565	-	8,842	1	4,168	-	14,844	1
7020	Other gains and losses	6(21)	(120,453)	(10)	(1,927)	-	(105,720)	(5)	(1,948)	-
7050	Finance costs	6(9)(10)	(1,827)	-	(958)	-	(3,753)	-	(1,294)	-
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method, net	6(7)	<u>720</u>	<u>-</u>	<u>(398)</u>	<u>-</u>	<u>1,377</u>	<u>-</u>	<u>(5,873)</u>	<u>(1)</u>
7000	Total non-operating income and expenses		(118,649)	(10)	11,360	1	(101,073)	(5)	19,596	1
7900	Profit (loss) before income tax		(12,037)	(1)	92,722	10	41,454	2	80,266	5
7950	Income tax expense	6(23)	(528)	-	(24,134)	(3)	(14,073)	(1)	(22,437)	(1)
8200	Net income (loss)		<u>(\$ 12,565)</u>	<u>(1)</u>	<u>\$ 68,588</u>	<u>7</u>	<u>\$ 27,381</u>	<u>1</u>	<u>\$ 57,829</u>	<u>4</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)	\$ 259,505	22	\$ 56,621	6	\$ 542,545	26	\$ 17,066	1
8320	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method	6(7)(17)	<u>18,045</u>	<u>2</u>	<u>12,838</u>	<u>1</u>	<u>38,807</u>	<u>2</u>	<u>(10,224)</u>	<u>(1)</u>
8310	Other comprehensive income that will not be reclassified to profit or loss		<u>277,550</u>	<u>24</u>	<u>69,459</u>	<u>7</u>	<u>581,352</u>	<u>28</u>	<u>6,842</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss									
8361	Exchange differences on translation	6(17)	(6,143)	(1)	(34,879)	(3)	(21,213)	(1)	(50,635)	(3)
8370	Share of other comprehensive loss of associates and joint ventures accounted for using equity method	6(7)(17)	(103)	-	(228)	-	(204)	-	(398)	-
8360	Other comprehensive loss that will be reclassified to profit or loss		(6,246)	(1)	(35,107)	(3)	(21,417)	(1)	(51,033)	(3)
8300	Other comprehensive income (loss) for the period		<u>\$ 271,304</u>	<u>23</u>	<u>\$ 34,352</u>	<u>4</u>	<u>\$ 559,935</u>	<u>27</u>	<u>(\$ 44,191)</u>	<u>(3)</u>
8500	Total comprehensive income for the period		<u>\$ 258,739</u>	<u>22</u>	<u>\$ 102,940</u>	<u>11</u>	<u>\$ 587,316</u>	<u>28</u>	<u>\$ 13,638</u>	<u>1</u>
	Basic earnings (loss) per share (in dollars)	6(24)								
9750	Total basic earnings (loss) per share		<u>(\$ 0.09)</u>		<u>\$ 0.54</u>		<u>\$ 0.22</u>		<u>\$ 0.46</u>	
	Diluted earnings (loss) per share (in dollars)	6(24)								
9850	Total diluted earnings (loss) per share		<u>(\$ 0.10)</u>		<u>\$ 0.54</u>		<u>\$ 0.21</u>		<u>\$ 0.45</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
Six months ended June 30, 2020										
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		-	-	-	-	-	57,829	-	-	57,829
Other comprehensive income (loss) for the period	6(17)	-	-	-	-	-	-	(51,033)	6,842	(44,191)
Total comprehensive income (loss)		-	-	-	-	-	57,829	(51,033)	6,842	13,638
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 June 30, 2020		\$ 1,270,550	\$ 673,471	\$ 3,996	\$ 478,365	\$ -	\$ 599,754	\$ 3,840	\$ 128,779	\$ 3,158,755
Six months ended June 30, 2021										
Balance at January 1, 2021		\$ 1,270,550	\$ 673,471	\$ 3,996	\$ 478,365	\$ -	\$ 731,467	\$ 64,445	\$ 122,158	\$ 3,344,452
Net income for the period		-	-	-	-	-	27,381	-	-	27,381
Other comprehensive income (loss) for the period	6(17)	-	-	-	-	-	-	(21,417)	581,352	559,935
Total comprehensive income (loss)		-	-	-	-	-	27,381	(21,417)	581,352	587,316
Changes in equity of associates accounted for using equity method		-	-	-	-	-	16,370	-	-	16,370
Balance at June 30, 2021		\$ 1,270,550	\$ 673,471	\$ 3,996	\$ 478,365	\$ -	\$ 775,218	\$ 43,028	\$ 703,510	\$ 3,948,138

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	Six months ended June 30	
		2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 41,454	\$ 80,266
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(9)(22)	47,212	55,182
Amortization	6(22)	8,260	3,519
Expected credit impairment loss	12(2)	53	5
Net gain on financial assets or liabilities at fair value through profit or loss	6(2)(11)(21)	(17,286)	(10,785)
Interest expense	6(9)(10)	3,753	1,294
Share of (profit) loss of associates and joint ventures accounted for using equity method	6(7)	(1,377)	5,873
Net loss (gain) on disposal of property, plant and equipment	6(21)	1,587	(714)
Interest income	6(19)	(2,855)	(13,867)
Dividend income	6(20)	(1,007)	-
Gain from lease modification	6(9)(21)	(64)	-
Reversal of impairment loss on non-financial assets	6(8)(21)	-	(788)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		160,425	85,883
Accounts receivable		(176,920)	(27,337)
Inventories		7,906	(53,096)
Other current assets		13,938	(28,461)
Changes in operating liabilities			
Accounts payable		102,728	124,165
Accounts payable - related parties		(18,137)	7,681
Other payables		(12,565)	(28,311)
Other current liabilities		(2,613)	(2,103)
Cash inflow generated from operations		154,492	198,406
Interest received		3,283	11,584
Dividends received		1,007	-
Interest paid		(3,753)	(1,294)
Income tax paid		(146,456)	(40,211)
Income tax refund received		3,642	7,085
Net cash flows from operating activities		<u>12,215</u>	<u>175,570</u>

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

	Notes	Six months ended June 30	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortized cost		(\$ 13,041)	(\$ 97,913)
Proceeds from disposal of financial assets at amortized cost		4,595	187,148
Acquisition of non-current financial assets at fair value through other comprehensive income		(1,125,909)	(261,917)
Acquisition of property, plant and equipment	6(25)	(6,028)	(2,655)
Proceeds from disposal of property, plant and equipment		-	1,502
Acquisition of intangible assets		(504)	(832)
Decrease in refundable deposits		499	2,578
Increase in other non-current assets		(5,694)	(8,390)
Net cash flows used in investing activities		(1,146,082)	(180,479)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(26)	535,000	250,000
Repayments of short-term borrowings	6(26)	(500,000)	-
Repayments of lease principal	6(9)(26)	(5,969)	(7,366)
Net cash flows from financing activities		29,031	242,634
Effect of exchange rate		(28,075)	(33,277)
Net (decrease) increase in cash and cash equivalents		(1,132,911)	204,448
Cash and cash equivalents at beginning of period		1,884,250	1,216,519
Cash and cash equivalents at end of period		<u>\$ 751,339</u>	<u>\$ 1,420,967</u>

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

CREATIVE SENSOR INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

(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 August 9, 2021.

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 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 IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform-Phase 2'	January 1, 2021
Amendment to IFRS 16, 'Covid-19-related rent concessions beyond 30 June 2021'	April 1, 2021 (Note)

Note: Earlier application from January 1, 2021 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 2022 are as follows:

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

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

(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 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 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the compliance statement, basis of preparation and basis of consolidation as 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, 2020. 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, 2020.

(2) Basis of preparation

- A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit assets recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with 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, 2020.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		
			June 30, 2021	December 31, 2020	June 30, 2020
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.

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, 2020 for related information.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Cash on hand and revolving funds	\$ 109	\$ 234	\$ 183
Checking accounts and demand deposits	660,549	1,849,097	1,182,628
Time deposits	90,681	34,919	238,156
Total	<u>\$ 751,339</u>	<u>\$ 1,884,250</u>	<u>\$ 1,420,967</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>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Beneficiary certificates	\$ -	\$ 100,000	\$ 100,000
Derivative instrument	1,453	19,339	6,246
	<u>1,453</u>	<u>119,339</u>	<u>106,246</u>
Valuation adjustment	-	24,900	7,000
Total	<u>\$ 1,453</u>	<u>\$ 144,239</u>	<u>\$ 113,246</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 June 30,</u>	
	<u>2021</u>	<u>2020</u>
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates		
Valuation adjustment	\$ -	\$ 7,054
Derivative instrument	4,274	9,933
Total	<u>\$ 4,274</u>	<u>\$ 16,987</u>
	<u>Six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates		
Valuation adjustment	\$ 12,882	\$ 7,232
Dividend income	1,007	-
Interest income	5	-
Derivative instrument	6,772	10,005
Total	<u>\$ 20,666</u>	<u>\$ 17,237</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:

June 30, 2021		
Derivative instruments	Contract amount (Notional principal) (In thousands)	Maturity date of the contract
Current items:		
Forward exchange contracts	USD 2,000	2021.7.23
Forward exchange contracts	USD 3,000	2021.7.23
Forward exchange contracts	USD 1,000	2021.9.29
Forward exchange contracts	USD 2,000	2021.9.29
December 31, 2020		
Derivative instruments	Contract amount (Notional principal) (In thousands)	Maturity date of the contract
Current items:		
Cross currency swap	USD 2,000	2021.1.25
Cross currency swap	USD 2,000	2021.1.25
Cross currency swap	USD 2,000	2021.1.27
Cross currency swap	USD 1,000	2021.1.27
Cross currency swap	USD 1,000	2021.2.22
Forward exchange contracts	USD 3,000	2021.1.21
Forward exchange contracts	USD 2,000	2021.1.22
Forward exchange contracts	USD 1,000	2021.2.25
Forward exchange contracts	USD 2,000	2021.2.26
Forward exchange contracts	USD 2,000	2021.3.23
Forward exchange contracts	USD 1,000	2021.3.25
Forward exchange contracts	USD 2,000	2021.6.28
June 30, 2020		
Derivative instruments	Contract amount (Notional principal) (In thousands)	Maturity date of the contract
Current items:		
Cross currency swap	USD 1,000	2020.07.20
Cross currency swap	USD 2,000	2020.07.27
Cross currency swap	USD 1,000	2020.08.21
Cross currency swap	USD 2,000	2020.08.21
Cross currency swap	USD 2,000	2020.08.27
Cross currency swap	USD 2,000	2020.08.27
Cross currency swap	USD 5,500	2020.09.10
Cross currency swap	USD 1,000	2020.09.25
Forward exchange contracts	USD 1,000	2020.10.23
Forward exchange contracts	USD 2,000	2020.10.23

(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	June 30, 2021	December 31, 2020	June 30, 2020
Current items:			
Time deposits with maturity over three months	\$ 181,356	\$ 170,228	\$ 733,495
Special-purpose demand deposits	<u>12</u>	<u>4,607</u>	<u>97,913</u>
Total	<u>\$ 181,368</u>	<u>\$ 174,835</u>	<u>\$ 831,408</u>

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

	Three months ended June 30,	
	2021	2020
Interest income	<u>\$ 705</u>	<u>\$ 3,742</u>
	Six months ended June 30,	
	2021	2020
Interest income	<u>\$ 1,597</u>	<u>\$ 8,574</u>

B. As at June 30, 2021, December 31, 2020 and June 30, 2020, 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 \$181,368, \$174,835 and \$831,408, 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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Accounts receivable	\$ 716,459	\$ 539,906	\$ 561,234
Accounts receivable due from related parties	419	52	-
Less: Loss allowance	(215)	(162)	(168)
	<u>\$ 716,663</u>	<u>\$ 539,796</u>	<u>\$ 561,066</u>

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Not past due	\$ 716,483	\$ 539,941	\$ 561,018
Up to 30 days	212	-	216
31 to 90 days	183	17	-
	<u>\$ 716,878</u>	<u>\$ 539,958</u>	<u>\$ 561,234</u>

The above ageing analysis was based on past due date.

B. As at June 30, 2021, December 31, 2020 and June 30, 2020, accounts receivable were all from contracts with customers. As of January 1, 2020, the balance of receivables from contracts with customers amounted to \$533,734.

C. The Group does not hold any collateral as security.

D. As at June 30, 2021, December 31, 2020 and June 30, 2020, 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 \$716,663, \$539,796 and \$561,066, respectively.

E. Information on accounts receivable relating to credit risk is provided in Note 12(2).

(5) Inventories

	<u>June 30, 2021</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	\$ 196,542	(\$ 4,328)	\$ 192,214
Work in progress	23,401	(236)	23,165
Finished goods	195,953	(26,429)	169,524
Total	<u>\$ 415,896</u>	<u>(\$ 30,993)</u>	<u>\$ 384,903</u>

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 222,876	(\$ 2,644)	\$ 220,232
Work in progress	22,010	(239)	21,771
Finished goods	170,715	(19,008)	151,707
Total	\$ 415,601	(\$ 21,891)	\$ 393,710

	June 30, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 153,282	(\$ 3,204)	\$ 150,078
Work in progress	25,261	(1,101)	24,160
Finished goods	213,700	(33,348)	180,352
Total	\$ 392,243	(\$ 37,653)	\$ 354,590

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

	Three months ended June 30,	
	2021	2020
Cost of goods sold	\$ 1,001,833	\$ 812,205
Inventory valuation loss	11,457	913
Others	(624)	(942)
Total	\$ 1,012,666	\$ 812,176

	Six months ended June 30,	
	2021	2020
Cost of goods sold	\$ 1,827,073	\$ 1,322,473
Inventory valuation loss	9,102	21,952
Others	(1,060)	(1,148)
Total	\$ 1,835,115	\$ 1,343,277

B. The Group has no inventories pledged to others.

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

Items	June 30, 2021	December 31, 2020	June 30, 2020
Non-current items:			
Equity instruments			
Listed stocks	\$ 2,341,496	\$ 1,275,587	\$ 548,103
Unlisted stocks	63,590	3,590	3,590
	2,405,086	1,279,177	551,693
Valuation adjustment	648,195	105,650	116,767
Total	\$ 3,053,281	\$ 1,384,827	\$ 668,460

- 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 \$3,053,281, \$1,384,827 and \$668,460 as at June 30, 2021, December 31, 2020 and June 30, 2020, respectively.
- B. Amounts recognized in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Three months ended June 30,	
	2021	2020
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	\$ 259,505	\$ 56,621
	Six months ended June 30,	
	2021	2020
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	\$ 542,545	\$ 17,066

- 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

	June 30, 2021		December 31, 2020		June 30, 2020	
	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)	<u>301,715</u>	10.66%	<u>245,365</u>	10.66%	<u>234,892</u>	10.66%
	<u>\$ 301,715</u>		<u>\$ 245,365</u>		<u>\$ 234,892</u>	

	Three months ended June 30,			
	2021		2020	
	Share of profit of associates and joint ventures accounted for using equity method, net	Other comprehensive income after tax	Share of loss 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)	<u>720</u>	<u>17,942</u>	<u>(398)</u>	<u>12,610</u>
	<u>\$ 720</u>	<u>\$ 17,942</u>	<u>(\$ 398)</u>	<u>\$ 12,610</u>

	Six months ended June 30,			
	2021		2020	
	Share of profit of associates and joint ventures accounted for using equity method, net	Other comprehensive income after tax	Share of loss 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)	1,377	38,603	(5,873)	(10,622)
	<u>\$ 1,377</u>	<u>\$ 38,603</u>	<u>(\$ 5,873)</u>	<u>(\$ 10,622)</u>

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

Shareholding ratio

<u>Company name</u>	<u>Principal place of business</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>Nature of relationship</u>	<u>Method of measurement</u>
Teco Image Systems Co., Ltd.	Taiwan	10.66%	10.66%	Note D	Equity method

Shareholding ratio

<u>Company name</u>	<u>Principal place of business</u>	<u>June 30, 2020</u>	<u>Nature of relationship</u>	<u>Method of measurement</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

	Teco Image Systems Co., Ltd.		
	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Current assets	\$ 1,120,717	\$ 973,999	\$ 899,400
Non-current assets	1,872,953	1,403,642	1,369,977
Current liabilities	(738,076)	(636,268)	(626,729)
Non-current liabilities	(25,933)	(40,323)	(39,844)
Total net assets	<u>\$ 2,229,661</u>	<u>\$ 1,701,050</u>	<u>\$ 1,602,804</u>
Share in associate's net assets	\$ 237,679	181,329	\$ 170,856
Goodwill	<u>64,036</u>	<u>64,036</u>	<u>64,036</u>
Carrying amount of the associate	<u>\$ 301,715</u>	<u>\$ 245,365</u>	<u>\$ 234,892</u>

Statement of comprehensive income

	Three months ended June 30,	
	2021	2020
Revenue	\$ 480,866	\$ 270,654
Profit (loss) for the period from continuing operations	\$ 6,749	(\$ 3,731)
Other comprehensive income, net of tax	321,876	118,292
Total comprehensive income	\$ 328,625	\$ 114,561
Dividends received from associates	\$ -	\$ -

	Six months ended June 30,	
	2021	2020
Revenue	\$ 933,636	\$ 488,002
Profit (loss) for the period from continuing operations	\$ 12,917	(\$ 55,091)
Other comprehensive income (loss), net of tax	515,694	(99,646)
Total comprehensive income (loss)	\$ 528,611	(\$ 154,737)
Dividends received from associates	\$ -	\$ -

- C. The Group's material associate, Teco Image, has quoted market prices. As of June 30, 2021, December 31, 2020 and June 30, 2020, the fair value was \$181,739, \$149,950 and \$142,153, 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 using the equity method. The Group is the single largest shareholder of Teco Image with a 10.66% equity interest. Taking into consideration the extent of other shareholders' participation in previous shareholders' meeting of Teco Image and the voting right record of significant proposals, which indicates that the Group has no current ability to direct the relevant activities of Teco Image, the Group has no control, but only has significant influence, over the investee.
- 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 June 30, 2021, December 31, 2020 and June 30, 2020, the Group's shareholding ratio in K9 Inc. was 33.82% and the balance of investment was \$0. For the three months and six months ended June 30, 2021 and 2020, 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

	2021						
	Buildings and structures	Machinery and equipment	Office equipment	Leasehold improvements	Other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1</u>							
Cost	\$ 613,924	\$ 999,054	\$ 46,678	\$ 29,271	\$ 13,996	\$ 1,523	\$ 1,704,446
Accumulated depreciation and impairment	(474,972)	(857,843)	(40,950)	(23,680)	(13,227)	-	(1,410,672)
	<u>\$ 138,952</u>	<u>\$ 141,211</u>	<u>\$ 5,728</u>	<u>\$ 5,591</u>	<u>\$ 769</u>	<u>\$ 1,523</u>	<u>\$ 293,774</u>
Opening net book value as at January 1	\$ 138,952	\$ 141,211	\$ 5,728	\$ 5,591	\$ 769	\$ 1,523	\$ 293,774
Additions	-	2,319	1,894	1,984	51	832	7,080
Transfers	-	1,629	33	-	274	(1,936)	-
Disposals	-	(46)	-	(1,541)	-	-	(1,587)
Depreciation	(8,132)	(30,702)	(1,133)	(442)	(218)	-	(40,627)
Net exchange differences	(1,435)	(1,260)	(28)	(63)	(10)	3	(2,793)
Closing net book value as at June 30	<u>\$ 129,385</u>	<u>\$ 113,151</u>	<u>\$ 6,494</u>	<u>\$ 5,529</u>	<u>\$ 866</u>	<u>\$ 422</u>	<u>\$ 255,847</u>
<u>At June 30</u>							
Cost	\$ 607,345	\$ 990,901	\$ 47,935	\$ 28,482	\$ 14,065	\$ 422	\$ 1,689,150
Accumulated depreciation and impairment	(477,960)	(877,750)	(41,441)	(22,953)	(13,199)	-	(1,433,303)
	<u>\$ 129,385</u>	<u>\$ 113,151</u>	<u>\$ 6,494</u>	<u>\$ 5,529</u>	<u>\$ 866</u>	<u>\$ 422</u>	<u>\$ 255,847</u>

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	-	-	1,067	1,820	-	137	3,024
Transfers	-	77	-	-	-	(77)	-
Disposals	-	(788)	-	-	-	-	(788)
Gain on reversal of impairment	-	788	-	-	-	-	788
Depreciation	(7,985)	(36,865)	(1,346)	(517)	(337)	-	(47,050)
Net exchange differences	(4,276)	(5,198)	(7)	(39)	(27)	(2)	(9,549)
Closing net book value as at June 30	<u>\$ 140,830</u>	<u>\$ 169,897</u>	<u>\$ 3,186</u>	<u>\$ 2,909</u>	<u>\$ 834</u>	<u>\$ 58</u>	<u>\$ 317,714</u>
<u>At June 30</u>							
Cost	\$ 587,684	\$ 980,259	\$ 45,204	\$ 25,996	\$ 13,459	\$ 58	\$ 1,652,660
Accumulated depreciation and impairment	(446,854)	(810,362)	(42,018)	(23,087)	(12,625)	-	(1,334,946)
	<u>\$ 140,830</u>	<u>\$ 169,897</u>	<u>\$ 3,186</u>	<u>\$ 2,909</u>	<u>\$ 834</u>	<u>\$ 58</u>	<u>\$ 317,714</u>

- A. The aforementioned property, plant and equipment were all for its own use.
- B. For the three months and six months ended June 30, 2021 and 2020, 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, \$0, \$0 and \$788, respectively.
- C. The Group has no 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:

	<u>Land use right</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
At January 1, 2021	\$ 38,540	\$ 35,979	\$ 309	\$ 74,828
Additions	-	902	2,475	3,377
Modification	-	(3,788)	(301)	(4,089)
Depreciation	(527)	(5,637)	(421)	(6,585)
Net exchange differences	(410)	(3)	-	(413)
At June 30, 2021	<u>\$ 37,603</u>	<u>\$ 27,453</u>	<u>\$ 2,062</u>	<u>\$ 67,118</u>

	<u>Land use right</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
At January 1, 2020	\$ 39,040	\$ 46,839	\$ 962	\$ 86,841
Additions	-	895	2,370	3,265
Depreciation	(517)	(6,636)	(979)	(8,132)
Net exchange differences	(1,122)	(21)	-	(1,143)
At June 30, 2020	<u>\$ 37,401</u>	<u>\$ 41,077</u>	<u>\$ 2,353</u>	<u>\$ 80,831</u>

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

	Three months ended June 30,	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 191	\$ 296
Expense on short-term lease contracts	18	18
<u>Six months ended June 30,</u>		
<u>2021</u>		
<u>2020</u>		
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 417	\$ 628
Expense on short-term lease contracts	36	36
Gain from lease modification	(64)	-

E. For the six months ended June 30, 2021 and 2020, the Group's total cash outflow for leases was \$6,422 and \$8,030, 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

Type of borrowings	June 30, 2021	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 785,000	0.97% ~ 1.2%	None
<u>December 31, 2020</u>			
Bank borrowings			
Unsecured borrowings	\$ 300,000	1.00% ~ 1.08%	None
Secured borrowings	450,000	0.90% ~ 1.00%	Stock
	\$ 750,000		
<u>June 30, 2020</u>			
Bank borrowings			
Unsecured borrowings	\$ 250,000	1.00% ~ 1.05%	None

For the three months and six months ended June 30, 2021 and 2020, the Group's interest expense recognized in profit or loss amounted to \$1,636, \$662, \$3,336 and \$666, respectively.

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

Items	June 30, 2021	December 31, 2020	June 30, 2020
Current items:			
Financial liabilities mandatorily measured at fair value through profit or loss			
Derivative instrument	\$ 1,392	\$ 1,039	\$ 3,636

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

	Three months ended June 30,	
	2021	2020
Financial liabilities mandatorily measured at fair value through profit or loss		
Derivative instrument	\$ 2,733	\$ 2,260

	Six months ended June 30,	
	2021	2020
Financial liabilities mandatorily measured at fair value through profit or loss		
Derivative instrument	(\$ 2,368)	(\$ 6,452)

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

	June 30, 2021	
Derivative instruments	Contract amount (Notional principal) (In thousands)	Maturity date of the contract
Current items:		
Forward foreign exchange contracts	USD 2,000	2021.8.30
Forward foreign exchange contracts	USD 2,000	2021.8.30
Forward foreign exchange contracts	USD 3,000	2021.9.29

	December 31, 2020	
Derivative instruments	Contract amount (Notional principal) (In thousands)	Maturity date of the contract
Current items:		
Cross currency swap	USD 2,000	2021.2.22
Cross currency swap	USD 1,000	2021.2.22

	June 30, 2020	
Derivative instruments	Contract amount (Notional principal) (In thousands)	Maturity date of the contract
Current items:		
Forward foreign exchange contracts	USD 2,000	2020.7.21
Forward foreign exchange contracts	USD 3,000	2020.7.21

(a) Cross currency swap

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

(b) Forward foreign exchange contracts

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

(12) Other payables

	<u>June 30, 2021</u>		<u>December 31, 2020</u>		<u>June 30, 2020</u>
Accrued employees' compensation and directors' and supervisors' remuneration	\$ 36,807	\$	32,970	\$	40,868
Royalties payable	52,191		52,191		52,191
Bonus payable	47,336		63,699		50,965
Wages and salaries payable	48,833		40,047		36,229
Service fees payable	3,952		4,038		5,447
Freight payable	3,648		3,652		3,380
Payables on equipment	3,427		2,375		369
Dividend payable	-		-		152,466
Others	29,543		36,824		35,828
	<u>\$ 225,737</u>	\$	<u>235,796</u>	\$	<u>377,743</u>

(13) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. In April 2021 and June 2020, the Department of Labor, Taipei City Government approved that the Company cease contributing to the retirement fund temporarily for 2021 and 2020, respectively.

(b) For the aforementioned pension plan, no pension costs was recognized for the three months and six months ended June 30, 2021 and 2020.

- (c) Expected contributions to the defined benefit pension plan of the Group for the year ending December 31, 2021 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 six months ended June 30, 2021 and 2020 were \$4,658, \$3,435, \$9,006 and \$5,847, respectively.

(14) Capital stock

- A. As of June 30, 2021, the Company’s authorized capital was \$2,500,000, consisting of 250 million shares of ordinary stock (including 15 million shares reserved for employee stock options), and the paid-in capital was \$1,270,550 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.
- B. For the six months ended June 30, 2021 and 2020, 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 2020 and 2019 earnings appropriation resolved by the stockholders on July 9, 2021 and June 12, 2020, respectively, are as follows:

	Years ended December 31,			
	2020		2019	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 18,954		\$ 18,370	
Special reserve	-		(39,847)	
Cash dividends	165,171	\$ 1.3	152,466	\$ 1.2
Total	<u>\$ 184,125</u>		<u>\$ 130,989</u>	

Abovementioned distribution of 2020 earnings is consistent with the proposal of the Board of Directors of the Company on March 18, 2021.

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

E. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6 (22).

(17) Other equity items

	2021		
	Unrealized gains (losses) on valuation	Currency translation	Total
At January 1	\$ 122,158	\$ 64,445	\$ 186,603
Valuation adjustment:			
— Group	542,545	-	542,545
— Associates	38,807	-	38,807
Currency translation differences:			
— Group	-	(21,213)	(21,213)
— Associates	-	(204)	(204)
At June 30	<u>\$ 703,510</u>	<u>\$ 43,028</u>	<u>\$ 746,538</u>
	2020		
	Unrealized gains (losses) on investment	Currency translation	Total
At January 1	\$ 121,937	\$ 54,873	\$ 176,810
Valuation adjustment:			
— Group	17,066	-	17,066
— Associates	(10,224)	-	(10,224)
Currency translation differences:			
— Group	-	(50,635)	(50,635)
— Associates	-	(398)	(398)
At June 30	<u>\$ 128,779</u>	<u>\$ 3,840</u>	<u>\$ 132,619</u>

(18) Operating revenue

	Three months ended June 30,	
	2021	2020
Revenue from contracts with customers	<u>\$ 1,174,668</u>	<u>\$ 971,551</u>
	Six months ended June 30,	
	2021	2020
Revenue from contracts with customers	<u>\$ 2,111,910</u>	<u>\$ 1,542,970</u>

The Group derives revenue from the following major geographical regions:

Three months ended					
June 30, 2021	China	Philippines	Thailand	Others	Total
Revenue from external customer contracts	<u>\$ 602,419</u>	<u>\$ 137,030</u>	<u>\$ 131,381</u>	<u>\$ 303,838</u>	<u>\$ 1,174,668</u>
Three months ended					
June 30, 2020	China	Philippines	Thailand	Others	Total
Revenue from external customer contracts	<u>\$ 366,065</u>	<u>\$ 161,182</u>	<u>\$ 260,961</u>	<u>\$ 183,343</u>	<u>\$ 971,551</u>
Six months ended					
June 30, 2021	China	Philippines	Thailand	Others	Total
Revenue from external customer contracts	<u>\$ 1,039,389</u>	<u>\$ 221,979</u>	<u>\$ 296,495</u>	<u>\$ 554,047</u>	<u>\$ 2,111,910</u>
Six months ended					
June 30, 2020	China	Philippines	Thailand	Others	Total
Revenue from external customer contracts	<u>\$ 577,338</u>	<u>\$ 249,020</u>	<u>\$ 354,274</u>	<u>\$ 362,338</u>	<u>\$ 1,542,970</u>

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

(19) Interest income

	Three months ended June 30,	
	2021	2020
Interest income from bank deposits	\$ 641	\$ 2,059
Interest income from financial assets measured at amortized cost	705	3,742
	<u>\$ 1,346</u>	<u>\$ 5,801</u>
	Six months ended June 30,	
	2021	2020
Interest income from bank deposits	\$ 1,253	\$ 5,293
Interest income from financial assets measured at amortized cost	1,597	8,574
Financial assets at fair value through profit or loss	5	-
	<u>\$ 2,855</u>	<u>\$ 13,867</u>

(20) Other income

	Three months ended June 30,	
	2021	2020
Rental revenue	\$ 660	\$ 822
Government grants	394	6,188
Other income	511	1,832
	<u>\$ 1,565</u>	<u>\$ 8,842</u>

	Six months ended June 30,	
	2021	2020
Rental revenue	\$ 1,516	\$ 1,483
Government grants	417	9,445
Dividend income	1,007	-
Other income	1,228	3,916
	<u>\$ 4,168</u>	<u>\$ 14,844</u>

(21) Other gains and losses

	Three months ended June 30,	
	2021	2020
Foreign exchange losses	(\$ 7,714)	(\$ 20,882)
Gains on financial assets (liabilities) at fair value through profit or loss	7,007	19,247
Other gains and losses (Note)	(119,746)	(292)
	<u>(\$ 120,453)</u>	<u>(\$ 1,927)</u>

	Six months ended June 30,	
	2021	2020
(Losses) gains on disposal of property, plant and equipment	(\$ 1,587)	\$ 714
Gain from lease modification	64	-
Foreign exchange losses	(1,378)	(13,660)
Gains on financial assets (liabilities) at fair value through profit or loss	17,286	10,785
Gains on reversal of impairment loss recognized in profit or loss - property, plant and equipment	-	788
Other gains and losses (Note)	(120,105)	(575)
	<u>(\$ 105,720)</u>	<u>(\$ 1,948)</u>

Note: For the three months and six months ended June 30, 2021, other gains and losses mainly pertain to expenses related to the solicitation of proxies for the shareholders' meeting of TECO ELECTRIC & MACHINERY CO., LTD.

(22) Employee benefit expense, depreciation and amortization

For the three months and six months ended June 30, 2021 and 2020, employee benefit expense, depreciation and amortization categorized by function were summarized as follows:

	Three months ended June 30, 2021		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense			
Wages and salaries	\$ 106,080	\$ 27,287	\$ 133,367
Labor and health insurance fees	9,029	2,253	11,282
Pension costs	3,259	1,399	4,658
Other personnel expenses	7,039	1,699	8,738
Depreciation	17,987	5,203	23,190
Amortization	3,704	657	4,361

	Three months ended June 30, 2020		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense			
Wages and salaries	\$ 79,606	\$ 36,853	\$ 116,459
Labor and health insurance fees	3,035	1,854	4,889
Pension costs	2,539	896	3,435
Other personnel expenses	5,688	1,523	7,211
Depreciation	20,851	6,208	27,059
Amortization	1,670	416	2,086

	Six months ended June 30, 2021		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense			
Wages and salaries	\$ 198,512	\$ 68,788	\$ 267,300
Labor and health insurance fees	16,036	5,216	21,252
Pension costs	6,474	2,532	9,006
Other personnel expenses	12,826	3,162	15,988
Depreciation	36,149	11,063	47,212
Amortization	6,942	1,318	8,260

	Six months ended June 30, 2020		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense			
Wages and salaries	\$ 128,068	\$ 66,860	\$ 194,928
Labor and health insurance fees	6,029	4,371	10,400
Pension costs	3,794	2,053	5,847
Other personnel expenses	9,010	2,804	11,814
Depreciation	42,593	12,589	55,182
Amortization	2,702	817	3,519

- 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 six months ended June 30, 2021 and 2020, employees' compensation were accrued at (\$1,686), \$7,199, \$2,878 and \$7,199, respectively; directors' and supervisors' remuneration were accrued at (\$562), \$2,400, \$959 and \$2,400, respectively. The aforementioned amounts were recognized in salary expenses, and estimated based on the current profit.

For the six months ended June 30, 2021, the employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on the distributable profit of current year as of the end of reporting period. The employees' compensation and directors' and supervisors' remuneration for 2020 resolved by the Board of Directors were in agreement with the amounts recorded in the 2020 financial statements of \$24,728 and \$8,242, 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.

(23) Income tax

A. Income tax expense

Components of income tax expense:

	Three months ended June 30,	
	2021	2020
Current tax:		
Total current tax	(\$ 24)	\$ 70,054
Tax imposed on undistributed surplus earnings	-	643
Prior year income tax under (over) estimation	2,478	(953)
Total current tax	2,454	69,744
Deferred tax:		
Origination and reversal of temporary differences	(1,907)	(45,468)
Effect of exchange rate	(19)	(142)
Total deferred tax	(1,926)	(45,610)
Income tax expense	\$ 528	\$ 24,134
	Six months ended June 30,	
	2021	2020
Current tax:		
Total current tax	\$ 14,215	\$ 76,683
Tax imposed on undistributed surplus earnings	-	643
Prior year income tax under (over) estimation	2,478	(953)
Total current tax	16,693	76,373
Deferred tax:		
Origination and reversal of temporary differences	(2,587)	(53,633)
Effect of exchange rate	(33)	(303)
Total deferred tax	(2,620)	(53,936)
Income tax expense	\$ 14,073	\$ 22,437

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

	2021			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	June 30
Temporary differences:				
– Deferred tax assets:				
Unrealized gain on affiliates	\$ 67	(\$ 9)	\$ -	\$ 58
Unrealized inventory valuation losses	5,356	2,228	-	7,584
Unrealized expenses	2,694	2,892	-	5,586
Unrealized grant revenue	588	(249)	-	339
	<u>\$ 8,705</u>	<u>\$ 4,862</u>	<u>\$ -</u>	<u>\$ 13,567</u>
Temporary differences:				
– Deferred tax liabilities:				
Unrealized exchange gain	(\$ 2,334)	\$ 137	\$ -	(\$ 2,197)
Gain on investments accounted for using equity method	(1,601)	(6,060)	-	(7,661)
Unrealized valuation gain on financial assets	(3,660)	3,648	-	(12)
Defined benefit plan	(2,224)	-	-	(2,224)
	<u>(\$ 9,819)</u>	<u>(\$ 2,275)</u>	<u>\$ -</u>	<u>(\$ 12,094)</u>
	<u>(\$ 1,114)</u>	<u>\$ 2,587</u>	<u>\$ -</u>	<u>\$ 1,473</u>

	2020			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	June 30
Temporary differences:				
– Deferred tax assets:				
Unrealized gain on affiliates	\$ 162	(\$ 60)	\$ -	\$ 102
Unrealized inventory valuation losses	4,142	5,116	-	9,258
Unrealized expenses	9,140	(5,680)	-	3,460
Loss on scraps of property, plant and equipment	971	(28)	-	943
Unrealized grant revenue	1,087	(280)	-	807
Impairment loss on non-financial assets	1,300	(228)	-	1,072
	<u>\$ 16,802</u>	<u>(\$ 1,160)</u>	<u>\$ -</u>	<u>\$ 15,642</u>
Temporary differences:				
– Deferred tax liabilities:				
Unrealized exchange gain	(\$ 1,489)	(\$ 282)	\$ -	(\$ 1,771)
Gain on investments accounted for using equity method	(112,728)	52,752	-	(59,976)
Unrealized valuation gain on financial assets	(2,845)	2,323	-	(522)
Defined benefit plan	(2,241)	-	-	(2,241)
	<u>(\$ 119,303)</u>	<u>\$ 54,793</u>	<u>\$ -</u>	<u>(\$ 64,510)</u>
	<u>(\$ 102,501)</u>	<u>\$ 53,633</u>	<u>\$ -</u>	<u>(\$ 48,868)</u>

C. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(24) Earnings (loss) per share

	<u>Three months ended June 30, 2021</u>		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 12,565)	127,055	(\$ 0.09)
<u>Diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 12,565)	127,055	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	101	
Loss attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	(\$ 12,565)	127,156	(\$ 0.10)
	<u>Three months ended June 30, 2020</u>		
	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	\$ 68,588	127,055	\$ 0.54
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 68,588	127,055	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	384	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 68,588	127,439	\$ 0.54

	Six months ended June 30, 2021		
	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	\$ 27,381	127,055	\$ 0.22
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 27,381	127,055	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	570	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 27,381	127,625	\$ 0.21
	Six months ended June 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	\$ 57,829	127,055	\$ 0.46
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 57,829	127,055	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	982	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 57,829	128,037	\$ 0.45

(25) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Six months ended June 30,	
	2021	2020
Purchase of property, plant and equipment	\$ 7,080	\$ 3,024
Add: Opening balance of payable on equipment	2,375	-
Less: Ending balance of payable on equipment	(3,427)	(369)
Cash paid during the period	<u>\$ 6,028</u>	<u>\$ 2,655</u>

B. Financing activities with no cash flow effects:

	June 30, 2021	June 30, 2020
Dividends payable	<u>\$ -</u>	<u>\$ 152,466</u>

(26) Changes in liabilities from financing activities

	2021		
	Short-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1	\$ 750,000	\$ 37,006	\$ 787,006
Changes in cash flow from financing activities	35,000	(5,969)	29,031
Increase in lease liabilities	-	3,377	3,377
Decrease in lease liabilities	-	(4,153)	(4,153)
Interest amortized in lease liabilities	-	417	417
Interest paid in lease liabilities	-	(417)	(417)
Impact of changes in foreign exchange rate	-	(5)	(5)
At June 30	<u>\$ 785,000</u>	<u>\$ 30,256</u>	<u>\$ 815,256</u>

	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	250,000	(7,366)	242,634
Increase in lease liabilities	-	3,265	3,265
Interest amortized in lease liabilities	-	628	628
Interest paid in lease liabilities	-	(628)	(628)
Impact of changes in foreign exchange rate	-	(30)	(30)
At June 30	<u>\$ 250,000</u>	<u>\$ 44,016</u>	<u>\$ 294,016</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
KROM ELECTRONICS CO., LTD.	The Group's key management
Koryo Electronics Co., Ltd.	The Group's key management
Teco Image Systems Co., Ltd.	Associate
Teco Image Systems (DongGuan) Co., Ltd.	Associate

(2) Significant related party transactions and balances

A. Operating revenue

	Three months ended June 30,	
	2021	2020
Sales of goods:		
— The Group's key management	\$ 418	\$ -
	Six months ended June 30,	
	2021	2020
Sales of goods:		
— The Group's key management	\$ 846	\$ -
— Associates	207	-
	\$ 1,053	\$ -

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

B. Purchases

	Three months ended June 30,	
	2021	2020
Purchases of goods:		
— The Group's key management		
— KROM ELECTRONICS	\$ 98,166	\$ 90,963
— Koryo Electronics	1,220	-
	\$ 99,386	\$ 90,963
	Six months ended June 30,	
	2021	2020
Purchases of goods:		
— The Group's key management		
— KROM ELECTRONICS	\$ 209,188	\$ 157,766
— Koryo Electronics	1,907	-
	\$ 211,095	\$ 157,766

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>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Accounts receivable:			
– The Group’s key management	\$ 419	\$ -	\$ -
– Associates	<u>-</u>	<u>52</u>	<u>-</u>
	<u>\$ 419</u>	<u>\$ 52</u>	<u>\$ -</u>
	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Other accounts receivable:			
– Associates			
– Teco Image Systems Co., Ltd.	<u>\$ -</u>	<u>\$ 288</u>	<u>\$ 5,571</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>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Accounts payable:			
– The Group’s key management			
– KROM ELECTRONICS	\$ 98,032	\$ 119,544	\$ 89,700
– Koryo Electronics	<u>1,875</u>	<u>-</u>	<u>-</u>
	<u>\$ 99,907</u>	<u>\$ 119,544</u>	<u>\$ 89,700</u>
	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Other payables:			
– Associates			
– Teco Image Systems Co., Ltd.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,498</u>

The purchase and price terms to aforementioned related parties are approximately the same as the third parties which is 60~90 days after monthly billing upon purchase. The payables bear no interest.

E. Other income

	<u>Three months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Associates – Teco Image Systems Co., Ltd.	<u>\$ -</u>	<u>\$ -</u>
	<u>Six months ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Associates – Teco Image Systems Co., Ltd.	<u>\$ 101</u>	<u>\$ 5,645</u>

F. Other expense

	Three months ended June 30,	
	2021	2020
Associates	\$ -	\$ 1,472

	Six months ended June 30,	
	2021	2020
Associates	\$ 43	\$ 1,472

(3) Key management compensation

For the three months and six months ended June 30, 2021 and 2020, the key management compensation (including salaries and other short-term employee benefits) recognized for directors, supervisors, general manager and vice general manager was \$3,523, \$7,516, \$19,587 and \$13,099, including employees' compensation and directors' and supervisors' remuneration accrued in profit or loss was (\$562), \$2,400, \$959 and \$2,400 for the three months and six months ended June 30, 2021 and 2020, respectively.

8. PLEDGED ASSETS

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

Pledged asset	Book value			Purpose
	June 30, 2021	December 31, 2020	June 30, 2020	
Non-current financial assets at fair value through other comprehensive income	\$ -	\$ 810,145	\$ -	Short-term borrowings

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

(1) For the details of the Company's 2020 earnings appropriation, please refer to Note 6 (16).

- (2) TECO ELECTRIC & MACHINERY CO., LTD. (TECO) asserted that there were flaws in the procedures during the meeting of the Company's Board of Directors on June 21, 2021 and that the resolution postponing the shareholders' annual meeting adopted at the Board of Directors' meeting is ineffective. Therefore, TECO filed a provisional injunction motion maintaining a temporary status quo with the Intellectual Property and Commercial Court on July 1, 2021 to prohibit the holding of the shareholders' annual meeting. However, after the assessment of the Intellectual Property and Commercial Court, TECO's provisional injunction motion was denied by a ruling on July 7, 2021. TECO's motion was found without merit and denied for the following reasons: (1) The holding of the shareholders' meeting ensures the shareholders' gains on 2020 earnings appropriation; (2) As directors, Yu Shin-Da, Wang Jian-Min, etc. refused to attend the Board of Directors' meeting in purpose, it might not be able to hold another Board of Directors' meeting to resolve the date of shareholders' annual meeting; and (3) If the shareholders' annual meeting on July 9, 2021 will not be held, it might cause the stocks of Creative Sensor Inc. to be listed as securities that have changed trading method which will affect the investors' equity. Therefore, TECO's application for an injunction maintaining a temporary status quo has no impact on the holding of the shareholders' annual meeting on July 9, 2021.
- (3) The Company plans to repurchase 6,500,000 shares at a price between \$24 to \$38 (in dollar) per share for the period from July 22, 2021 to September 19, 2021 to reissue to employees as resolved by the Board of Directors on July 21, 2021.
- (4) To increase working capital and meet the capital needs for the Company's long-term development, the Board of Directors adopted a resolution on July 29, 2021 to raise additional cash through private placement. The maximum number of ordinary shares to be issued through the private placement is 38,116.5 thousand shares. As of August 9, 2021, the private placement has not yet been resolved by the shareholders.
- (5) The Company increased its equity investment in Teco Image Systems Co., Ltd. at an amount not exceeding \$318,000 as resolved by the Board of Directors on August 5, 2021.
- (6) The Company plans to dispose its 1,781 thousand stocks of Taiwan Pelican Express Co., Ltd. as resolved by the Board of Directors on August 5, 2021.

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, 2020 for the related information.

(2) Financial instruments

A. Financial instruments by category

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</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	\$ 1,453	\$ 144,239	\$ 113,246
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	3,053,281	1,384,827	668,460
Financial assets at amortized cost			
Cash and cash equivalents	751,339	1,884,250	1,420,967
Accounts receivable (including related parties)	716,663	539,796	561,066
Other accounts receivable (including related parties)	-	288	5,571
Guarantee deposits paid	1,619	2,118	2,110
Financial assets at amortized cost	<u>181,368</u>	<u>174,835</u>	<u>831,408</u>
	<u>\$ 4,705,723</u>	<u>\$ 4,130,353</u>	<u>\$ 3,602,828</u>
	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities mandatorily measured at fair value through profit or loss	\$ 1,392	\$ 1,039	\$ 3,636
Financial liabilities at amortized cost			
Short-term borrowing	785,000	750,000	250,000
Accounts payable (including related parties)	792,496	716,376	712,439
Other payables	<u>225,737</u>	<u>235,796</u>	<u>377,743</u>
	<u>\$ 1,804,625</u>	<u>\$ 1,703,211</u>	<u>\$ 1,343,818</u>
Lease liability (including current and non-current portion)	<u>\$ 30,256</u>	<u>\$ 37,006</u>	<u>\$ 44,016</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, 2020 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:

June 30, 2021						
Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis			
			Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 40,962	27.90	\$ 1,142,840	1%	\$ 11,428	\$ -
RMB : NTD	300	4.32	1,296	1%	13	-
USD : RMB	41,822	6.46	1,166,834	1%	11,668	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 39,351	27.90	\$ 1,097,893	1%	\$ 10,979	\$ -
USD : RMB	23,964	6.46	668,596	1%	6,686	-

December 31, 2020						
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	\$ 59,031	28.48	\$ 1,681,203	1%	\$ 16,812	\$ -
RMB : NTD	300	4.36	1,308	1%	13	-
USD : RMB	35,991	6.52	1,025,024	1%	10,250	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 45,833	28.48	\$ 1,305,324	1%	\$ 13,053	\$ -
USD : RMB	20,804	6.52	592,498	1%	5,925	-
June 30, 2020						
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	\$ 49,861	29.58	\$ 1,474,888	1%	\$ 14,749	\$ -
RMB : NTD	2,416	4.18	10,099	1%	101	-
USD : RMB	30,399	7.08	899,202	1%	8,992	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 30,227	29.58	\$ 894,115	1%	\$ 8,941	\$ -
USD : RMB	19,995	7.08	591,452	1%	5,915	-

- v. The total exchange loss, including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group were (\$7,714), (\$20,882), (\$1,378) and (\$13,660) for the three months and six months ended June 30, 2021 and 2020, 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 six months ended June 30, 2021 and 2020 would have increased/decreased by \$0 and \$10,700, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. For the six months ended June 30, 2021 and 2020, other components of equity would have increased/decreased by \$305,328 and \$66,846, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

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

(b) Credit risk

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

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

- (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group classifies customers' accounts receivable in accordance with customer types. The Group applies the simplified approach using the 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 June 30, 2021, December 31, 2020 and June 30, 2020, 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 June 30, 2021, December 31, 2020 and June 30, 2020, the total book value of accounts receivable and loss allowance were \$716,878, \$539,958, \$561,234 and \$215, \$162, \$168, respectively.
- ix. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	<u>2021</u>	<u>2020</u>
	Accounts receivable (including related parties)	Accounts receivable (including related parties)
At January 1	\$ 162	\$ 163
Provision for impairment	<u>53</u>	<u>5</u>
At June 30	<u>\$ 215</u>	<u>\$ 168</u>

For the six months ended June 30, 2021 and 2020, the impairment losses arising from customers' contracts are \$53 and \$5, respectively.

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

	<u>June 30, 2021</u>			
	<u>Lifetime</u>			
	<u>12 months</u>	<u>Significant increase in credit risk</u>	<u>Impairment of credit</u>	<u>Total</u>
Financial assets at amortized cost	<u>\$ 181,368</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 181,368</u>

December 31, 2020				
Lifetime				
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortized cost	\$ 174,835	\$ -	\$ -	\$ 174,835

June 30, 2020				
Lifetime				
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortized cost	\$ 831,408	\$ -	\$ -	\$ 831,408

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.

Non-derivative financial liabilities

June 30, 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Short-term borrowings	\$ 786,407	\$ -	\$ -
Accounts payable (including related parties)	792,496	-	-
Other payables	225,737	-	-
Lease liability	11,225	10,595	9,363

Derivative financial liabilities

June 30, 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Forward foreign exchange contracts	\$ 1,392	\$ -	\$ -

Non-derivative financial liabilities

<u>December 31, 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	\$ 750,695	\$ -	\$ -
Accounts payable (including related parties)	716,376	-	-
Other payables (including related parties)	235,796	-	-
Lease liability	13,128	11,553	13,824

Derivative financial liabilities

<u>December 31, 2020</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Cross currency swap	\$ 1,039	\$ -	\$ -

Non-derivative financial liabilities

<u>June 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	\$ 250,569	\$ -	\$ -
Accounts payable (including related parties)	712,439	-	-
Other payables	377,743	-	-
Lease liability	14,437	12,605	19,326

Derivative financial liabilities

<u>June 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	\$ 3,636	\$ -	\$ -

- 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>June 30, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Derivative instruments	\$ -	\$ 1,453	\$ -	\$ 1,453
Financial assets at fair value through other comprehensive income				
Equity securities	<u>2,989,805</u>	<u>63,476</u>	-	<u>3,053,281</u>
Total	<u>\$ 2,989,805</u>	<u>\$ 64,929</u>	<u>\$ -</u>	<u>\$ 3,054,734</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instruments	<u>\$ -</u>	<u>\$ 1,392</u>	<u>\$ -</u>	<u>\$ 1,392</u>

<u>December 31, 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	\$ 124,900	\$ -	\$ -	\$ 124,900
Derivative instruments	-	19,339	-	19,339
Financial assets at fair value through other comprehensive income				
Equity securities	<u>1,384,827</u>	<u>-</u>	<u>-</u>	<u>1,384,827</u>
Total	<u>\$ 1,509,727</u>	<u>\$ 19,339</u>	<u>\$ -</u>	<u>\$ 1,529,066</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instruments	<u>\$ -</u>	<u>\$ 1,039</u>	<u>\$ -</u>	<u>\$ 1,039</u>
<u>June 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	\$ 107,000	\$ -	\$ -	\$ 107,000
Derivative instruments	-	6,246	-	6,246
Financial assets at fair value through other comprehensive income				
Equity securities	<u>668,460</u>	<u>-</u>	<u>-</u>	<u>668,460</u>
Total	<u>\$ 775,460</u>	<u>\$ 6,246</u>	<u>\$ -</u>	<u>\$ 781,706</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instruments	<u>\$ -</u>	<u>\$ 3,636</u>	<u>\$ -</u>	<u>\$ 3,636</u>

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

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

	<u>Listed shares</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net assets value

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

D. For the six months ended June 30, 2021 and 2020, 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 six months ended June 30, 2021 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 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:

	Six months ended June 30, 2021		
	Single operating segment	Reconciliation and elimination	Total
Reportable segments income			
Revenue from external customers	\$ 2,111,910	\$ -	\$ 2,111,910
Total	\$ 2,111,910	\$ -	\$ 2,111,910
Reportable segments profit	\$ 41,454	\$ -	\$ 41,454
Segments profit, including:			
Interest income	\$ 2,855	\$ -	\$ 2,855
Depreciation and amortization	\$ 55,472	\$ -	\$ 55,472
Share of profit of associates and joint ventures accounted for using equity method	\$ 1,377	\$ -	\$ 1,377
Income tax expense	\$ 14,073	\$ -	\$ 14,073

	Six months ended June 30, 2020		
	Single operating segment	Reconciliation and elimination	Total
Reportable segments income			
Revenue from external customers	\$ 1,542,970	\$ -	\$ 1,542,970
Total	\$ 1,542,970	\$ -	\$ 1,542,970
Reportable segments profit	\$ 80,266	\$ -	\$ 80,266
Segments profit, including:			
Interest income	\$ 13,867	\$ -	\$ 13,867
Depreciation and amortization	\$ 58,701	\$ -	\$ 58,701
Share of loss of associates and joint venturers accounted for using equity method	(\$ 5,873)	\$ -	(\$ 5,873)
Income tax expense	\$ 22,437	\$ -	\$ 22,437

(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:

	Six months ended June 30,	
	2021	2020
Reportable segments income	\$ 41,454	\$ 80,266
Income before tax from continuing operations	\$ 41,454	\$ 80,266

Creative Sensor Inc. and Subsidiaries

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

Six months ended June 30, 2021

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities categories (Note 1)	Marketable securities	Relationship with the securities issuer	General ledger account	As of June 30, 2021				
					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	77,519	\$ 2,573,631	3.62%	\$ 2,573,631	
"	"	Koryo Electronics Co., Ltd.	The Group's key management	"	7,011	168,615	13.53%	168,615	
"	"	MUTUALPAK	-	"	108	-	0.65%	-	
"	"	Taiwan Pelican Express Co., Ltd.	-	"	1,781	247,559	1.87%	247,559	
"	"	Tianda Investment Co., Ltd.	-	"	6,000	63,476	16.83%	63,476	
						<u>\$ 3,053,281</u>		<u>\$ 3,053,281</u>	

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

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

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

Six months ended June 30, 2021

Table 2

Expressed in thousands of TWD

(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Balance as at January 1, 2021		Addition		Disposal			Balance as at June 30, 2021 (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.	Financial assets at fair value through other comprehensive income - noncurrent	45,591	\$ 1,260,591	31,928	\$ 969,932	-	\$ -	\$ -	\$ -	-	77,519	\$ 2,573,631

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 June 30, 2021 included fair value valuation amounting to \$343,108.

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
Six months ended June 30, 2021

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Percentage of total purchases (sales)	Credit term	Differences in transaction terms compared to third party transactions (Note)		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount			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	\$ 1,873,779	100%	75~90 days after monthly billing	\$ -	Note	(\$ 1,033,548)	98.46%	-
Nanchang Creative Sensor Technology Co., Ltd.	KROM ELECTRONICS CO., LTD.	The Company is a director of the company's ultimate holding company	"	209,188	13.86%	60 days after monthly billing	-	Note	(98,032)	11.91%	-

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
 Six months ended June 30, 2021

Table 4

Expressed in thousands of NTD
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2021	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	\$ 1,033,548	3.96	\$ -	-	\$ 333,751	\$ -

Creative Sensor Inc. and Subsidiaries
Significant inter-company transactions during the reporting period
Six months ended June 30, 2021

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)	Note
				General ledger account	Amount	Transaction terms		
0	The Company	Nanchang Creative Sensor Technology Co., Ltd.	1	Accounts payable	\$ 1,033,548	75~90 days after monthly billing	17.77%	-
"	"	"	"	Purchases	1,873,779	"	88.72%	-
1	Nanchang Creative Sensor Technology Co., Ltd.	The Company	2	Accounts payable	43,605	60 days after monthly billing	0.75%	Note 4

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The unpaid payment for purchasing materials as a result of OEM transaction with Nanchang Creative Sensor Technology Co., Ltd.

Note 5: Individual transactions not reaching \$10,000 and their corresponding transactions will not be disclosed.

Creative Sensor Inc. and Subsidiaries
Information on investees
Six months ended June 30, 2021

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2021			Net profit (loss) of the investee for the six months ended June 30, 2021	Investment income (loss) recognized by the Company for the six months ended June 30, 2021 (Note)	Footnote
				Balance as at June 30, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
The Company	Creative Sensor Inc.	British Virgin Islands	Holding company	\$ 583,416	\$ 974,576	15,414,994	100	\$ 1,290,195	\$ 20,269	\$ 20,269	Subsidiary
The Company	Creative Sensor (USA) Co.	U.S.A.	Collection of marketing information and maintaining customer relationship	3,169	3,169	100,000	100	3,827	1,541	1,541	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	301,715	12,917	1,377	Investee accounted for using equity method
Creative Sensor Inc.	Creative Sensor Co., Ltd.	Hong Kong	Holding company	586,837	586,837	15,501,368	100	1,287,396	20,657	-	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
Six months ended June 30, 2021

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 six months ended June 30, 2021			Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021 (Note 3)	Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2021 (Note 3)	Net income of investee for the six months ended June 30, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the six months ended June 30, 2021 (Note 4)	Book value of investments in Mainland China as of June 30, 2021	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2021	Footnote
				as of January 1, 2021 (Note 3)	Remitted to Mainland China	Remitted back to Taiwan										
Wuxi Creative Sensor Technology Co., Ltd.	Image Sensor	\$ 35,673	Note 1	\$ 416,054	\$ -	(\$ 390,530)	\$ 25,524	(\$ 1,763)	\$ 25,524	(\$ 1,763)	100	(\$ 1,763)	\$ 242,868	\$ 637,020	None 5	
Nanchang Creative Sensor Technology Co., Ltd.	Image Sensor	937,934	Note 1	404,478	-	-	404,478	22,475	404,478	22,475	100	22,475	1,045,139	437,459	None 6	

Note 1: Through investing in an existing company in the third area (Creative Sensor Inc.), which then invested in the investee in Mainland China.

Note 2: The paid-in capital of two investee companies in the original currency amounted to RMB 8,261 thousand and RMB 217,215 thousand, respectively.

Note 3: Wuxi Creative Sensor Technology Co., Ltd.'s accumulated amount of remittance from Taiwan to Mainland China as of January 1 and June 30, 2021 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 June 30, 2021 in the original currency was both US\$14,500 thousand.

Note 4: Investment income (loss) recognized for the six months ended June 30, 2021 was evaluated and disclosed based on the financial statements reviewed by R.O.C. parent company's CPA.

Note 5: The investment facility of US\$15,005 thousand was approved by the Investment Commission, as of June 30, 2021, the Investment Commission also approved the investment income of US\$21,440 thousand which has been remitted back to Taiwan and proceeds from capital reduction of US\$14,000 thousand which have been remitted back, and all of them could be used to deduct from the accumulated investment amounts in Mainland China.

Note 6: The investment facility of US\$14,500 thousand and US\$15,300 thousand of Wuxi Creative Sensor Technology Co., Ltd.'s reinvestment in Nanchang Creative Sensor Technology Co., Ltd. through capitalisation of earnings which was approved by the Investment Commission, as of June 30, 2021, the Investment Commission also approved that the investment income of US\$15,121 thousand which has been remitted back to Taiwan, and all of them could be used to deduct from the accumulated investment amounts in Mainland China.

B. Ceiling on reinvestments in Mainland Area

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2021	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	\$ 430,002	\$ 432,512	\$ 2,368,883

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2021 in original currency amounted to US\$15,415 thousand.

Note 2: Investment amount in the original currency approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) amounted to US\$15,505 thousand.

Furthermore, as of June 30, 2021, the Investment Commission approved that the investment income from reinvestment business in Mainland China remitted back to Taiwan was US\$36,561 thousand which could be deducted from the accumulated investment amounts in Mainland China.

Creative Sensor Inc. and Subsidiaries

Major shareholders information

June 30, 2021

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 the calculation basis.
- (b) If the aforementioned data contains shares which were kept in trust by the shareholders, the data was disclosed as separate account of client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio includes the self-owned shares and shares held in trust, at the same time, the shareholders have power to decide how to allocate the assets held in trust. For the information on reported share equity of insider, please refer to Market Observation Post System.