

**CREATIVE SENSOR INC. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2022 AND 2021**

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

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Creative Sensor Inc. and subsidiaries (the “Group”) as at September 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews and the reports of other auditors (refer to the *Other matter* section), nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2022 and 2021, and of its consolidated financial performance for the three months and nine months then ended and its consolidated cash flows for the nine months then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Other matter

We did not review the financial statements of certain investments accounted for using the equity method which were reviewed by other auditors. Therefore, our conclusion expressed herein, insofar as it relates to the amounts included in respect of these associates, is based solely on the reports of the other auditors. The balance of these investments accounted for using the equity method amounted to NT\$192,277 thousand and NT\$208,698 thousand, constituting 2.98% and 3.25% of the consolidated total assets as at September 30, 2022 and 2021, respectively, and the comprehensive loss recognized from associates and joint ventures accounted for using the equity method amounted to NT\$9,533 thousand, (NT\$14,342) thousand, (NT\$8,302) thousand and (NT\$14,342) thousand, constituting 6.78%, 9.32%, (11.18%) and (3.31%) of the consolidated total comprehensive income for the three months and nine months then ended, respectively.

Lin, Po-Chuan

Lin, Chun-Yao

LIN, PO-CHUAN

Lin, Chun-Yao

For and on Behalf of PricewaterhouseCoopers, Taiwan

November 3, 2022

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
SEPTEMBER 30, 2022, DECEMBER 31, 2021 AND SEPTEMBER 30, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(The balance sheets as of September 30, 2022 and 2021 are reviewed, not audited)

Assets	Notes	September 30, 2022		December 31, 2021		September 30, 2021	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets							
1100	Cash and cash equivalents	\$ 1,510,958	23	\$ 1,441,196	21	\$ 1,050,179	17
1110	Financial assets at fair value						
	through profit or loss - current	-	-	1,972	-	1,415	-
1136	Financial assets at amortized cost -						
	current, net	165,994	3	217,212	3	214,302	3
1170	Accounts receivable, net	770,793	12	444,862	7	647,960	10
1180	Accounts receivable - related						
	parties, net	-	-	507	-	-	-
1210	Other receivables - related parties,						
	net	-	-	3,780	-	3,600	-
130X	Inventories, net	407,144	6	527,208	8	404,983	6
1479	Other current assets	36,408	1	39,060	1	40,845	1
11XX	Total current assets	<u>2,891,297</u>	<u>45</u>	<u>2,675,797</u>	<u>40</u>	<u>2,363,284</u>	<u>37</u>
Non-current assets							
1517	Non-current financial assets at fair						
	value through other comprehensive						
	income	2,348,249	36	2,757,294	41	2,724,276	42
1550	Investments accounted for using						
	the equity method	905,655	14	958,375	14	978,138	15
1600	Property, plant and equipment, net	199,714	3	227,987	3	240,316	4
1755	Right-of-use assets	57,134	1	62,461	1	63,602	1
1780	Intangible assets	6,810	-	4,785	-	5,341	-
1840	Deferred income tax assets	12,807	-	9,906	-	11,218	-
1990	Other non-current assets	28,672	1	35,916	1	33,175	1
15XX	Total non-current assets	<u>3,559,041</u>	<u>55</u>	<u>4,056,724</u>	<u>60</u>	<u>4,056,066</u>	<u>63</u>
1XXX	Total assets	<u>\$ 6,450,338</u>	<u>100</u>	<u>\$ 6,732,521</u>	<u>100</u>	<u>\$ 6,419,350</u>	<u>100</u>

(Continued)

CREATIVE SENSOR INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2022, DECEMBER 31, 2021 AND SEPTEMBER 30, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(The balance sheets as of September 30, 2022 and 2021 are reviewed, not audited)

Liabilities and Equity	Notes	September 30, 2022		December 31, 2021		September 30, 2021		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(10) and 8	\$ 1,400,000	22	\$ 1,734,800	26	\$ 1,734,800	27
2120	Financial liabilities at fair value	6(11)						
	through profit or loss - current		3,454	-	-	-	19	-
2170	Accounts payable		744,132	12	696,600	10	859,839	14
2180	Accounts payable - related parties	7	1,806	-	1,230	-	-	-
2200	Other payables	6(12)	255,492	4	247,208	4	235,968	4
2230	Income tax payable		73,592	1	26,785	-	24,828	-
2280	Current lease liabilities		12,232	-	11,232	-	10,323	-
2300	Other current liabilities		8,996	-	7,555	-	6,594	-
21XX	Total current liabilities		<u>2,499,704</u>	<u>39</u>	<u>2,725,410</u>	<u>40</u>	<u>2,872,371</u>	<u>45</u>
Non-current liabilities								
2570	Deferred income tax liabilities		43,565	1	21,654	1	19,088	-
2580	Non-current lease liabilities		7,901	-	14,688	-	16,971	-
25XX	Total non-current liabilities		<u>51,466</u>	<u>1</u>	<u>36,342</u>	<u>1</u>	<u>36,059</u>	<u>-</u>
2XXX	Total liabilities		<u>2,551,170</u>	<u>40</u>	<u>2,761,752</u>	<u>41</u>	<u>2,908,430</u>	<u>45</u>
Equity attributable to owners of parent								
	Share capital	6(15)						
3110	Common stock		1,490,550	23	1,490,550	22	1,270,550	20
	Capital surplus	6(16)						
3200	Capital surplus		974,424	15	974,247	15	677,467	10
	Retained earnings	6(17)						
3310	Legal reserve		532,516	8	497,319	7	497,319	8
3350	Unappropriated retained earnings		1,050,514	16	899,307	13	900,361	14
	Other equity interest	6(18)						
3400	Other equity interest		74,645	1	368,902	6	355,995	6
3500	Treasury shares	6(14)(15)	(223,481)	(3)	(259,556)	(4)	(190,772)	(3)
3XXX	Total equity		<u>3,899,168</u>	<u>60</u>	<u>3,970,769</u>	<u>59</u>	<u>3,510,920</u>	<u>55</u>
3X2X	Total liabilities and equity		<u>\$ 6,450,338</u>	<u>100</u>	<u>\$ 6,732,521</u>	<u>100</u>	<u>\$ 6,419,350</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
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

Items	Notes	Three months ended September 30				Nine months ended September 30				
		2022		2021		2022		2021		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Net revenue	6(19) and 7	\$ 1,168,168	100	\$ 1,106,526	100	\$ 3,138,960	100	\$ 3,218,436	100
5000	Cost of revenue	6(5)(23) and 7	(959,667)	(82)	(956,025)	(86)	(2,621,062)	(84)	(2,791,140)	(87)
5900	Gross profit		208,501	18	150,501	14	517,898	16	427,296	13
	Operating expenses	6(23)								
6100	Selling expenses		(23,582)	(2)	(21,073)	(2)	(57,329)	(2)	(55,068)	(2)
6200	General and administrative expenses		(60,276)	(5)	(61,865)	(6)	(139,737)	(4)	(124,860)	(4)
6300	Research and development expenses		(27,561)	(3)	(24,193)	(2)	(63,403)	(2)	(61,471)	(2)
6000	Total operating expenses		(111,419)	(10)	(107,131)	(10)	(260,469)	(8)	(241,399)	(8)
6900	Income from operations		97,082	8	43,370	4	257,429	8	185,897	5
	Non-operating income and expenses									
7100	Interest income	6(20)	2,603	-	1,385	-	5,877	-	4,240	-
7010	Other income	6(21) and 7	129,086	11	118,901	11	142,329	5	123,069	4
7020	Other gains and losses	6(22)	61,607	5	(4,608)	(1)	60,710	2	(110,328)	(3)
7050	Finance costs	6(9)(10)	(4,449)	-	(3,289)	-	(13,935)	-	(7,042)	-
7060	Share of profit of associates and joint ventures accounted for using equity method, net	6(7)	30,093	3	14,081	1	14,757	-	15,458	-
7000	Total non-operating income and expenses		218,940	19	126,470	11	209,738	7	25,397	1
7900	Profit before income tax		316,022	27	169,840	15	467,167	15	211,294	6
7950	Income tax expense	6(24)	(57,534)	(5)	(21,961)	(2)	(118,036)	(4)	(36,034)	(1)
8200	Net income		\$ 258,488	22	\$ 147,879	13	\$ 349,131	11	\$ 175,260	5
	Other comprehensive income									
	Components of other comprehensive income that will not be reclassified to profit or loss									
8316	Unrealized (loss) gain from investments in equity instruments measured at fair value through other comprehensive income	6(6)(18)	(\$ 123,593)	(11)	(\$ 195,532)	(17)	(\$ 261,270)	(8)	\$ 347,013	11
8320	Share of other comprehensive loss of associates and joint ventures accounted for using equity method	6(7)(18)	(12,006)	(1)	(96,279)	(9)	(54,745)	(2)	(57,472)	(2)
8310	Other comprehensive (loss) income that will not be reclassified to profit or loss		(135,599)	(12)	(291,811)	(26)	(316,015)	(10)	289,541	9
	Components of other comprehensive income that will be reclassified to profit or loss									
8361	Exchange differences on translation	6(18)	20,168	2	(9,962)	(1)	44,815	1	(31,175)	(1)
8367	Unrealized losses from investments in debt instruments measured at fair value through other comprehensive income	6(6)(18)	(2,543)	-	-	-	(4,492)	-	-	-
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method	6(7)(18)	187	-	(39)	-	817	-	(243)	-
8360	Other comprehensive (loss) income that will be reclassified to profit or loss		17,812	2	(10,001)	(1)	41,140	1	(31,418)	(1)
8300	Other comprehensive (loss) income for the period		(\$ 117,787)	(10)	(\$ 301,812)	(27)	(\$ 274,875)	(9)	\$ 258,123	8
8500	Total comprehensive (loss) income for the period		\$ 140,701	12	(\$ 153,933)	(14)	\$ 74,256	2	\$ 433,383	13
	Earnings per share (in dollars)	6(25)								
9750	Basic earnings per share		\$ 2.30		\$ 1.38		\$ 3.13		\$ 1.45	
9850	Diluted earnings per share		\$ 2.26		\$ 1.37		\$ 3.07		\$ 1.44	

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

CREATIVE SENSOR INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

	Equity attributable to owners of the parent											
	Notes	Capital surplus			Changes in equity of associates and joint ventures accounted for using equity method	Retained earnings		Other equity interest			Treasury shares	Total equity
		Capital stock - common stock	Additional paid-in capital	Treasury stock transactions		Legal reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income			
<u>Nine months ended September 30, 2021</u>												
Balance at January 1, 2021		\$ 1,270,550	\$ 673,471	\$ 3,996	\$ -	\$ 478,365	\$ 731,467	\$ 64,445	\$ 122,158	\$ -	\$ 3,344,452	
Net income for the period		-	-	-	-	-	175,260	-	-	-	175,260	
Other comprehensive income (loss) for the period 6(18)		-	-	-	-	-	-	(31,418)	289,541	-	258,123	
Total comprehensive income (loss)		-	-	-	-	-	175,260	(31,418)	289,541	-	433,383	
Appropriations of 2020 earnings:												
Legal reserve		-	-	-	-	18,954	(18,954)	-	-	-	-	
Cash dividends		-	-	-	-	-	(165,171)	-	-	-	(165,171)	
Acquisition of treasury shares		-	-	-	-	-	-	-	-	(190,772)	(190,772)	
Changes in equity of associates accounted for using equity method		-	-	-	-	-	89,028	-	-	-	89,028	
Disposal of financial assets at fair value through other comprehensive income		-	-	-	-	-	88,731	-	(88,731)	-	-	
Balance at September 30, 2021		\$ 1,270,550	\$ 673,471	\$ 3,996	\$ -	\$ 497,319	\$ 900,361	\$ 33,027	\$ 322,968	(\$ 190,772)	\$ 3,510,920	
<u>Nine months ended September 30, 2022</u>												
Balance at January 1, 2022		\$ 1,490,550	\$ 970,251	\$ 3,996	\$ -	\$ 497,319	\$ 899,307	\$ 51,234	\$ 317,668	(\$ 259,556)	\$ 3,970,769	
Net income for the period		-	-	-	-	-	349,131	-	-	-	349,131	
Other comprehensive income (loss) for the period 6(18)		-	-	-	-	-	-	45,632	(320,507)	-	(274,875)	
Total comprehensive income (loss)		-	-	-	-	-	349,131	45,632	(320,507)	-	74,256	
Appropriations of 2021 earnings:	6(17)											
Legal reserve		-	-	-	-	35,197	(35,197)	-	-	-	-	
Cash dividends		-	-	-	-	-	(182,080)	-	-	-	(182,080)	
Treasury shares transferred to employees	6(14)	-	-	-	-	-	-	-	-	36,075	36,075	
Changes in equity of associates accounted for using equity method		-	-	-	177	-	92	-	(121)	-	148	
Disposal of financial assets at fair value through other comprehensive income	6(6)	-	-	-	-	-	19,261	-	(19,261)	-	-	
Balance at September 30, 2022		\$ 1,490,550	\$ 970,251	\$ 3,996	\$ 177	\$ 532,516	\$ 1,050,514	\$ 96,866	(\$ 22,221)	(\$ 223,481)	\$ 3,899,168	

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

CREATIVE SENSOR INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

	Notes	Nine months ended September 30	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 467,167	\$ 211,294
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(9)(23)	57,978	70,802
Amortization	6(23)	12,807	12,865
Expected credit impairment loss	12(2)	97	32
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	6(2)(11)(22)	18,523	(19,711)
Interest expense	6(9)(10)	13,935	7,042
Share of profit of associates and joint ventures accounted for using equity method	6(7)	(14,757)	(15,458)
Net (gain) loss on disposal of property, plant and equipment	6(22)	(6,041)	289
Interest income	6(20)	(5,877)	(4,240)
Dividend income	6(2)(6)(21)	(119,525)	(97,871)
Gain from lease modification	6(9)(22)	-	(64)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		(13,097)	161,515
Accounts receivable		(325,521)	(108,196)
Other receivables - related parties		-	(3,600)
Inventories		136,290	(15,305)
Other current assets		2,630	16,812
Changes in operating liabilities			
Accounts payable		25,709	276,643
Accounts payable - related parties		(1,377)	(117,829)
Other payables		4,888	(438)
Other current liabilities		1,441	(2,049)
Cash inflow generated from operations		255,270	372,533
Interest received		9,053	3,367
Dividends received		133,222	100,685
Interest paid		(13,935)	(7,042)
Income tax paid		(52,047)	(149,475)
Income tax refund received		-	3,642
Net cash flows from operating activities		<u>331,563</u>	<u>323,710</u>

(Continued)

CREATIVE SENSOR INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

	Notes	<u>Nine months ended September 30</u>	
		<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortized cost		(\$ 22,286)	(\$ 47,676)
Proceeds from disposal of financial assets at amortized cost		80,453	4,595
Acquisition of non-current financial assets at fair value through other comprehensive income		(85,999)	(1,184,128)
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(6)	236,761	122,052
Acquisition of investments accounted for using the equity method		-	(619,178)
Acquisition of property, plant and equipment	6(26)	(20,172)	(11,439)
Proceeds from disposal of property, plant and equipment		11,100	1,298
Acquisition of intangible assets		(2,193)	(502)
(Increase) decrease in refundable deposits		(403)	486
Increase in other non-current assets		(2,705)	(6,818)
Net cash flows from (used in) investing activities		<u>194,556</u>	<u>(1,741,310)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(27)	200,000	1,484,800
Repayments of short-term borrowings	6(27)	(534,800)	(500,000)
Repayments of lease principal	6(9)(27)	(8,970)	(8,928)
Payment of cash dividends	6(17)	(182,080)	(165,171)
Acquisition of treasury shares	6(15)	-	(190,772)
Treasury shares transferred to employees		<u>36,075</u>	<u>-</u>
Net cash flows (used in) from financing activities		<u>(489,775)</u>	<u>619,929</u>
Effect of exchange rate		<u>33,418</u>	<u>(36,400)</u>
Net increase (decrease) in cash and cash equivalents		69,762	(834,071)
Cash and cash equivalents at beginning of period		<u>1,441,196</u>	<u>1,884,250</u>
Cash and cash equivalents at end of period		<u>\$ 1,510,958</u>	<u>\$ 1,050,179</u>

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

CREATIVE SENSOR INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(REVIEWED, NOT AUDITED)

1. HISTORY AND ORGANIZATION

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

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

These consolidated financial statements were reported to the Board of Directors on November 2, 2022.

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 2022 are as follows:

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

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

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

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

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

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<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
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 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, basis of consolidation and additional policies 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, 2021. 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, 2021.

(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, 2021.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		
			September 30, 2022	December 31, 2021	September 30, 2021
Creative Sensor Inc.	Creative Sensor Inc. (BVI)	Holding company	100	100	100
Creative Sensor Inc.	Creative Sensor (USA) Co.	Collection of marketing information and maintaining relationship with customers	100	100	100
Creative Sensor Inc. (BVI)	Creative Sensor Co. Ltd.	Holding company	100	100	100
Creative Sensor Co., Ltd.	Wuxi Creative Sensor Technology Co., Ltd.	Research and development of image sensor	100	100	100
Creative Sensor Co., Ltd.	Nanchang Creative Sensor Technology Co., Ltd.	Manufacturing of image sensor	100	100	100

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

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

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

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

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

At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognized in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(5) Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

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

There was no significant change during this period. Refer to Note 5 to the consolidated financial statements for the year ended December 31, 2021 for related information.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Cash on hand and revolving funds	\$ 282	\$ 163	\$ 209
Checking accounts and demand deposits	1,442,936	1,384,561	994,256
Time deposits	67,740	56,472	55,714
Total	<u>\$ 1,510,958</u>	<u>\$ 1,441,196</u>	<u>\$ 1,050,179</u>

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

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

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

<u>Items</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Derivative instruments	<u>\$ -</u>	<u>\$ 1,972</u>	<u>\$ 1,415</u>

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

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Financial assets mandatorily measured at fair value through profit or loss		
Derivative instruments	<u>\$ -</u>	<u>\$ 1,852</u>

	Nine months ended September 30,	
	2022	2021
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates		
Valuation adjustment	\$ -	\$ 12,882
Dividend income	-	1,007
Interest income	-	5
Derivative instruments	3,241	8,624
Total	<u>\$ 3,241</u>	<u>\$ 22,518</u>

- B. The Group has no financial assets at fair value through profit or loss pledged to others.
- C. The Group entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

Derivative instruments	December 31, 2021	
	Contract amount (Notional principal) (In thousands)	Maturity date of the contract
Current items:		
Forward exchange contracts	USD 2,000	2022.1.27
Forward exchange contracts	USD 3,000	2022.1.27
Forward exchange contracts	USD 2,000	2022.2.25
Forward exchange contracts	USD 2,000	2022.2.25
Forward exchange contracts	USD 2,000	2022.2.25
Forward exchange contracts	USD 2,000	2022.3.30

Derivative instruments	September 30, 2021	
	Contract amount (Notional principal) (In thousands)	Maturity date of the contract
Current items:		
Forward exchange contracts	USD 2,000	2021.10.29
Forward exchange contracts	USD 3,000	2021.10.29
Forward exchange contracts	USD 2,000	2021.11.30
Forward exchange contracts	USD 2,000	2021.11.30
Forward exchange contracts	USD 1,000	2021.12.29
Forward exchange contracts	USD 3,000	2021.12.29

Forward foreign exchange contracts

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

(3) Financial assets at amortized cost

Items	September 30, 2022	December 31, 2021	September 30, 2021
Current items:			
Time deposits with maturity over three months	\$ 165,982	\$ 217,200	\$ 214,290
Special-purpose demand deposits	<u>12</u>	<u>12</u>	<u>12</u>
Total	<u>\$ 165,994</u>	<u>\$ 217,212</u>	<u>\$ 214,302</u>

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

	Three months ended September 30,	
	2022	2021
Interest income	<u>\$ 961</u>	<u>\$ 905</u>
	Nine months ended September 30,	
	2022	2021
Interest income	<u>\$ 3,229</u>	<u>\$ 2,502</u>

B. As at September 30, 2022, December 31, 2021 and September 30, 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Group were \$165,994, \$217,212 and \$214,302, respectively.

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

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

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

(4) Accounts receivable

	September 30, 2022	December 31, 2021	September 30, 2021
Accounts receivable	\$ 771,024	\$ 444,996	\$ 648,154
Accounts receivable due from related parties	-	507	-
Less: Loss allowance	(231)	(134)	(194)
	<u>\$ 770,793</u>	<u>\$ 445,369</u>	<u>\$ 647,960</u>

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Not past due	\$ 764,381	\$ 439,873	\$ 647,387
Up to 30 days	6,643	5,630	767
31 to 90 days	-	-	-
	<u>\$ 771,024</u>	<u>\$ 445,503</u>	<u>\$ 648,154</u>

The above ageing analysis was based on past due date.

B. As of September 30, 2022, December 31, 2021 and September 30, 2021, accounts receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$539,796.

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

D. As at September 30, 2022, December 31, 2021 and September 30, 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were \$770,793, \$445,369 and \$647,960, respectively.

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

(5) Inventories

	<u>September 30, 2022</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	\$ 229,614	(\$ 1,533)	\$ 228,081
Work in progress	20,580	(245)	20,335
Finished goods	<u>185,558</u>	<u>(26,830)</u>	<u>158,728</u>
Total	<u>\$ 435,752</u>	<u>(\$ 28,608)</u>	<u>\$ 407,144</u>

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

	September 30, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 206,832	(\$ 2,275)	\$ 204,557
Work in progress	18,531	(234)	18,297
Finished goods	207,016	(24,887)	182,129
Total	\$ 432,379	(\$ 27,396)	\$ 404,983

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

	Three months ended September 30,	
	2022	2021
Cost of goods sold	\$ 961,459	\$ 960,539
Gain on reversal of market value of inventories (Note)	(883)	(3,597)
Others	(909)	(917)
Total	\$ 959,667	\$ 956,025

	Nine months ended September 30,	
	2022	2021
Cost of goods sold	\$ 2,622,958	\$ 2,787,612
Inventory valuation loss	10	5,505
Others	(1,906)	(1,977)
Total	\$ 2,621,062	\$ 2,791,140

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

B. The Group has no inventories pledged to others.

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

Items	September 30, 2022	December 31, 2021	September 30, 2021
Non-current items:			
Debt instruments			
Government bonds	\$ 93,478	\$ -	\$ -
Valuation adjustment	(4,492)	-	-
Subtotal	88,986	-	-
Equity instruments			
Listed stocks	2,164,690	2,382,190	2,356,754
Unlisted stocks	3,590	3,590	3,590
	2,168,280	2,385,780	2,360,344
Valuation adjustment	90,983	371,514	363,932
Subtotal	2,259,263	2,757,294	2,724,276
Total	\$ 2,348,249	\$ 2,757,294	\$ 2,724,276

- A. The Group has elected to classify abovementioned government bonds and shares that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$2,348,249, \$2,757,294 and \$2,724,276 as at September 30, 2022, December 31, 2021 and September 30, 2021, respectively.
- B. In line with the Group's financial management plan, the Group sold \$21,886, \$122,052, \$236,761 and \$122,052 of equity instrument investments at fair value during the three months and nine months ended September 30, 2022 and 2021, and the gain on disposal were \$1,571, \$88,731, \$19,261 and \$88,731, respectively.
- C. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Three months ended September 30,	
	2022	2021
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	(\$ 123,593)	(\$ 195,532)
Cumulative gains reclassified to retained earnings due to derecognition	\$ 1,571	\$ 88,731
Dividend income recognized in profit or loss		
Held at end of period	\$ 112,188	\$ 96,864
Derecognised during the period	7,337	-
	\$ 119,525	\$ 96,864
<u>Debt instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	(\$ 2,543)	\$ -
Interest income recognized in profit or loss	\$ 521	\$ -

	Nine months ended September 30,	
	2022	2021
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	(\$ 261,270)	\$ 347,013
Cumulative gains reclassified to retained earnings due to derecognition	\$ 19,261	\$ 88,731
Dividend income recognized in profit or loss		
Held at end of period	\$ 112,188	\$ 96,864
Derecognised during the period	7,337	-
	<u>\$ 119,525</u>	<u>\$ 96,864</u>
<u>Debt instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	(\$ 4,492)	\$ -
Interest income recognized in profit or loss	\$ 626	\$ -

- D. As at September 30, 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was \$88,986.
- E. Details of the Group's financial assets at fair value through other comprehensive income pledged to others as collateral are provided in Note 8.
- F. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(7) Investments accounted for using equity method

	September 30, 2022		December 31, 2021		September 30, 2021	
	Book value	Shareholding ratio	Book value	Shareholding ratio	Book value	Shareholding ratio
Associate:						
K9 Inc.	\$ -	-	\$ -	33.82%	\$ -	33.82%
Tien Da Investment Co., Ltd. (Tien Da)	192,277	29.85%	200,579	29.85%	208,698	29.85%
Teco Image Systems Co., Ltd. (Teco Image)	713,378	29.69%	757,796	29.69%	769,440	29.69%
	<u>\$ 905,655</u>		<u>\$ 958,375</u>		<u>\$ 978,138</u>	

	Three months ended September 30,			
	2022		2021	
	Share of profit of associates and joint ventures accounted for using equity method, net	Other comprehensive income (loss) after tax	Share of profit of associates and joint ventures accounted for using equity method, net	Other comprehensive loss after tax
Associate:				
K9 Inc.	\$ -	\$ -	\$ -	\$ -
Tien Da Investment Co., Ltd. (Tien Da)	9,143	390	1,994	(16,336)
Teco Image Systems Co., Ltd. (Teco Image)	20,950	(12,209)	12,087	(79,982)
	<u>\$ 30,093</u>	<u>(\$ 11,819)</u>	<u>\$ 14,081</u>	<u>(\$ 96,318)</u>

	Nine months ended September 30,			
	2022		2021	
	Share of profit of associates and joint ventures accounted for using equity method, net	Other comprehensive loss after tax	Share of profit of associates and joint ventures accounted for using equity method, net	Other comprehensive loss after tax
Associate:				
K9 Inc.	\$ -	\$ -	\$ -	\$ -
Tien Da Investment Co., Ltd. (Tien Da)	8,629	(16,931)	1,994	(16,336)
Teco Image Systems Co., Ltd. (Teco Image)	6,128	(36,997)	13,464	(41,379)
	<u>\$ 14,757</u>	<u>(\$ 53,928)</u>	<u>\$ 15,458</u>	<u>(\$ 57,715)</u>

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

<u>Shareholding ratio</u>					
<u>Company name</u>	<u>Principal place of business</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>Nature of relationship</u>	<u>Method of measurement</u>
Teco Image Systems Co., Ltd.	Taiwan	29.69%	29.69%	Strategic investment	Equity method

<u>Shareholding ratio</u>				
<u>Company name</u>	<u>Principal place of business</u>	<u>September 30, 2021</u>	<u>Nature of relationship</u>	<u>Method of measurement</u>
Teco Image Systems Co., Ltd.	Taiwan	29.69%	Strategic investment	Equity method

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

Balance sheet

	Teco Image Systems Co., Ltd.		
	September 30, 2022	December 31, 2021	September 30, 2021
Current assets	\$ 1,245,543	\$ 993,371	\$ 979,604
Non-current assets	2,042,937	2,169,690	2,191,491
Current liabilities	(1,157,110)	(904,325)	(864,802)
Non-current liabilities	(43,528)	(35,063)	(25,858)
Total net assets	<u>\$ 2,087,842</u>	<u>\$ 2,223,673</u>	<u>\$ 2,280,435</u>
Share in associate's net assets	\$ 611,401	\$ 655,819	667,463
Goodwill	101,977	101,977	101,977
Carrying amount of the associate	<u>\$ 713,378</u>	<u>\$ 757,796</u>	<u>\$ 769,440</u>

Statement of comprehensive income

	Three months ended September 30,	
	2022	2021
Revenue	\$ 550,630	\$ 403,910
Profit for the period from continuing operations	\$ 112,041	\$ 64,269
Other comprehensive loss, net of tax	(62,725)	(2,064)
Total comprehensive income	<u>\$ 49,316</u>	<u>\$ 62,205</u>
Dividends received from associates	<u>\$ 13,697</u>	<u>\$ 2,814</u>
	Nine months ended September 30,	
	2022	2021
Revenue	\$ 1,362,229	\$ 1,337,546
Profit for the period from continuing operations	\$ 83,588	\$ 77,186
Other comprehensive (loss) income, net of tax	(174,062)	513,630
Total comprehensive (loss) income	<u>(\$ 90,474)</u>	<u>\$ 590,816</u>
Dividends received from associates	<u>\$ 13,697</u>	<u>\$ 2,814</u>

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

As of September 30, 2022 and 2021, the carrying amount of the Group's individually immaterial associates amounted to \$192,277 and \$208,698, respectively.

	Three months ended September 30,	
	2022	2021
Profit for the period from continuing operations	\$ 9,143	\$ 1,994
Other comprehensive income (loss), net of tax	390	(16,336)
Total comprehensive income (loss)	<u>\$ 9,533</u>	<u>(\$ 14,342)</u>
	Nine months ended September 30,	
	2022	2021
Profit for the period from continuing operations	\$ 8,629	\$ 1,994
Other comprehensive loss, net of tax	(16,931)	(16,336)
Total comprehensive loss	<u>(\$ 8,302)</u>	<u>(\$ 14,342)</u>

- D. The Group's material associate, Teco Image, has quoted market prices. As of September 30, 2022, December 31, 2021 and September 30, 2021, the fair value was \$552,902, \$567,936 and \$634,752, respectively.
- E. The Group is the single largest shareholder of Teco Image with a 29.69% equity interest. Taking into consideration the extent of other shareholders' participation in previous shareholders' meeting of Teco Image and the voting right record of significant proposals, which indicates that the Group has no current ability to direct the relevant activities of Teco Image, the Group has no control, but only has significant influence, over the investee.
- F. The Company continued to increase its investment in the investee – Tien Da Investment Co., Ltd. in 2021 and was assessed to have significant influence over the investee in the third quarter of 2021. Therefore, the investee was transferred to investment accounted for using equity method from non-current financial assets at fair value through other comprehensive income.
- G. The Group has no investments accounted for using equity method pledged to others.

(8) Property, plant and equipment

2022

	Buildings and structures	Machinery and equipment	Office equipment	Leasehold improvements	Other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1</u>							
Cost	\$ 610,996	\$ 967,435	\$ 48,181	\$ 31,665	\$ 14,371	\$ 2,498	\$ 1,675,146
Accumulated depreciation and impairment	(488,963)	(879,214)	(42,320)	(23,311)	(13,351)	-	(1,447,159)
	<u>\$ 122,033</u>	<u>\$ 88,221</u>	<u>\$ 5,861</u>	<u>\$ 8,354</u>	<u>\$ 1,020</u>	<u>\$ 2,498</u>	<u>\$ 227,987</u>
Opening net book value as at January 1	\$ 122,033	\$ 88,221	\$ 5,861	\$ 8,354	\$ 1,020	\$ 2,498	\$ 227,987
Additions	-	11,621	746	-	3,036	2,707	18,110
Transfers	-	1,406	-	-	247	(1,653)	-
Disposals	-	(5,059)	-	-	-	-	(5,059)
Depreciation	(12,540)	(32,131)	(1,670)	(1,471)	(440)	-	(48,252)
Net exchange differences	<u>3,944</u>	<u>2,523</u>	<u>64</u>	<u>267</u>	<u>44</u>	<u>86</u>	<u>6,928</u>
Closing net book value as at September 30	<u>\$ 113,437</u>	<u>\$ 66,581</u>	<u>\$ 5,001</u>	<u>\$ 7,150</u>	<u>\$ 3,907</u>	<u>\$ 3,638</u>	<u>\$ 199,714</u>
<u>At September 30</u>							
Cost	630,974	998,343	47,298	31,205	17,968	3,638	\$ 1,729,426
Accumulated depreciation and impairment	(517,537)	(931,762)	(42,297)	(24,055)	(14,061)	-	(1,529,712)
	<u>\$ 113,437</u>	<u>\$ 66,581</u>	<u>\$ 5,001</u>	<u>\$ 7,150</u>	<u>\$ 3,907</u>	<u>\$ 3,638</u>	<u>\$ 199,714</u>

2021

	Buildings and structures	Machinery and equipment	Office equipment	Leasehold improvements	Other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1</u>							
Cost	\$ 613,924	\$ 999,054	\$ 46,678	\$ 29,271	\$ 13,996	\$ 1,523	\$ 1,704,446
Accumulated depreciation and impairment	(474,972)	(857,843)	(40,950)	(23,680)	(13,227)	-	(1,410,672)
	<u>\$ 138,952</u>	<u>\$ 141,211</u>	<u>\$ 5,728</u>	<u>\$ 5,591</u>	<u>\$ 769</u>	<u>\$ 1,523</u>	<u>\$ 293,774</u>
Opening net book value as at January 1	\$ 138,952	\$ 141,211	\$ 5,728	\$ 5,591	\$ 769	\$ 1,523	\$ 293,774
Additions	-	6,327	1,894	1,984	127	3,346	13,678
Transfers	-	1,803	66	-	475	(2,344)	-
Disposals	-	(46)	-	(1,541)	-	-	(1,587)
Depreciation	(12,162)	(46,135)	(1,729)	(629)	(324)	-	(60,979)
Net exchange differences	(2,381)	(1,986)	(44)	(104)	(17)	(38)	(4,570)
Closing net book value as at September 30	<u>\$ 124,409</u>	<u>\$ 101,174</u>	<u>\$ 5,915</u>	<u>\$ 5,301</u>	<u>\$ 1,030</u>	<u>\$ 2,487</u>	<u>\$ 240,316</u>
<u>At September 30</u>							
Cost	\$ 602,807	\$ 955,707	\$ 47,800	\$ 28,438	\$ 14,251	\$ 2,487	\$ 1,651,490
Accumulated depreciation and impairment	(478,398)	(854,533)	(41,885)	(23,137)	(13,221)	-	(1,411,174)
	<u>\$ 124,409</u>	<u>\$ 101,174</u>	<u>\$ 5,915</u>	<u>\$ 5,301</u>	<u>\$ 1,030</u>	<u>\$ 2,487</u>	<u>\$ 240,316</u>

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

(9) Leasing arrangements - lessee

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

	<u>Land use right</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
At January 1, 2022	\$ 37,304	\$ 23,508	\$ 1,649	\$ 62,461
Additions	-	3,162	-	3,162
Depreciation	(813)	(8,295)	(618)	(9,726)
Net exchange differences	<u>1,218</u>	<u>19</u>	<u>-</u>	<u>1,237</u>
At September 30, 2022	<u>\$ 37,709</u>	<u>\$ 18,394</u>	<u>\$ 1,031</u>	<u>\$ 57,134</u>

	<u>Land use right</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
At January 1, 2021	\$ 38,540	\$ 35,979	\$ 309	\$ 74,828
Additions	-	902	2,475	3,377
Modification	-	(3,788)	(301)	(4,089)
Depreciation	(788)	(8,407)	(628)	(9,823)
Net exchange differences	<u>(689)</u>	<u>(2)</u>	<u>-</u>	<u>(691)</u>
At September 30, 2021	<u>\$ 37,063</u>	<u>\$ 24,684</u>	<u>\$ 1,855</u>	<u>\$ 63,602</u>

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

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 124	\$ 178
Expense on short-term lease contracts	18	18
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 442	\$ 595
Expense on short-term lease contracts	54	54
Gain from lease modification	-	(64)

E. For the nine months ended September 30, 2022 and 2021, the Group's total cash outflow for leases was \$9,466 and \$9,577, respectively.

F. On June 29, 2007, the Group signed a land use right contract with Gaoxin branch of the Bureau of Land and Resources Bureau in Nanchang City, Jiangxi Province, People's Republic of China with a term of 50 years. All rentals had been paid on the contract date. The aforementioned amounts were recognized in right-of-use assets — land use right.

(10) Short-term borrowings

<u>Type of borrowings</u>	<u>September 30, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	\$ 650,000	1.27% ~ 1.375%	None
Secured borrowings	750,000	1.3% ~ 1.425%	Stock
	<u>\$ 1,400,000</u>		

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

<u>Type of borrowings</u>	<u>September 30, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	\$ 984,800	0.97% ~ 1.30%	None
Secured borrowings	750,000	0.90% ~ 1.30%	Stock
	<u>\$ 1,734,800</u>		

For the three months and nine months ended September 30, 2022 and 2021, the Group's interest expense recognized in profit or loss amounted to \$4,325, \$3,111, \$13,493 and \$6,447, respectively.

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

<u>Items</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Current items:			
Financial liabilities mandatorily measured at fair value through profit or loss			
Derivative instruments	\$ 3,454	\$ -	\$ 19

- 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 September 30,	
	2022	2021
Financial liabilities mandatorily measured at fair value through profit or loss		
Derivative instruments	(\$ 4,315)	\$ 573
	Nine months ended September 30,	
	2022	2021
Financial liabilities mandatorily measured at fair value through profit or loss		
Derivative instruments	(\$ 21,764)	(\$ 1,795)

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

	September 30, 2022	
Derivative instruments	Contract amount (Notional principal) (In thousands)	Maturity date of the contract
Current items:		
Forward foreign exchange contracts	USD 2,000	2022.10.28
Forward foreign exchange contracts	USD 2,000	2022.10.28
	December 31, 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
	September 30, 2021	
Derivative instruments	Contract amount (Notional principal) (In thousands)	Maturity date of the contract
Current items:		
Forward foreign exchange contracts	USD 2,000	2021.12.29

Forward foreign exchange contracts

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

(12) Other payables

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Accrued employees' compensation and directors' and supervisors' remuneration	\$ 55,019	\$ 25,084	\$ 24,709
Royalties payable	52,191	52,191	52,191
Bonus payable	52,099	73,960	55,646
Wages and salaries payable	34,407	34,818	42,977
Service fees payable	5,893	6,522	7,911
Freight payable	3,762	2,930	3,853
Payables on equipment	2,359	4,421	4,614
Others	49,762	47,282	44,067
	<u>\$ 255,492</u>	<u>\$ 247,208</u>	<u>\$ 235,968</u>

(13) Pensions

- A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. In May 2022 and April 2021, the Department of Labor, Taipei City Government approved that the Company cease contributing to the retirement fund temporarily for 2023 and 2022, respectively.
- (b) For the aforementioned pension plan, no pension costs was recognized for the three months and nine months ended September 30, 2022 and 2021.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2022 amount to \$0.
- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

- (b) The Company's mainland China subsidiaries, Nanchang Creative Sensor Technology Co., Ltd. and Wuxi Creative Sensor Technology Co., Ltd., have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.
- (c) The pension costs under the defined contribution pension plans of the Group for the three months and nine months ended September 30, 2022 and 2021 were \$5,908, \$4,769, \$15,549 and \$13,775, respectively.

(14) Share-based payment

- A. For the nine months ended September 30, 2022, the Group's share-based payment arrangements were as follows:

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

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

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

	2022	
	No. of options	Weighted-average exercise price (in dollars)
Options granted	1,500,000	\$ 28.86
Options exercised	(1,250,000)	28.86
Options expired	(250,000)	28.86
Options outstanding at September 30	-	

- C. The weighted-average stock price of stock options at exercise dates for the nine months ended September 30, 2022 was \$22.95.
- D. The fair value of stock options granted is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

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

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

(15) Capital stock

- A. As of September 30, 2022, the Company's authorized capital was \$2,500,000, consisting of 250 million shares of ordinary stock (including 15 million shares reserved for employee stock options), and the paid-in capital was \$1,490,550, consisting of 149,055,000 shares of ordinary stock issued (including 22 million shares of private placement stock) with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.
- B. To increase working capital and meet the capital needs for the Company's long-term development, the stockholders at their special stockholders' meeting on September 17, 2021 adopted a resolution to raise additional cash through private placement. The maximum number of shares to be issued through the private placement is 38,116,500 shares. The private placement will be raised twice within one year starting from the date that the special stockholders' meeting adopted the resolution. The Board of Directors resolved to raise \$516,780 by issuing 22,000,000 shares of ordinary shares through private placement at an estimated subscription price of \$23.49 (in dollars) per share on September 23, 2021. The private placement had been registered on November 1, 2021.
- C. For the nine months ended September 30, 2022 and 2021, movements in the number of the ordinary shares outstanding are as follows:

	<u>2022</u>	<u>2021</u>
At January 1	140,062,000	127,055,000
Employee stock options exercised	1,250,000	-
Acquisition of treasury shares	-	(6,385,000)
At September 30	<u>141,312,000</u>	<u>120,670,000</u>

D. Treasury shares

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

Name of company holding the shares	Reason for reacquisition	<u>September 30, 2022</u>	
		Number of shares	Carrying amount
The Company	To be transferred to employees	7,743,000	\$ 223,481

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

Name of company holding the shares	Reason for reacquisition	<u>September 30, 2021</u>	
		Number of shares	Carrying amount
The Company	To be transferred to employees	6,385,000	\$ 190,772

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued within the five-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.
- (e) The Board of Directors of the Company resolved to buy back 6,500,000 shares of the Company on July 21, 2021. The actual treasury shares repurchased amounted to 6,225,000 shares for a total cost of \$186,666.
- (f) The Board of Directors of the Company resolved to buy back 3,200,000 shares of the Company on September 23, 2021. The actual treasury shares repurchased amounted to 2,768,000 shares for a total cost of \$72,890.
- (g) The Board of Directors of the Company resolved to reissue 1,500,000 treasury shares to employees on May 11, 2022. The actual treasury shares reissued amounted to 1,250,000 shares. Refer to Note 6(14).

E. The number of Company's shares held by the Company's associate - Teco Image Systems Co., Ltd. was 28,906,260 shares as of September 30, 2022.

(16) Capital surplus

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

(17) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be distributed in the following order:
 - (a) Pay all taxes.
 - (b) Cover accumulated deficit.
 - (c) Set aside 10% for legal reserve until the legal reserve equals the total capital stock balance.
 - (d) Set aside or reverse special reserve in accordance with related regulations.

(e) The appropriation of the amount of distributable earnings after deducting items from (a) to (d), along with the accumulated unappropriated earnings, shall be proposed by the Board of Directors and resolved by the shareholders.

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

- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. Details of 2021 and 2020 earnings appropriation resolved by the stockholders on June 10, 2022 and July 9, 2021, respectively, are as follows:

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

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

As of September 30, 2022 and 2021, all cash dividends from the earnings appropriation for the above years had been distributed.

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

(18) Other equity items

	2022		
	Unrealized gains (losses) on valuation	Currency translation	Total
At January 1	\$ 317,668	\$ 51,234	\$ 368,902
Valuation adjustment:			
— Group	(285,023)	-	(285,023)
— Associates	(54,866)	-	(54,866)
Currency translation differences:			
— Group	-	44,815	44,815
— Associates	-	817	817
At September 30	<u>(\$ 22,221)</u>	<u>\$ 96,866</u>	<u>\$ 74,645</u>

	2021		
	Unrealized gains (losses) on valuation	Currency translation	Total
At January 1	\$ 122,158	\$ 64,445	\$ 186,603
Valuation adjustment:			
— Group	258,282	-	258,282
— Associates	(57,472)	-	(57,472)
Currency translation differences:			
— Group	-	(31,175)	(31,175)
— Associates	-	(243)	(243)
At September 30	<u>\$ 322,968</u>	<u>\$ 33,027</u>	<u>\$ 355,995</u>

(19) Operating revenue

	Three months ended September 30,	
	2022	2021
Revenue from contracts with customers	<u>\$ 1,168,168</u>	<u>\$ 1,106,526</u>

	Nine months ended September 30,	
	2022	2021
Revenue from contracts with customers	<u>\$ 3,138,960</u>	<u>\$ 3,218,436</u>

The Group derives revenue from the following major geographical regions:

Three months ended					
September 30, 2022	China	Philippines	Thailand	Others	Total
Revenue from external customer contracts	<u>\$ 461,028</u>	<u>\$ 108,246</u>	<u>\$ 141,005</u>	<u>\$ 457,889</u>	<u>\$ 1,168,168</u>
Three months ended					
September 30, 2021	China	Philippines	Thailand	Others	Total
Revenue from external customer contracts	<u>\$ 446,517</u>	<u>\$ 115,853</u>	<u>\$ 267,971</u>	<u>\$ 276,185</u>	<u>\$ 1,106,526</u>
Nine months ended					
September 30, 2022	China	Philippines	Thailand	Others	Total
Revenue from external customer contracts	<u>\$ 1,517,255</u>	<u>\$ 321,489</u>	<u>\$ 327,839</u>	<u>\$ 972,377</u>	<u>\$ 3,138,960</u>
Nine months ended					
September 30, 2021	China	Philippines	Thailand	Others	Total
Revenue from external customer contracts	<u>\$ 1,485,906</u>	<u>\$ 337,832</u>	<u>\$ 564,466</u>	<u>\$ 830,232</u>	<u>\$ 3,218,436</u>

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

(20) Interest income

	Three months ended September 30,	
	2022	2021
Interest income from bank deposits	\$ 1,121	\$ 480
Interest income from financial assets measured at amortized cost	961	905
Interest income from financial assets at fair value through other comprehensive income	521	-
	<u>\$ 2,603</u>	<u>\$ 1,385</u>
	Nine months ended September 30,	
	2022	2021
Interest income from bank deposits	\$ 2,022	\$ 1,733
Interest income from financial assets measured at amortized cost	3,229	2,502
Interest income from financial assets at fair value through profit or loss	-	5
Interest income from financial assets at fair value through other comprehensive income	626	-
	<u>\$ 5,877</u>	<u>\$ 4,240</u>

(21) Other income

	Three months ended September 30,	
	2022	2021
Rental revenue	\$ 687	\$ 658
Dividend income	119,525	96,864
Government grants	206	5,238
Directors' and supervisors' remuneration	7,792	11,964
Other income	876	4,177
	<u>\$ 129,086</u>	<u>\$ 118,901</u>

	Nine months ended September 30,	
	2022	2021
Rental revenue	\$ 2,049	\$ 2,174
Dividend income	119,525	97,871
Government grants	9,884	5,655
Directors' and supervisors' remuneration	7,792	11,964
Other income	3,079	5,405
	<u>\$ 142,329</u>	<u>\$ 123,069</u>

(22) Other gains and losses

	Three months ended September 30,	
	2022	2021
Gains on disposal of property, plant and equipment	\$ 6,041	\$ 1,298
Foreign exchange gains	60,219	1,759
(Losses) gains on financial assets (liabilities) at fair value through profit or loss	(4,315)	2,425
Other gains and losses	(338)	(10,090)
	<u>\$ 61,607</u>	<u>(\$ 4,608)</u>

	Nine months ended September 30,	
	2022	2021
Gains (losses) on disposal of property, plant and equipment	\$ 6,041	(\$ 289)
Gains from lease modification	-	64
Foreign exchange gains	89,112	381
(Losses) gains on financial (liabilities) assets at fair value through profit or loss	(18,523)	19,711
Other gains and losses (Note)	(15,920)	(130,195)
	<u>\$ 60,710</u>	<u>(\$ 110,328)</u>

Note: For the nine months ended September 30, 2022 and 2021, other gains and losses mainly pertain to expenses related to the solicitation of proxies for the shareholders' meeting of TECO ELECTRIC & MACHINERY CO., LTD.

(23) Employee benefit expense, depreciation and amortization

For the three months and nine months ended September 30, 2022 and 2021, employee benefit expense, depreciation and amortization categorized by function were summarized as follows:

	Three months ended September 30, 2022		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense			
Wages and salaries	\$ 90,447	\$ 76,155	\$ 166,602
Labor and health insurance fees	7,091	2,730	9,821
Pension costs	4,705	1,203	5,908
Other personnel expenses	5,418	1,675	7,093
Depreciation	13,152	5,019	18,171
Amortization	3,423	627	4,050

	Three months ended September 30, 2021		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense			
Wages and salaries	\$ 99,147	\$ 58,148	\$ 157,295
Labor and health insurance fees	8,117	2,942	11,059
Pension costs	3,347	1,422	4,769
Other personnel expenses	6,557	1,652	8,209
Depreciation	18,152	5,438	23,590
Amortization	3,954	651	4,605

	Nine months ended September 30, 2022		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense			
Wages and salaries	\$ 255,863	\$ 152,613	\$ 408,476
Labor and health insurance fees	22,852	7,611	30,463
Pension costs	12,151	3,398	15,549
Other personnel expenses	16,075	4,641	20,716
Depreciation	42,602	15,376	57,978
Amortization	11,159	1,648	12,807

	Nine months ended September 30, 2021		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense			
Wages and salaries	\$ 297,659	\$ 126,936	\$ 424,595
Labor and health insurance fees	24,153	8,158	32,311
Pension costs	9,821	3,954	13,775
Other personnel expenses	19,383	4,814	24,197
Depreciation	54,301	16,501	70,802
Amortization	10,896	1,969	12,865

- A. According to the Articles of Incorporation of the Company, the profit before deduction of employees' compensation and directors' and supervisors' remuneration and after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall account for 5%~15% for employees' compensation and shall not be higher than 5% for directors' and supervisors' remuneration.
- B. For the three months and nine months ended September 30, 2022 and 2021, employees' compensation were accrued at \$28,843, \$15,654, \$41,264 and \$18,532, respectively; directors' and supervisors' remuneration were accrued at \$9,615, \$5,218, \$13,755 and \$6,177, respectively. The aforementioned amounts were recognized in salary expenses.

For the nine months ended September 30, 2022, 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 2021 as resolved by the Board of Directors were in agreement with the amounts recorded in the 2021 financial statements of \$18,813 and \$6,271, 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.

(24) Income tax

A. Income tax expense

Components of income tax expense:

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Current tax:		
Total current tax	\$ 43,183	\$ 12,194
Tax imposed on undistributed surplus earnings	-	271
Prior year income tax under estimation	-	47
Total current tax	<u>43,183</u>	<u>12,512</u>
Deferred tax:		
Origination and reversal of temporary differences	14,564	9,343
Effect of exchange rate	(213)	106
Total deferred tax	<u>14,351</u>	<u>9,449</u>
Income tax expense	<u>\$ 57,534</u>	<u>\$ 21,961</u>

	Nine months ended September 30,	
	2022	2021
Current tax:		
Total current tax	\$ 89,799	\$ 26,409
Tax imposed on undistributed surplus earnings	6,734	271
Prior year income tax under estimation	2,363	2,525
Total current tax	<u>98,896</u>	<u>29,205</u>
Deferred tax:		
Origination and reversal of temporary differences	19,010	6,756
Effect of exchange rate	130	73
Total deferred tax	<u>19,140</u>	<u>6,829</u>
Income tax expense	<u>\$ 118,036</u>	<u>\$ 36,034</u>

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

(25) Earnings per share

	Three months ended September 30, 2022		
	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	\$ 258,488	112,406	\$ 2.30
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 258,488	112,406	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,942	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 258,488</u>	<u>114,348</u>	<u>\$ 2.26</u>

Three months ended September 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	\$ 147,879	107,537	\$ 1.38
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 147,879	107,537	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	718	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 147,879	108,255	\$ 1.37
Nine months ended September 30, 2022			
	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	\$ 349,131	111,673	\$ 3.13
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 349,131	111,673	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	2,169	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 349,131	113,842	\$ 3.07

	Nine months ended September 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	\$ 175,260	120,478	\$ 1.45
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 175,260	120,478	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,029	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 175,260	121,507	\$ 1.44

The Company applies the equity method for the mutual shareholding of shares with Teco Image Systems Co., Ltd. and applies the treasury stock method for investments on Teco Image Systems Co., Ltd.. In calculating earnings per share, the Company recognizes Teco Image Systems Co., Ltd.'s shareholding as treasury shares which is a deduction from equity.

(26) Supplemental cash flow information

Investing activities with partial cash payments:

	Nine months ended September 30,	
	2022	2021
Purchase of property, plant and equipment	\$ 18,110	\$ 13,678
Add: Opening balance of payable on equipment	4,421	2,375
Less: Ending balance of payable on equipment	(2,359)	(4,614)
Cash paid during the period	\$ 20,172	\$ 11,439

(27) Changes in liabilities from financing activities

	2022		
	Short-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1	\$ 1,734,800	\$ 25,920	\$ 1,760,720
Changes in cash flow from financing activities	(334,800)	(8,970)	(343,770)
Increase in lease liabilities	-	3,162	3,162
Interest amortized in lease liabilities	-	442	442
Interest paid in lease liabilities	-	(442)	(442)
Impact of changes in foreign exchange rate	-	21	21
At September 30	<u>\$ 1,400,000</u>	<u>\$ 20,133</u>	<u>\$ 1,420,133</u>

	2021		
	Short-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1	\$ 750,000	\$ 37,006	\$ 787,006
Changes in cash flow from financing activities	984,800	(8,928)	975,872
Increase in lease liabilities	-	3,377	3,377
Decrease in lease liabilities	-	(4,153)	(4,153)
Interest amortized in lease liabilities	-	595	595
Interest paid in lease liabilities	-	(595)	(595)
Impact of changes in foreign exchange rate	-	(8)	(8)
At September 30	<u>\$ 1,734,800</u>	<u>\$ 27,294</u>	<u>\$ 1,762,094</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

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

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

(2) Significant related party transactions and balances

A. Operating revenue

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Sales of goods:		
– The Group’s key management	\$ <u>422</u>	\$ <u>419</u>
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Sales of goods:		
– The Group’s key management	\$ 2,193	\$ 1,265
– Associates	-	207
	\$ <u>2,193</u>	\$ <u>1,472</u>

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

B. Purchases

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Purchases of goods:		
– The Group’s key management		
– Koryo Electronics	\$ <u>1,705</u>	(\$ <u>6</u>)
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Purchases of goods:		
– The Group’s key management		
– KROM ELECTRONICS	\$ -	\$ 209,188
– Koryo Electronics	4,299	1,901
	\$ <u>4,299</u>	\$ <u>211,089</u>

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

C. Receivables from related parties

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Accounts receivable:			
– Associates	\$ <u>-</u>	\$ <u>507</u>	\$ <u>-</u>
	<u>September 30, 2022</u> <u>December 31, 2021</u> <u>September 30, 2021</u>		
Other accounts receivable:			
– Associates			
– Teco Image Systems Co., Ltd.	\$ <u>-</u>	\$ <u>3,780</u>	\$ <u>3,600</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. Other receivables refer to payments on behalf of others.

D. Payables to related parties

September 30, 2022 December 31, 2021 September 30, 2021

Accounts payable:

— The Group's key management

— Koryo Electronics	\$ 1,806	\$ 1,230	\$ -
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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

	Three months ended September 30,	
	2022	2021
Associates — Teco Image Systems Co., Ltd.	\$ -	\$ -

	Nine months ended September 30,	
	2022	2021
Associates — Teco Image Systems Co., Ltd.	\$ -	\$ 101

(3) Key management compensation

For the three months and nine months ended September 30, 2022 and 2021, the key management compensation (including salaries and other short-term employee benefits) recognized for directors, general manager and vice general manager was \$22,933, \$12,710, \$43,522 and \$32,297, including employees' compensation and directors' and supervisors' remuneration accrued in profit or loss of \$17,831, \$8,306, \$25,603 and \$9,832 for the three months and nine months ended September 30, 2022 and 2021, respectively.

8. PLEDGED ASSETS

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

Pledged asset	Book value			Purpose
	September 30, 2022	December 31, 2021	September 30, 2021	
Non-current financial assets at fair value through other comprehensive income	\$ 1,266,750	\$ 1,424,250	\$ 1,406,250	Short-term borrowings

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

There is no significant change in this period. Refer to Note 12 to the consolidated financial statements as of and for the year ended December 31, 2021 for the related information.

(2) Financial instruments

A. Financial instruments by category

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ -	\$ 1,972	\$ 1,415
Financial assets at fair value through other comprehensive income			
Designation of equity instruments	2,259,263	2,757,294	2,724,276
Qualifying debt instrument	88,986	-	-
Financial assets at amortized cost			
Cash and cash equivalents	1,510,958	1,441,196	1,050,179
Accounts receivable (including related parties)	770,793	445,369	647,960
Other receivables (including related parties)	-	3,780	3,600
Guarantee deposits paid	2,085	1,635	1,632
Financial assets at amortized cost	<u>165,994</u>	<u>217,212</u>	<u>214,302</u>
	<u>\$ 4,798,079</u>	<u>\$ 4,868,458</u>	<u>\$ 4,643,364</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	\$ 3,454	\$ -	\$ 19
Financial liabilities at amortized cost			
Short-term borrowings	1,400,000	1,734,800	1,734,800
Accounts payable (including related parties)	745,938	697,830	859,839
Other payables	<u>255,492</u>	<u>247,208</u>	<u>235,968</u>
	<u>\$ 2,404,884</u>	<u>\$ 2,679,838</u>	<u>\$ 2,830,626</u>
Lease liability (including current and non-current portion)			
	<u>\$ 20,133</u>	<u>\$ 25,920</u>	<u>\$ 27,294</u>

B. Financial risk management policies

There is no significant change in this period. Refer to Note 12 to the consolidated financial statements as of and for the year ended December 31, 2021 for the related information.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

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

September 30, 2022						
Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis			
			Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 45,386	31.85	\$ 1,445,544	1%	\$ 14,455	\$ -
RMB : NTD	300	4.49	1,347	1%	13	-
USD : RMB	38,974	7.10	1,241,322	1%	12,413	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 35,418	31.85	\$ 1,128,063	1%	\$ 11,281	\$ -
USD : RMB	20,529	7.10	653,849	1%	6,538	-
December 31, 2021						
Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis			
			Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 29,264	27.66	\$ 809,442	1%	\$ 8,094	\$ -
RMB : NTD	300	4.34	1,302	1%	13	-
USD : RMB	35,485	6.37	981,515	1%	9,815	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 27,168	27.66	\$ 751,467	1%	\$ 7,515	\$ -
USD : RMB	22,874	6.37	632,695	1%	6,327	-

September 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	\$ 38,740	27.80	\$ 1,076,972	1%	\$ 10,770	\$ -
RMB : NTD	300	4.29	1,287	1%	13	-
USD : RMB	45,716	6.49	1,270,905	1%	12,709	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 38,028	27.80	\$ 1,057,178	1%	\$ 10,572	\$ -
USD : RMB	27,158	6.49	754,992	1%	7,550	-

- v. The total exchange gain (loss), including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group were \$60,219, \$1,759, \$89,112 and \$381 for the three months and the nine months ended September 30, 2022 and 2021, respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise beneficiary certificates, domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 10% with all other variables held constant, post-tax profit for the nine months ended September 30, 2022 and 2021 would have increased/decreased both by \$0, as a result of gains/losses on equity securities classified as at fair value through profit or loss. For the nine months ended September 30, 2022 and 2021, other components of equity would have increased/decreased by \$234,825 and \$272,428, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

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

(b) Credit risk

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

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group classifies customers' accounts receivable in accordance with customer types. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.

- vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group had no written-off financial assets that are still under recourse procedures.
- viii. The Group's accounts receivable arose from customers with excellent credit, and the expected loss rate was 0.03%. On September 30, 2022, December 31, 2021 and September 30, 2021, the total book value of accounts receivable and loss allowance were \$771,024, \$445,503, \$648,154 and \$231, \$134, \$194, respectively.
- ix. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	<u>2022</u>	<u>2021</u>
	Accounts receivable (including related parties)	Accounts receivable (including related parties)
At January 1	\$ 134	\$ 162
Provision for impairment	<u>97</u>	<u>32</u>
At September 30	<u>\$ 231</u>	<u>\$ 194</u>

For the nine months ended September 30, 2022 and 2021, the impairment losses arising from customers' contracts are \$97 and \$32, respectively.

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

	<u>September 30, 2022</u>			
		<u>Lifetime</u>		
	<u>12 months</u>	Significant increase in credit risk	Impairment of credit	<u>Total</u>
Financial assets at amortized cost	<u>\$ 165,994</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 165,994</u>
Financial assets at fair value through other comprehensive income	<u>\$ 88,986</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,986</u>
	<u>December 31, 2021</u>			
		<u>Lifetime</u>		
	<u>12 months</u>	Significant increase in credit risk	Impairment of credit	<u>Total</u>
Financial assets at amortized cost	<u>\$ 217,212</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 217,212</u>

	September 30, 2021			Total
	12 months	Lifetime		
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortized cost	\$ 214,302	\$ -	\$ -	\$ 214,302

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

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

(c) Liquidity risk

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

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

Non-derivative financial liabilities

September 30, 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Short-term borrowings	\$ 1,405,182	\$ -	\$ -
Accounts payable (including related parties)	745,938	-	-
Other payables	255,492	-	-
Lease liability	12,550	7,954	-

Derivative financial liabilities

September 30, 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Forward foreign exchange contracts	\$ 3,454	\$ -	\$ -

Non-derivative financial liabilities

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

Non-derivative financial liabilities

<u>September 30, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Short-term borrowings	\$ 1,736,570	\$ -	\$ -
Accounts payable (including related parties)	859,839	-	-
Other payables	235,968	-	-
Lease liability	10,865	10,595	5,901

Derivative financial liabilities

<u>September 30, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Forward foreign exchange contract	\$ 19	\$ -	\$ -

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

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

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

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

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

<u>September 30, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	2,259,263	-	-	2,259,263
Debt instruments	88,986	-	-	88,986
Total	<u>\$ 2,348,249</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,348,249</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instruments	<u>\$ -</u>	<u>\$ 3,454</u>	<u>\$ -</u>	<u>\$ 3,454</u>
<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Derivative instruments	\$ -	\$ 1,972	\$ -	1,972
Financial assets at fair value through other comprehensive income				
Equity securities	2,757,294	-	-	2,757,294
Total	<u>\$ 2,757,294</u>	<u>\$ 1,972</u>	<u>\$ -</u>	<u>\$ 2,759,266</u>

<u>September 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	\$ -	\$ 1,415	\$ -	\$ 1,415
Financial assets at fair value through other comprehensive income				
Equity securities	<u>2,724,276</u>	<u>-</u>	<u>-</u>	<u>2,724,276</u>
Total	<u>\$ 2,724,276</u>	<u>\$ 1,415</u>	<u>\$ -</u>	<u>\$ 2,725,691</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instruments	<u>\$ -</u>	<u>\$ 19</u>	<u>\$ -</u>	<u>\$ 19</u>

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

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

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

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

D. For the nine months ended September 30, 2022 and 2021, there was no transfer between Level 1 and Level 2.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

According to the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, the significant transactions for the nine months ended September 30, 2022 are as follows:

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to table 1.

- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Refer to table 2.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Refer to table 3.
- I. Trading in derivative instruments undertaken during the reporting periods: Refer to Notes 6(2), 6(11) and 12(3).
- J. Significant inter-company transactions during the reporting periods: Refer to table 4.

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Refer to table 6.

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

(4) Major shareholders information

Major shareholders information: Refer to table 7.

14. SEGMENT INFORMATION

(1) General information

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

(2) Segment information

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

	Nine months ended September 30, 2022		
	Single operating segment	Reconciliation and elimination	Total
Reportable segments income			
Revenue from external customers	\$ 3,138,960	\$ -	\$ 3,138,960
Total	\$ 3,138,960	\$ -	\$ 3,138,960
Reportable segments profit	\$ 467,167	\$ -	\$ 467,167
Segments profit, including:			
Interest income	\$ 5,877	\$ -	\$ 5,877
Depreciation and amortization	\$ 70,785	\$ -	\$ 70,785
Share of profit of associates and joint ventures accounted for using equity method	\$ 14,757	\$ -	\$ 14,757
Income tax expense	\$ 118,036	\$ -	\$ 118,036

	Nine months ended September 30, 2021		
	Single operating segment	Reconciliation and elimination	Total
Reportable segments income			
Revenue from external customers	\$ 3,218,436	\$ -	\$ 3,218,436
Total	\$ 3,218,436	\$ -	\$ 3,218,436
Reportable segments profit	\$ 211,294	\$ -	\$ 211,294
Segments profit, including:			
Interest income	\$ 4,240	\$ -	\$ 4,240
Depreciation and amortization	\$ 83,667	\$ -	\$ 83,667
Share of loss of associates and joint ventures accounted for using equity method	\$ 15,458	\$ -	\$ 15,458
Income tax expense	\$ 36,034	\$ -	\$ 36,034

(3) Reconciliation for segment income

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

	Nine months ended September 30,	
	2022	2021
Reportable segments income	\$ 467,167	\$ 211,294
Income before tax from continuing operations	\$ 467,167	\$ 211,294

Creative Sensor Inc. and Subsidiaries

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

Nine months ended September 30, 2022

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities categories (Note 1)	Marketable securities	Relationship with the securities issuer	General ledger account	As of September 30, 2022				
					Number of shares (in thousands)	Book value (Note 2)	Ownership (%)	Fair value	Footnote
The Company	Stock	TECO ELECTRIC & MACHINERY CO., LTD.	-	Financial assets at fair value through other comprehensive income - non-current	69,489	\$ 1,956,115	3.25%	\$ 1,956,115	Note 3
"	"	Koryo Electronics Co., Ltd.	The Group's key management	"	9,882	290,531	19.07%	290,531	
"	"	MUTUALPAK	-	"	108	-	0.65%	-	
"	"	Taiwan Pelican Express Co., Ltd.	-	"	281	12,617	0.29%	12,617	
"	Bond	U.S. Treasury bond U.S. dollar semiannual sovereign bond	-	"	30	88,986	-	88,986	
						<u>\$ 2,348,249</u>		<u>\$ 2,348,249</u>	

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

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

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

Creative Sensor Inc. and Subsidiaries
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Nine months ended September 30, 2022

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note)			Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)		
The Company	Nanchang Creative Sensor Technology Co., Ltd.	The Company's third-tier subsidiary	Purchases	\$ 2,754,457	100%	\$ -	75~90 days after monthly billing	Note	(\$ 1,074,502)	99.98%	-

Note 1: The payment term is 45~90 days after monthly billing for third parties and is 75 days after semi-monthly billing for foreign parties.

Creative Sensor Inc. and Subsidiaries
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 Nine months ended September 30, 2022

Table 3

Expressed in thousands of NTD
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2022	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Nanchang Creative Sensor Technology Co., Ltd.	The Company	Parent company	\$ 1,074,502	4.22	\$ -	-	\$ 364,201	\$ -

Creative Sensor Inc. and Subsidiaries
Significant inter-company transactions during the reporting period
Nine months ended September 30, 2022

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)	Note
				General ledger account	Amount	Transaction terms		
0	The Company	Nanchang Creative Sensor Technology Co., Ltd.	1	Accounts payable	\$ 1,074,502	75~90 days after monthly billing	16.66%	-
"	"	"	"	Purchases	2,754,457	"	87.75%	-
1	Nanchang Creative Sensor Technology Co., Ltd.	The Company	2	Accounts payable	30,763	60 days after monthly billing	0.48%	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
Nine months ended September 30, 2022

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2022			Net profit (loss) of the investee for the nine months ended September 30, 2022	Investment income (loss) recognized by the Company for the nine months ended September 30, 2022 (Note 1)	Footnote
				Balance as at September 30, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
The Company	Creative Sensor Inc.	British Virgin Islands	Holding company	\$ 583,416	\$ 583,416	15,414,994	100	\$ 1,540,127	\$ 142,320	\$ 142,320	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	3,441	(182)	(182)	Subsidiary
The Company	K9 Inc.	South Korea	Packaging for image sensor module	-	32,314	-	-	-	-	-	Investee accounted for using equity method (Note 2)
The Company	Teco Image Systems Co., Ltd.	Taiwan	Design, manufacturing and trading of multi-function printer, fax machine and scanner	737,506	737,506	33,408,000	29.69	713,378	83,588	6,128	Investee accounted for using equity method
The Company	Tien Da Investment Co., Ltd.	Taiwan	Investing company	223,040	223,040	21,340,000	29.85	192,277	28,904	8,629	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	1,520,270	139,809	-	Subsidiary

Note 1: The Company has not directly recognized the income (loss) on investment in Creative Sensor Co., Ltd.

Note 2: In June 2022, the Group verified the registration status of the company announced by the Korean government and confirmed that K9 INC. had been liquidated. Therefore, the relevant investment using the equity method was excluded.

Creative Sensor Inc. and Subsidiaries
Information on investments in Mainland China
Nine months ended September 30, 2022

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

A. Information on reinvestment in Mainland Area

Investee in Mainland China	Main business activities	Paid-in capital (Note 2)	Investment method (Note 1)	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the nine months ended September 30, 2022			Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022 (Note 3)	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2022 (Note 3)	Net income of investee for the nine months ended September 30, 2022	Ownership held by the Company (direct or indirect)	Investment income recognized by the Company for the nine months ended September 30, 2022 (Note 4)	Book value of investments in Mainland China as of September 30, 2022	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2022	Footnote
				Remitted to Mainland China	Remitted back to Taiwan	China as of September 30, 2022 (Note 3)								
Wuxi Creative Sensor Technology Co., Ltd.	Image Sensor	\$ 37,060	Note 1	\$ 29,143	\$ -	\$ -	\$ 29,143	\$ 250	100	\$ 250	\$ 254,699	\$ 637,020	Note 5	
Nanchang Creative Sensor Technology Co., Ltd.	Image Sensor	974,426	Note 1	461,825	-	-	461,825	140,252	100	140,252	1,183,890	437,459	Note 6	

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

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

Note 3: Wuxi Creative Sensor Technology Co., Ltd.'s accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022 in the original currency was US\$915 thousand. Nanchang Creative Sensor Technology Co., Ltd.'s accumulated amount of remittance from Taiwan to Mainland China as of January 1 and September 30, 2022 in the original currency was both US\$14,500 thousand.

Note 4: Investment income recognized for the nine months ended September 30, 2022 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 September 30, 2022, the Investment Commission also approved the investment income of US\$21,440 thousand which has been remitted back to Taiwan and proceeds from capital reduction of US\$14,000 thousand which have been remitted back, and all of them could be used to deduct from the accumulated investment amounts in Mainland China.

Note 6: The investment facility of US\$14,500 thousand and US\$15,300 thousand of Wuxi Creative Sensor Technology Co., Ltd.'s reinvestment in Nanchang Creative Sensor Technology Co., Ltd. through capitalisation of earnings which was approved by the Investment Commission, as of September 30, 2022, the Investment Commission also approved that the investment income of US\$15,121 thousand which has been remitted back to Taiwan, and all of them could be used to deduct from the accumulated investment amounts in Mainland China.

B. Ceiling on reinvestments in Mainland Area

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
The Company	\$ 490,968	\$ 493,834	\$ 2,339,501

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2022 in original currency amounted to US\$15,415 thousand.

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

Furthermore, as of September 30, 2022, the Investment Commission approved that the investment income from reinvestment business in Mainland China remitted back to Taiwan was US\$36,561 thousand which could be deducted from the accumulated investment amounts in Mainland China.

Creative Sensor Inc. and Subsidiaries

Major shareholders information

September 30, 2022

Table 7

Major shareholders name	Ownership	Ownership (%)
Teco Image Systems Co., Ltd.	28,906,260	19.39%
UNIVERSAL CEMENT CORPORATION	13,273,000	8.90%
Tien Da Investment Co., Ltd.	12,318,000	8.26%
Yurui Co., Ltd.	9,018,029	6.05%
Huan Ni Investment Co., Ltd.	9,000,000	6.03%
Teco International Investment Co., Ltd.	7,913,310	5.30%
CREATIVE SENSOR INC. (Note)	7,743,000	5.19%

- (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.

Note : Number of shares held by the Company is recorded as treasury shares.