

Stock Code: 8249  
Taiwan Stock Exchange Market Observation Post System  
<http://mops.twse.com.tw>  
Lucky Cement Corporation  
<http://www.csi-sensor.com.tw>

# Creative Sensor Inc.

2019 Annual Report  
Printed on: May 20, 2020

I. spokesperson

Name of Spokesperson:  
Sheng-Chih Ou

Name of Deputy Spokesperson:  
Li-Chuan HsuA

Title: Assistant Manager of the Finance Division      Title: Special Assistant of Chairman

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

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

Name: Registrar Department of Yuanta Securities

Address: B1F., No.210, Sec. 3, Chengde Rd., Datong Dist., Taipei City, Taiwan (R.O.C.)

Website: <http://www.yuanta.com>

TEL.: 02-2586-5859

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

Name: CPA Shu-Chiung Chang, CPA Chun-Yao Lin

Accounting firm: PwC Taiwan

Address: 27F., No.333, Sec. 1, Keelung Rd., Songshan Dist., Taipei City, Taiwan (R.O.C.)

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

TEL.: (02)2729-6666

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

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

# Table of Contents

<b>ONE. LETTER TO SHAREHOLDERS .....</b>	<b>1</b>
<b>TWO. COMPANY PROFILE.....</b>	<b>3</b>
I. Establishment Date .....	3
II. Corporate Milestones.....	3
<b>THREE. CORPORATE GOVERNANCE REPORT .....</b>	<b>5</b>
I. Organization System.....	5
II. Information Concerning The Directors, Supervisors, Presidents, Vice Presidents, Assistant Vice Presidents, And Department And Branch Managers .....	7
III. Status of Corporate Governance .....	22
IV. Information of Independent Auditors Fee.....	48
V. Information on Change of CPAs. ....	49
VI. The Auditing Firm or Its Affiliates at Which the Company’s Chairman, President, or Managers Responsible for Financial or Accounting Matters Was an Employee over the Past Year.....	49
VII. Change of Shares Transferred and Pledged For Directors, Supervisors, Managers and Any Shareholder Who Holds More Than 10% of The Company’S Shares During The Most Recent Year Until The Date on Which the Annual Report was Printed.....	49
VIII. Relationship Information, If Among The 10 Largest Shareholders Any One Is A Related Party, Or Is The Spouse Or A Relative Within The Second Degree Of Kinship With Another.....	52
IX. The Total Number Of Shares And Total Equity Stake Held In The Same Investee By The Company, Its Directors And Supervisors, Managerial Officers, And Any Companies Controlled Either Directly Or Indirectly By The Company. ....	54
<b>FOUR. FUNDRAISING STATUS .....</b>	<b>55</b>
I. Corporate Capital and Shares .....	55
II. Issuance of Corporate Bonds. ....	61
III. Issuance of Preferred Shares.....	61
IV. Issuance of Overseas Depository Receipts .....	61
V. Issuance of Employee Stock Option Certificates.....	61
VI. Information About New Restricted Employee Shares.....	61
VII. Issuance of New Shares in Connection With Mergers or Acquisitions of, or Succession to Shares of Other Companies.....	61
VIII. Implementation of Capital Utilization Plan .....	61
<b>FIVE. OPERATION OVERVIEW.....</b>	<b>62</b>
I. Business Content .....	62
II. Market and Production/Sales Overview .....	65
III. Employee Information .....	72
IV. Information on Environmental Protection Expense.....	72

V.	Labor-Management Relationship .....	73
VI.	Important Contracts .....	75
<b>SIX.</b>	<b>FINANCIAL INFORMATION .....</b>	<b>76</b>
I.	Condensed Balance Sheet and Comprehensive Income Statement for the Most Recent Five Years.....	76
II.	Financial Analysis for the Last Five Years.....	81
III.	Supervisors' Review Report of the Financial Statements in the Most Recent Year.....	86
IV.	Financial Statements of Most Recent Year.....	87
V.	Company's Standalone Financial Statements of the Most Recent Year Audited by Auditors .....	87
VI.	Summary of Any Financial Difficulty of the Company or Its Affiliates in the Most Recent Year and Up to the Printing Date of the Annual Report. In Case of Any Financial Difficulty, the Impact of Such Difficulty on the Company shall be Explained .....	87
<b>SEVEN.</b>	<b>REVIEW AND ANALYSIS OF FINANCIAL STATUS AND OPERATIONAL RESULTS AND RISKS .....</b>	<b>88</b>
I.	Financial Status.....	88
II.	Financial Performance .....	88
III.	Cash Flow .....	89
IV.	Impact of Significant Capital Expenditures in the Most Recent Year on the Financial and Operating Conditions of the Company.....	90
V.	Causes of Profit or Loss Incurred on Investments in the Most Recent Years, any Improvements, and Investments Planned for the Next Year .....	90
VI.	Risk Analysis and Assessment Made in the Most Recent Year and Up to the Printing Date of the Annual Report .....	91
VII.	Other Important Matters .....	94
<b>EIGHT.</b>	<b>SPECIAL DISCLOSURE.....</b>	<b>95</b>
I.	Affiliated Enterprise Information .....	95
II.	Any Private Placement of Securities within the Latest Fiscal Year and as of the Date of the Annual Report.....	97
III.	Any Share Ownership and Disposal of Shares of the Company by Subsidiaries within the Latest Fiscal Year and as of the Date of the Annual Report.....	97
IV.	Additional Information Required to be Disclosed .....	97
V.	For the most recent year and up to the printing date of the annual report, events having material impact on shareholders' rights and interests or stock price .....	97

## One. Letter to Shareholders

### I. 2019 operational overview

Multi-function office machines are widely used in technology network cloud applications and are of relatively low prices. As the applications and use of various handheld devices become more convenient, it promotes the evolution of paperless subjects. According to the market survey of IDC, the output volume for multi-function office machines in 2019 was decreased by 3.5% from the output volume in 2018. Under the impact of the greater environment, the 2019 revenue of Creative Sensor decreased by 8.9% from the revenue in 2018.

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

Unit: NTD thousands			
t	2019	2018	Growth rate
Operating revenue	4,169,494	4,576,761	-8.9%
Gross profit	605,987	552,868	9.6%
Earnings per share	1.45	1.62	-10.5%

(II) Revenue, profit and loss:

The revenue in 2019 was NTD 4.169 billion, a decrease of 8.9% from the revenue of NTD 4.576 billion in 2018. The gross profit in 2019 was NTD 605 million, an increase of 9.6% from NTD 552 million in 2018. The reason for the increase of the gross margin was mainly due to the drop in raw material price, and the increase of the automated production line ratio in Nanchang Plant. The due of the depreciation of the machines and equipment purchased during the establishment of Nanchang Plant led to decrease of manufacturing cost and improvement of labor efficiency. The net income after tax was NTD 183 million, and the earnings per share was NTD 1.45.

(III) R&D results:

In 2019, the R&D directive was to continuously introduce self-developed component parts and to improve the quality performance, enhance vertical integration and cooperatively introduce new material suppliers in order to effectively reduce costs. The projects for the development of A3 niche models; infrared vacuum packaging and AOI linear sensor camera modules have been carried out in process.

### II. 2020 Outlook

Looking into the year of 2020, the outbreak “2019 Novel Coronavirus” (COVID-19) from China has spread worldwide, and the epidemic shows no sign of mitigation. To control the epidemic, the Chinese government has adopted various measures, including delay of resume of work, restriction on cross-province passenger transportation and lockdown of parts of the cities. Nevertheless, such measures have affected the supply aspect of the production, and the general public’s fear toward the epidemic has also caused impacts on the market demand. Despite that our nation continues to benefit from the trade transfer and investment return, and the domestic demand is expected to grow stably, nonetheless, in terms of the outlook of the global economy, the economic expansion is going to be slowed down due to the on-going trade conflict and the economic losses due to the COVID-19. International Monetary Fund (IMF) and Organization for Economic Co-operation and Development (OECD) have downgraded the growth expectation for the 2020 global economic and world trade volume, indicating that the international organizations hold a conservative view on the outlook of the global economy.

In view of the conservative view on the global economic growth and the on-going trade war issue between the U.S. And China, the concern on whether the supply with respect to the economic demand will be decreased or will merely be delayed is yet to be determined through further observation. In addition, the market of multi-functional office machines has reached saturation and the network cloud has been widely applied, the IDC predicts that the market output volume in 2020 will show a further decline of 2.7%. Moreover, the epidemic of COVID-19 has caused delay in the resume of work and business, and the Chinese government has also implemented relevant control measures for the purpose of the control of the epidemic, such that overall impacts on the material supply from the suppliers and the customer sales aspect of Creative Sensor are unclear and cannot be decisively concluded.

Accordingly, with regard to the business focus of the Company in 2020, to handle the impact of COVID-19, the management team shall maintain the prompt reaction and change capability, stabilize customers and enhance factory management in order to reduce personnel turnover rate and enhance the quality control, and improve the flexibility and change of the automated production, continue to promote the improvement of the product yield rate as well as increase the ratio of self-manufactured materials, thereby ensuring the profit growth. In addition, the Company will increase the investment in new product development in order to develop high-precision industrial inspection CIS camera modules, develop own far infrared thermal imaging core and self-driving sensors etc. For body temperature detection and inspection equipment associated with COVID-19, the Company will also develop feasible solutions.

The following will be the focuses of the Company's operations in 2020:

1. Maintain leadership position in CIS. Extend proprietary technology and continue to cooperate with main customers in new product development, and expand self-manufactured materials, as well as offer vertically integrated CIS solutions.
2. Adjust factory production strategy, increase the level of automated production, efficiency and yield rate, continue to control costs and expenses for higher profits.
3. Develop industrial inspection CIS camera module, become part of the industrial inspection equipment manufacturer group.
4. Focus on the development of infrared core, seek technical cooperation with companies having the capability of temperature calibration, engage in technology transfer of the infrared temperature detection principle and temperature calibration, develop infrared core equipped with the temperature detection function and become part of the surveillance camera manufacturer group.
5. In response to the volatile raw material price and inconsistent supply of parts, the Company will actively seek out alternative suppliers to secure future supply.

Chairman: Yu-Ren Huang

## Two. Company Profile

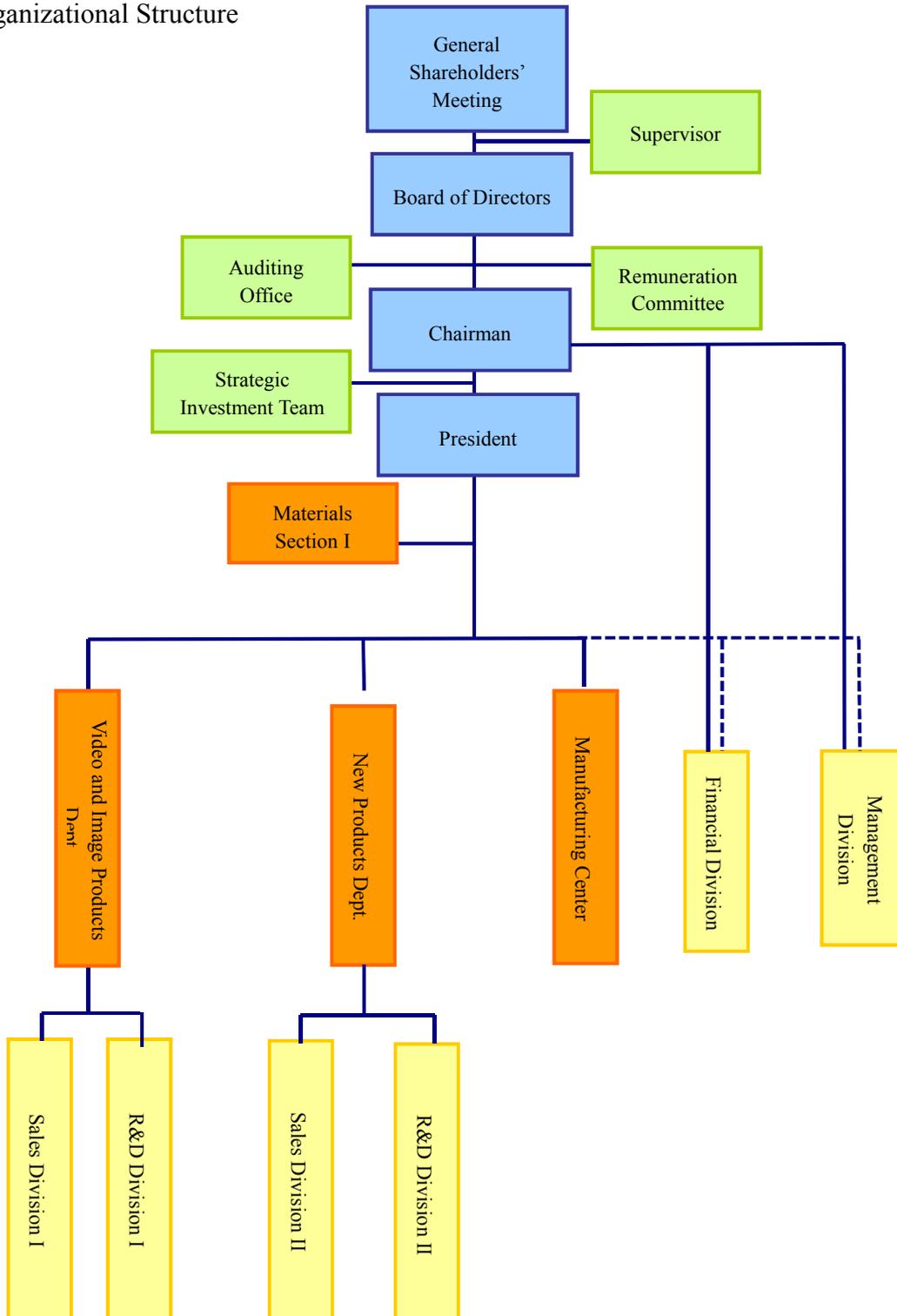
- I. Establishment Date: June 15, 1998
- II. Corporate Milestones
  - 1998 - The Company was founded in Wenshan District, Taipei City. The registered capital was NTD 40 million and the paid-in capital was NTD 10 million.
  - 1999 - The Company moved to Xizhi City, Taipei County.
    - The cash capital increase was NTD 50 million and the paid-in capital was NTD 60 million.
  - 2000 - The cash capital increase was NTD 300 million and the paid-in capital reached NTD 360 million. The Company then carried out supplemental public issuance.
    - The Company moved to Xindian City, Taipei County.
    - The Company obtained the ISO9001 certificate.
  - 2001 - The Company entered into the “Development Project of New Leading Products” agreement with the Industrial Development Bureau, Ministry of Economic Affairs.
  - 2002 - The Company finished a complete strategic alliance arrangement in the CIS industry with global leading manufacturers and customers.
    - The English name of the Company was changed to “CREATIVE SENSOR INC.”
    - The cash capital increase was NTD 140 million and the paid-in capital reached NTD 500 million.
    - A subsidiary was founded in Wuxi, China, in line with the marketing strategy at lower production cost.
    - The cash capital increase was NTD 200 million and the paid-in capital reached NTD 700 million.
  - 2003 - The Company developed a 2400 DPI High Resolution Chromatic CIS. It was the first developed and mass-produced leading model of 2400 DPI in the market.
  - 2004 - Our Wuxi 2<sup>nd</sup> factory in China was launched officially.
    - The Company obtained the ISO14001 certificate.
  - 2005 - The Company was approved by the Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan, to list as a public company.
    - The first domestic unsecured convertible corporate bonds amounting to NTD 200 million was issued.
    - The Company invested and founded a subsidiary in the USA.
  - 2006 - The Company obtained the qualification of business operation headquarters.
    - The Company obtained the TS16949 quality system certificate in the automobile industry.
    - The first liquid lens in the world was put into mass production successfully.
  - 2007 - The Company invested in and founded the NanChang Creative Sensor Technology CO., LTD..
    - The Company obtained the technology research and development project from the Ministry of Economic Affairs (research and development project of autofocus liquid lens module).
  - 2008 - NanChang Creative Sensor Technology CO., LTD. Was launched.
  - 2009 - Wuxi Creative Sensor Technology CO., LTD. passed the high-tech enterprise certification.
  - 2010 - Part of the ELCC new packaging process for sensors entered the mass production stage.
  - 2012 - NanChang Creative Sensor Technology CO., LTD. passed the high-tech enterprise certification.
  - 2013 - The Company received the 2012 best quality award for suppliers from Brother.

- 2014
  - The Company received the 2013 remarkable supplier award from Epson.
  - The Company moved to Neihu District, Taipei City.
- 2015
  - The company received the 2015 remarkable quality and process supplier award from HP.
- 2016
  - The Company received the 2016 quality advancement supplier award from HP.
  - The Company received the 2016 quality advancement award from Samsung.
  - The Company received the 2016 remarkable supplier award from Brother.
  - The Company received the 2016 remarkable supplier award from Epson.
- 2017
  - The Company successfully developed infrared thermal imaging ceramic packaging technology.
  - The Company successfully developed independent sensor light sources and it entered the mass production stage.
- 2018
  - Successfully developed 660mm automatic optical inspection module.
- 2019
  - Successfully integrated thermal imaging driving ASIC and sensor, developed thermal imaging module

# Three. Corporate Governance Report

## I. Organization System

### (I) Organizational Structure



(II) Responsibilities of Main Departments:

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

II. Information concerning the directors, supervisors, presidents, vice presidents, assistant vice presidents, and department and branch managers

(I) Directors, Supervisors

1. Information of directors and supervisors

April 13, 2020

Title	Nationality/Companies Registry	Name	Gender	Date of Election (Appointment)	Term (years)	Date First Elected	Shareholding when Elected		Current shareholding		Spouse & Minor Shareholding		Shareholding under another		Education and selected past positions	Currently concurrent positions in the Company or in other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship
Chairman	R.O.C.	TECO Image Systems Co., Ltd.		2018.6.27	3	2003.6.20	21,928,260	17.26%	21,928,260	17.26%	0	0	0	0	Chairman and president of TECO Image Systems Co., Ltd. CEO of TECO Group, IT Business Unit M.E.E. of Columbia University	(Note 2)	None	None	None
	Japan	Representative: Yu-Ren Huang	Male	2018.6.27	3	2003.6.20	0	0.00%	0	0.00%	0	0	0	0			None	None	None
Director	R.O.C.	TECO Electric & Machinery Co., Ltd.		2018.6.27	3	2006.6.14	2,137,044	1.68%	2,137,044	1.68%	0	0	0	0	Deputy President of TECO Electric & Machinery Co., Ltd. Master, Stevens Institute of Technology	(Note 2)	None	None	None
	R.O.C.	Representative: Chao-Chih Lien	Male	2018.6.27	3	2005.1.05	0	0.00%	0	0.00%	0	0	0	0			None	None	None
Director	R.O.C.	TECO Image Systems Co., Ltd.		2018.6.27	3	2003.6.20	21,928,260	17.26%	21,928,260	17.26%	0	0	0	0	Emeritus Chair Professor of Chang Jung Christian University Doctor of Department of Psychology, University of Wyoming Sales Director of Sunplus Technology Co., Ltd. MBA of Keio University	(Note 2)	None	None	None
	R.O.C.	Representative: Chiang Hsu	Male	2018.6.27	3	2006.6.14	0	0.00%	0	0.00%	0	0	0	0			None	None	None
	R.O.C.	Representative: Chi-Chang Yang (Note 1)	Male	2018.6.27	3	2019.10.22	0	0.00%	464	0.00%	0	0	0	0			None	None	None
Director	R.O.C.	KROM Electronics Co., Ltd.		2018.6.27	3	2012.6.13	100,000	0.08%	100,000	0.08%	0	0	0	0	Chairman of KROM Electronics Co., Ltd. Doctor of International Judicial Science of University of International Business and Economics, Beijing	(Note 2)	None	None	None
	R.O.C.	Representative: Ying-Sheng Hsieh	Male	2018.6.27	3	2009.6.16	0	0.00%	0	0.00%	0	0	0	0			None	None	None
Director	R.O.C.	Tong-An Investment Co., Ltd.		2018.6.27	3	2000.4.11	7,913,310	6.23%	7,913,310	6.23%	0	0	0	0	CTO of Planning Division, TECO Image Systems Co., Ltd. Bachelor of Department of Electronic Engineering, Chung Yuan Christian University Emeritus Chair Professor of Chang Jung Christian University Doctor of Department of Psychology, University of Wyoming	(Note 2)	None	None	None
	R.O.C.	Representative: Yao-Ming Wei	Male	2018.6.27	3	2012.6.13	0	0.00%	0	0.00%	0	0	0	0			None	None	None
	R.O.C.	Representative: Chiang Hsu (Note 2)	Male	2018.6.27	3	2019.10.22	0	0.00%	0	0.00%	0	0	0	0			None	None	None
Independent Director	R.O.C.	Hsiu-Ming Wang	Male	2018.6.27	3	2009.6.16	0	0.00%	0	0.00%	0	0	0	0	Chairman of Ming Shing Creativity Management Consultant Co., Ltd. MBA, University of Leicester	(Note 2)	None	None	None
Independent Director	R.O.C.	James Wang	Male	2018.6.27	3	2006.6.14	0	0.00%	0	0.00%	0	0	0	0	President of Sercomm Corporation MBA, Harvard Business School	(Note 2)	None	None	None
Supervisor	R.O.C.	Guang Yuan Industrial Co., Ltd.		2018.6.27	3	2003.6.20	789,530	0.62%	789,530	0.62%	0	0	0	0	Chairman of TECNOS International Consultant Co., Ltd. MBA of College of Management, National Taiwan University	(Note 2)	None	None	None
	R.O.C.	Representative: Hui-Mei Wu	Female	2018.6.27	3	2012.11.5	0	0.00%	0	0.00%	0	0	0	0			None	None	None
Supervisor	R.O.C.	Hung-Ming Lin	Male	2018.6.27	3	2018.6.27	0	0.00%	0	0.00%	0	0	0	0	Deputy Director of Management and Accounting Division, TECO Electric & Machinery Co., Ltd. Master of Business Administration, University of Durham, U.K.	(Note 2)	None	None	None
Supervisor	R.O.C.	Min-Yu Chang	Female	2018.6.27	3	2004.06.07	13,000	0.01%	13,000	0.01%	0	0	0	0	Independent Director of Taishin Financial Holding Co., Ltd. Independent Director of Taishin International Bank Co., Ltd. Department of Accounting, Tamkang University	(Note 2)	None	None	None

Note 1: Chi-Chang Yang was reassigned as corporate director of TECO Image Systems Co., Ltd. on October 22, 2019.

Note 2: Chiang Hsu was reassigned as corporate director of TECO. Capital Investment Co., Ltd. on October 22, 2019

Note 2: Currently concurrent positions in the Company or in other companies

Title/Job </2	Name	Currently concurrent positions in the Company or in other companies	
Chairman	Yu-Ren Huang	Chairman:	TECO Image Systems Co., Ltd.; Lien Chang Electronic Enterprise Co., Ltd.; Kuang Yuan Co., Ltd.; Multilite International Co., Ltd.; Genmao International Investment Co., Ltd.; Teco Pro-Systems (JiangXi) Co., Ltd.
		Director:	TECO Electric & Machinery Co., Ltd.; KORYO Electronics Co., Ltd.; Nidec Corporation; Guang Yuan Industrial Co., Ltd.; Yuban & Co.; Rong Wan Electronics Ltd. Shanghai; Rong Wan Technology Co., Ltd. Shenzhen; Blue Pacific Co., Ltd.; Creative Sensor Inc.; Creative Sensor (USA) Co.; Creative Sensor Co., Ltd.; Wuxi Creative Sensor Technology Co., Ltd.; NanChang Creative Sensor Technology Co., Ltd.; Genmao Ltd. Singapore; TaipeiING Co., Ltd.; Inotec Taiwan Co., Ltd.; Daher Venture Capital Co., Ltd., Independent Director of Career Technology Co., Ltd.
		President:	TECO Image Systems Co., Ltd.
Director	Chao-Chih Lien	Chairman:	Taian Electric Co., Ltd.; Hunan TECO Wind Energy limited; Hunan Mingyang Teco Wind Power Co., Ltd.; TECO-Westinghouse Motors (Canada) Inc; Teco Electrical Industries Private Limited; TECO Electric & Machinery Pte Ltd.; P.T. TECO Multiguna Elektro, TECO EV Philippines Corporation
		Vice Chairman:	TECO AUSTRALIA PTY. LTD.; TECO Australia Pty Limited (TAC)
		Director:	TECO Image Systems Co., Ltd.; Lien Chang Electronic Enterprise Co., Ltd.; Wuxi Creative Sensor Technology Co., Ltd.; NanChang Creative Sensor Technology Co., Ltd.; TG TECO Vacuum Insulated Glass Corp.; Corporate Synergy Development Center; Teco-Westinghouse Motor Company; Teco Electric & Machinery (THAI) Co., Ltd; Teco Industrial System Private Limited; TEMICO INDIA PRIVATE LIMITED; TEMICO MOTOR INDIA PRIVATE LIMITED
		President:	TECO Electric & Machinery Co., Ltd. (Distributor), Shanghai TECO Electric & Machinery Co., Ltd.
Director	Chiang Hsu	Director:	Independent director of China Productivity Center; T.Y.C. Brother Industrial Co., Ltd.
		Others:	Consultant of T.Y.C. Brother Industrial Co., Ltd.; Consultant of Changhua Christian Hospital; Chair Professor of Chang Jung Christian University and Host of Wang Tzu-Bin Academic Forum
Director	Ying-Sheng Hsieh	Chairman:	KROM Electronics Co., Ltd.; Victron Technology Co., Ltd.; KROM Mate (Shanghai) Limited; KROM Mate (Hong Kong) Limited
		Director:	TECO Image Systems Co., Ltd.; Taiwan Tech 3D Co., Ltd.
Director	Chi-Chang Yang	Chairman:	Sun Semiconductor Corporation
		Director:	NanChang Creative Sensor Technology Co., Ltd., Wuxi Creative Sensor Technology Co., Ltd.
Independent Director	Hsiu-Ming Wang	Chairman:	Ming Shing Creativity Management Consultant Co., Ltd.; Ming Xiang Culture Co., Ltd.
		Director:	Cheng Uei Precision Industry Co., Ltd.
		Supervisor:	Glory Science Co., Ltd.; Kuo Kuang Power Co., Ltd.
		Others:	Director of Taiwan Electrical and Electronic Manufacturers' Association
Independent Director	James Wang	Chairman:	Shu Kuan Investment Co., Ltd.; Shu Kuan Trading Co., Ltd; Re Zhong Investment Co., Ltd.; Zhuo Jian Investment Co., Ltd.; Yun Zhou Investment Co., Ltd.; Servercom (India) Private Limited
		Director:	Sercomm Corporation; Sercomm Japan Corp.; Sercomm Russia LLC., Hawxeye LLC.
		President:	Sercomm Corporation
Supervisor	Hung-Ming Lin	Others:	Deputy Director of Management and Accounting Division, TECO Electric & Machinery Co., Ltd.
Supervisor	Hui-Mei Wu	Chairman:	Xian Lao Man Catering Co., Ltd.
		Director:	Tong-An Investment Co., Ltd.; Century Development Corporation, Inc.; Shi Kang Development Corporation, Inc.; TECNOS International Consultant Co., Ltd.; Ming Full Ltd.
		President:	Tong-An Asset Development Management Co., Ltd.
		Others:	None
Supervisor	Min-Yu Chang	Director:	Independent Director of Taishin Financial Holding Co., Ltd.; Independent Director of Taishin International Bank Co., Ltd.; Independent Director of Taiwan Shin Kong Security Co., Ltd.; Independent Director of Shin Shin Natural Gas Co., Ltd.; Taiwan Shin Kong Security Culture and Arts Foundation; TaipeiING Co., Ltd.
		Supervisor:	Multilite International Co., Ltd.
		Others:	Supervisor of National Performing Arts Center

2. Names of 10 largest institutional shareholders and shareholding percentage thereof

Major shareholders of institutional shareholders

April 13, 2020

Institutional shareholder	Major shareholders of institutional shareholders
TECO Image Systems Co., Ltd.	Creative Sensor Inc. (10.66%); Tong-An Investment Co., Ltd. (8.17%); Trust property account of Creative Sensor Inc. managed by CTBC Bank Co., Ltd. in trust (6.21%); TECO International Investment Co., Ltd. (5.67%); Kuang Yuan Industrial Co., Ltd. (4.24%); KROM Electronics Co., Ltd. (2.44%); Multilite International Co., Ltd. (2.14%); Lien Chang Electronic Enterprise Co., Ltd. (1.99%); Ta-Chao Lin (1.80%); Employee shareholding trust property account of TECO Image Systems Co., Ltd. Managed by CTBC Bank Co., Ltd. in trust (1.16%)
TECO Electric & Machinery Co., Ltd.	PJ Asset Management Co., Ltd. (9.87%); Jia Yuan Investment Co., Ltd. (6.46%); Silchester international investors international value stock trust investment account managed by Bank of Taiwan in trust (3.96%); WGI Emerging Market Smaller Company Fund Investment Account managed by Business Department of Standard Chartered Bank in trust (2.02%); Silchester international investors international value stock trust investment account managed by Bank of Taiwan in trust (1.99%); Oriental Light Investment Limited (1.63%); Series Fund Advanced Star Comprehensive International Stock Index Fund of Advanced Start Fund Company managed by JP Morgan Chase Bank, N.A. Taipei Branch in trust (1.61%); Chunghwa Post Co., Ltd. (1.60%); Norway Central Bank Investment Account managed by Citibank Taiwan in trust (1.43%); Vanguard Emerging Market Stock Index Fund Investment Account operated by Vanguard Group and managed by JP Morgan Chase Bank, No.A. Taipei Branch in trust (1.38%)
KROM Electronics Co., Ltd.	Multilite International Co., Ltd. (49.63%); Kuang Yuan Industrial Co., Ltd. (5.54%); Hui-Mei Chiu (4.43%); Li-Chun Chang (3.44%); Ant Bridge Asia Corporation (2.91%); Joyce Investment Corp. (2.82%); Li-Jung Chiu (2.44%) Chuan-Fu Lu (2.16%); Li-Yu Chang (2.03%); TECO Image Systems Co., Ltd. (1.86%)
Tong-An Investment Co., Ltd.	TECO Electric & Machinery Co., Ltd. (99.6%); TECO International Investment Co., Ltd. (0.2%); An-Tai International Investment Co., Ltd. (0.2%)
Guang Yuan Industrial Co., Ltd.	Tung Kuang Investment Co., Ltd. (33.86%); Lin-Ho-Hui Huang (51.58%); Hong Kong Mingye Investment Co., Ltd. (10.0%); Tong Ho Global Investment Co., Ltd. (0.74%); Others (3.82%)

Major shareholders of the major shareholders who are juristic persons

April 13, 2020

Name of Juristic Person	Major shareholders of the juristic person
Multilite International Co., Ltd.	Guang Yuan Industrial Co., Ltd. (22.28%); Joyce Investment Corp. (18.38%); Wen-Hsiung Lin (13.00%); Mao-Hsiung Huang (10.04%); Tung Kuang Investment Co., Ltd. (9.88%); Joyce Worldwide Ltd. (7.30%); Li-Chun Chang (3.80%); Lin-Ho-Hui Huang (3.74%); Li-Yu Chang (3.74%); Li-Chieh Chang (3.11%)
Lien Chang Electronic Enterprise Co., Ltd.	TECO Electric & Machinery Co., Ltd. (33.84%); Chen-Kang Chen (0.95%); Chin Shih China United CPAs (0.67%); Wen-Chin Yeh (0.57%); Huang-Yang Lin (0.55%); Ya-Li Chang (0.52%); Chiu-Lan Kuo (0.45%); JP Morgan Securities Investment Account managed by JPMorgan Chase Bank, N.A. Taipei Branch in trust (0.41%); Ke-Lan Huang (0.36%), Tung-Rong Huang (0.36%)
An-Tai International Investment Co., Ltd.	TECO Electric & Machinery Co., Ltd. (100%)
Tung Kuang Investment Co., Ltd.	Guang Yuan Industrial Co., Ltd. (39.28%); Lin-Ho-Hui Huang (35.01%); Hong Kong Mingye Investment Co., Ltd. (12.73%); Tong Ho Global Investment Co., Ltd (6.00%); Others (6.98%)
TECO International Investment Co., Ltd.	TECO Electric & Machinery Co., Ltd. (100%)
PJ Asset Management Co., Ltd.	He Yang Management Consultant Co., Ltd. (94.95%); Others (5.05%)
Chunghwa Post Co., Ltd.	Ministry of Transportation and Communications (100%)
Jia Yuan Investment Co., Ltd.	He Yuan International Investment Co., Ltd. (100%)
Joyce Investment Corp.	Wen-Hsiung Lin (5.75%); Chien-Fang Wu (13.5%); The Thermos Foundation (5.75%); Kai Yue Industrial Co., Ltd. (8.25%); Joyce Worldwide Ltd. (3.50%); Ming Zheng Investment Co., Ltd. (63.25%)
Ant Bridge Asia V Corporation	Ant Bridge Asia V, L.P. (100%)
Hong Kong Mingye Investment Co., Ltd.	Mei-Ling Teng (100%)
Tong Ho Gloabl Investment Co., Ltd	Shang-Li Huang (25.89%); Guang Yuan Industrial Co., Ltd. (19.5%); Po-Yuan Wang (20.0%); Yu-Ren Huang (17.78%); Others (16.83%)

3. Whether the directors or supervisors have no less than five years experience in business, law, or financial operations, or required by the Company's business, and meet the following conditions:

Criteria	Has at least five years of relevant working experience and the following professional qualifications			Compliance of independence (Note 1)												Number of positions as an Independent Director in other public listed companies
	Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the Company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holder of professional qualification relevant to the Company's operations	Commercial, legal, financial, accounting or other work experience required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	11	12	
TECO Image Systems Co., Ltd. Representative: Yu-Ren Huang	✓		✓			✓	✓		✓			✓	✓	✓	1	
TECO Image Systems Co., Ltd. Representative: Chi-Chang Yang			✓			✓	✓		✓	✓		✓	✓	✓	None	
TECO Electric & Machinery Co., Ltd. Representative: Chao-Chih Lien			✓			✓	✓		✓			✓	✓	✓	None	
KROM Electronics Co., Ltd. Representative: Ying-Sheng Hsieh			✓			✓	✓		✓		✓	✓	✓	✓	None	
Tong-An Investment Co., Ltd. Representative: Chiang Hsu	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Hsiu-Ming Wang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	
James Wang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	
Guang Yuan Industrial Co., Ltd. Representative: Hui-Mei Wu			✓			✓	✓		✓	✓	✓	✓	✓	✓	None	
Hung-Ming Lin			✓			✓	✓		✓	✓	✓	✓	✓	✓	None	
Min-Yu Chang		✓	✓	✓		✓	✓	✓	✓		✓	✓	✓	✓	4	

Note 1: "✓" is marked in the space beneath a condition number when directors or supervisors have met that condition during the two years prior to election and during his or her period of service. The conditions are as follows:

- (1) Not an employee of the Company or its affiliates.
- (2) Not a director, supervisor of the Company and its affiliates (the same does not apply, however, in cases where the person is an

- independent director of the company, its parent company, or any subsidiary, as appointed in accordance with law or with the laws of the country of the parent company or subsidiary).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
  - (4) Not a managerial officer listed in the preceding Subparagraph (1) or a spouse, relative within second degree of kinship or direct blood relative within third degree of kinship of personnel listed in the preceding Subparagraphs (2) and (3).
  - (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company, or of a corporate shareholder that ranks among the top five in shareholdings, or of a proxy appointed according to Paragraph 1 or Paragraph 2 of Article 27 of the Company Act.
  - (6) Not a director, supervisor, or employee of other company not controlled by the same parties holding a majority of the number seats of directors of the company or a majority of shares with voting rights.
  - (7) Not a director (managing director), supervisor (managing supervisor), or employee of other company or institution being the same person holding the position of Chairman, President or equivalent position in the company or a spouse thereof.
  - (8) Not a director (managing director), supervisor (managing supervisor), managerial officer or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the company (provided that if the specific company or institution holds 20% or more and no more than 50% of the total number of issued shares of the company, and the position of an independent director is held concurrently for the company and its parent company, a subsidiary, or a subsidiary of the same parent company according to this law or laws of the local country, such restriction shall not be applied).
  - (9) Not a professional providing business, legal, financial, accounting, or consulting services to the company or an affiliate, nor an owner, partner, director (managing director), supervisor (managing director), or manager officer, or the spouse of any of the foregoing, of a sole proprietorship, partnership, company, or organization providing such services to the company or its affiliates or cumulative remuneration amount obtained in the last two years not exceeding NTD 500,000. provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or the Business Mergers and Acquisitions Act and related laws or regulations.
  - (10) It's not the spouse or relative within the second degree of kinship of another director.
  - (11) It's not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.
  - (12) Has not been elected as a government unit, institution, or their representative as prescribed in Article 27 of the Company Act.

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

April 13, 2020

Title	Nationality	Name	Gender	Date of Election (Appointment)	Shareholding		Shareholdings of Spouse & Minor		Shareholding under another		Education and selected past positions	Currently Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)			Title	Name	Relationship
President	R.O.C.	Yuan-Hao Tsai (Note 1)	Male	December 17, 2019	0	0	0	0	0	0	President of Foxlink Co., Ltd. Graduate Institute of International Business Administration, Chinese Culture University	None	None	None	None
President	R.O.C.	Chi-Chang Yang (Note 2)	Male	November 9, 2015	464	0.0004%	0	0	0	0	Sales Director of Sunplus Technology Co., Ltd. MBA of Keio University	(Note 7)	None	None	None
Deputy President	R.O.C.	Yao-Te Chiu (Note 3)	Male	August 12, 2019	0	0	0	0	0	0	Special Assistant to Chairman of TPK Touch Solutions Inc. Columbia Southern University MBA	None	None	None	None
Vice President and Chief Technology Officer	R.O.C.	Chien-Lung Chen (Note 4)	Male	February 15, 2017	0	0	0	0	0	0	Vice President of Creative Sensor Inc. EMBA of National Taiwan University	(Note 7)	None	None	None
Vice President	R.O.C.	Ho-Hsin Chen (Note 5)	Male	February 2, 2017	0	0	0	0	0	0	President of EPISKY corporation (Changzhou) Ltd. EMBA of Department of Industrial and Business Management, Pacific Western University	None	None	None	None
Assistant Vice President	R.O.C.	Hung-Chi Chen	Male	February 15, 2017	50,000	0.04%	0	0	0	0	President of NanChang Creative Sensor Technology Co., Ltd. Department of Electronic Engineering, Hwa Hsia University of Technology	(Note 7)	None	None	None

Assistant Vice President	R.O.C.	Sheng-Chih Ou	Male	July 6, 2018	0	0	0	0	0	0	Director of Financial Management Division, TECO Image Systems Co., Ltd. Kai Ming Senior Technical and Commercial Vocational School	None	None	None	None
Assistant Vice President	R.O.C.	Chi-Wen Chen (Note 6)	Male	March 18, 2020	0	0	0	0	0	0	Assistant Vice President, Foxlink Co., Ltd. American Graduate School of International Management	None	None	None	None
Director	R.O.C.	Chun-Mei Yen	Female	July 6, 2018	0	0	0	0	0	0	Vice Director, TECO Image Systems Co., Ltd. Department of Accounting, Fu Jen Catholic University	None	None	None	None

Note 1: Yuan-Hao Tsai assumed the position on December 17, 2019, and was appointed to be the President on December 17, 2019.

Note 2: Chi-Chang Yang was reassigned from the position of President to Consultant on August 12, 2019.

Note 3: Yao-Te Chiu was reassigned from the position of Vice President to Deputy President on August 12, 2019, and resigned on December 16, 2019.

Note 4: Chien-Long Chen resigned on January 24, 2019.

Note 5: Ho-Hsin Chen was reassigned from the position of Vice President to Special Assistant on March 18, 2020.

Note 6: Chi-Wen Chen was appointed to be the Assistant Vice President on March 18, 2020.

Note 7: Currently with concurrent positions in the Company or in other companies.

Title	Name	Currently concurrent positions in the Company or in other companies	
President	Chi-Chang Yang	Director:	Wuxi Creative Sensor Technology Co., Ltd.; NanChang Creative Sensor Technology Co., Ltd.; Creative Sensor (USA) Co.
Vice President and Chief Technology Officer	Chien-Lung Chen	Chairman:	Wuxi Creative Sensor Technology Co., Ltd.
		President:	Koryo Electronics Co., Ltd.
Assistant Vice President	Hung-Chi Chen	Director:	NanChang Creative Sensor Technology Co., Ltd.
		President:	Wuxi Creative Sensor Technology Co., Ltd.; NanChang Creative Sensor Technology Co., Ltd.

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

## 1. Remuneration to Directors (including Independent Directors)

Unit: NTD thousands

No.	Title	Name	Remuneration to directors								Remuneration in the capacity as employees								Sum of A, B, C, D, E, F and G as percentage of net income (%)	Remuneration from investees beyond subsidiaries		
			Remuneration (A)		Pension (B)		Remuneration to directors (C)		For professional practice (D)		Salary, Bonuses and special allowances (E)		Pension (F)		Employee Compensation (G)							
			The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company		Companies included into the financial statement				The Company	Companies included into the financial statement
1	Chairman	TECO Image Systems Co., Ltd.	6,778	6,778	0	0	5,533	5,533	165	180	6.79%	6.80%	0	0	0	0	0	0	0	6.79%	6.80%	Yes
2		Representative: Yu-Ren Huang																				
3	Director	TECO Image Systems Co., Ltd.																				
		Representative: Chi-Chang Yang (Note 1)																				
4	Director	TECO Electric & Machinery Co., Ltd.																				
		Representative: Chao-Chih Lien																				
5	Director	KROM Electronics Co., Ltd.																				
		Representative: Ying-Sheng Hsieh																				
6	Director	Tong-An Investment Co., Ltd.																				
		Representative: Chiang Hsu (Note 2)																				
7	Director	Representative: Yao-Ming Wei																				
8	Independent Director	Hsiu-Ming Wang																				
9	Independent Director	James Wang																				

Note 1: Chi-Chang Yang was reassigned as corporate director of TECO Image Systems Co., Ltd. on October 22, 2019.

Note 2: Chiang Hsu was reassigned as corporate director of Tong-An Investment Co., Ltd. on October 22, 2019

### Breakdown of remuneration

Breakdown of remuneration to directors	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Companies included into the financial statement	The Company	All investees included into the financial statements
Under NTD 1,000,000	3, 4, 5, 6, 7, 8, 9	3, 4, 5, 6, 7, 8, 9	3, 4, 5, 6, 7, 8, 9, 10, 11	3, 4, 5, 6, 7, 8, 9, 10, 11
NTD 1,000,000 (inclusive) ~ NTD 2,000,000 (exclusive)	1, 10, 11	1, 10, 11	1, 10, 11	1, 10, 11
NTD 2,000,000 (inclusive) ~ NTD 3,500,000 (exclusive)	—	—	—	—
NTD 3,500,000 (inclusive) ~ NTD 5,000,000 (exclusive)	—	—	—	—
NTD 5,000,000 (inclusive) ~ NTD 10,000,000 (exclusive)	2	2	2	2
NTD 10,000,000 (inclusive) ~ NTD 15,000,000 (exclusive)	—	—	—	—
NTD 15,000,000 (inclusive) ~ NTD 30,000,000 (exclusive)	—	—	—	—
NTD 30,000,000 (inclusive) ~ NTD 50,000,000 (exclusive)	—	—	—	—
NTD 50,000,000 (inclusive) ~ NTD 100,000,000 (exclusive)	—	—	—	—
Over NTD 100,000,000	—	—	—	—
Total	11	11	11	11

\* Expressed by each director No.

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

## 2. Remuneration to supervisors

Unit: NTD  
thousands

No.	Title	Name	Remuneration to supervisors						Sum of A, B and C as percentage of net income (%)		Remuneration from investees beyond subsidiaries
			Remuneration (A)		Compensation (B)		For professional practice (C)		The Company	Companies included into the financial statement	
			The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement			
1	Supervisor	Guang Yuan Industrial Co., Ltd.	0	0	642	642	0	0	0.35%	0.35%	None
2	Supervisor	Representative: Hui-Mei Wu	0	0	0	0	25	25	0.01%	0.01%	
3	Supervisor	Hung-Ming Lin	0	0	1,642	1,642	40	40	0.92%	0.92%	
4	Supervisor	Min-Yu Chang									

### Breakdown of remuneration

Breakdown of remuneration to supervisors	Name of Supervisor	
	Total of (A+B+C)	
	The Company	All investees included into the financial statements
Under NTD 1,000,000	1, 2, 3	1, 2, 3
NTD 1,000,000 (inclusive) ~ NTD 2,000,000 (exclusive)	4	4
NTD 2,000,000 (inclusive) ~ NTD 3,500,000 (exclusive)	—	—
NTD 3,500,000 (inclusive) ~ NTD 5,000,000 (exclusive)	—	—
NTD 5,000,000 (inclusive) ~ NTD 10,000,000 (exclusive)	—	—
NTD 10,000,000 (inclusive) ~ NTD 15,000,000 (exclusive)	—	—
NTD 15,000,000 (inclusive) ~ NTD 30,000,000 (exclusive)	—	—
NTD 30,000,000 (inclusive) ~ NTD 50,000,000 (exclusive)	—	—
NTD 50,000,000 (inclusive) ~ NTD 100,000,000 (exclusive)	—	—
Over NTD 100,000,000	—	—
Total	4	4

\* Expressed by each supervisor No.

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

### 3. Remuneration to presidents and vice presidents

Unit: NTD thousands

No.	Title	Name	Salary (A)		Pension (B) (Note 1)		Bonuses and special allowances (C)		Employee Compensation (D)				Sum of A, B, C, and D as percentage of net income (%)		Quantity of shares entitled under employee stock option		Quantity of new restricted employee shares		Remuneration from investees beyond subsidiaries
			The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company		Companies included into the financial statement		The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	
									Cash dividend	Stock dividend	Cash dividend	Stock dividend							
1	President	Yuan-Hao Tsai (Note 1)	9,283	9,283	210	210	11,224	11,224	5,659	0	5,659	0	14.36%	14.36%	0	0	0	0	None
2	President	Chi-Chang Yang (Note 2)																	
3	Deputy President	Yao-Te Chiu (Note 3)																	
4	Vice President	Ho-Hsin Chen (Note 4)																	
5	Vice President	Chien-Lung Chen (Note 5)																	

Note 1: Yuan-Hao Tsai assumed the position on December 17, 2019, and was appointed to be the President on December 17, 2019.

Note 2: Chi-Chang Yang was reassigned from the position of President to Consultant on August 12, 2019.

Note 3: Yao-Te Chiu was reassigned from the position of Vice President to Deputy President on August 12, 2019, and resigned on December 16, 2019.

Note 4: Ho-Hsin Chen was resigned from the position of Vice President to Special Assistant on March 18, 2020.

Note 5: Chien-Lung Chen was resigned on January 24, 2019.

### Breakdown of remuneration

Breakdown of remuneration to presidents and vice presidents	Name of Presidents and vice presidents	
	The Company	Companies included into the financial statement
Under NTD 1,000,000	1	1
1,000,000 (exclusive) ~ 2,000,000 (exclusive)	—	—
2,000,000 (exclusive) ~ 3,500,000 (exclusive)	5	5
3,500,000 (exclusive) ~ 5,000,000 (exclusive)	4	4
5,000,000 (exclusive) ~ 10,000,000 (exclusive)	3	3
10,000,000 (exclusive) ~ 15,000,000 (exclusive)	2	2
15,000,000 (exclusive) ~ 30,000,000 (exclusive)	—	—
30,000,000 (exclusive) ~ 50,000,000 (exclusive)	—	—
50,000,000 (exclusive) ~ 100,000,000 (exclusive)	—	—
Over NTD 100,000,000	—	—
<b>Total</b>	<b>5</b>	<b>5</b>

\* Expressed by each managerial officer No.

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

4. Name of the managerial officers whom the employee remuneration was allocated to, and status of the allocation

Unit: NTD thousands

	Title	Name	Stock dividend	Cash dividend	Total	As percentage of net income after tax (%)
Managerial officer	President	Yuan-Hao Tsai (Note 2)	0	6,287 (Projected)	6,287 (Projected)	3.42%
	President	Chi-Chang Yang (Note 3)				
	Deputy President	Yao-Te Chiu (Note 4)				
	Vice President	Chien-Lung Chen (Note 5)				
	Vice President	Ho-Hsin Chen (Note 6)				
	Assistant Vice President	Chi-Wen Chen (Note 7)				
	Assistant Vice President	Hung-Chi Chen				
	Assistant Vice President	Sheng-Chih Ou				
	Director	Chun-Mei Yen				

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

Note 2: Yuan-Hao Tsai assumed the position on December 17, 2019, and was appointed as President on December 17, 2019.

Note 3: Chi-Chang Yang was reassigned from the position of President to Consultant on August 12, 2019.

Note 4: Yao-Te Chiu was reassigned from the position of Vice President to Deputy President on August 12, 2019, and resigned on December 16, 2019.

Note 5: Chien-Long Chen resigned on January 24, 2019.

Note 6: Ho-Hsin Chen was reassigned from the position of Vice President to Special Assistant on March 18, 2020.

Note 7: Chi-Wen Chen was appointed to be the Assistant Vice President on March 18, 2020.

(IV) Specify and compare the remuneration to directors, supervisors, presidents, and vice presidents of the Company paid by the Company and companies included in the consolidated financial statements in proportion to the net income after tax referred to in the individual financial statements or consolidated financial statements in the past two (2) years, and specify the policies, standards, combinations, procedure of decision-making of remuneration and their relation to business performance and future risk.

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

Title	The remuneration to directors, supervisors, presidents, and vice presidents of the Company paid by the Company and companies included in the standalone financial statements in proportion to the net income after tax referred to in the individual financial statements in 2018.	The remuneration to directors, supervisors, presidents, and vice presidents of the Company paid by the Company and companies included in the consolidated financial statements in proportion to the net income after tax referred to in the standalone financial statements in 2019.
Director	20.89%	22.45%
Supervisor		
President		
Vice President		

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

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

### III. Status of Corporate Governance

#### (I) Operation of the board of directors

The board of directors convened 5 meetings (A) lately. The attendance of directors is summarized as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (B/A) (%)	Remarks (Note 1)
Chairman	TECO Image Systems Co., Ltd. Representative: Yu-Ren Huang	5	0	100	
Director	TECO Electric & Machinery Co., Ltd. Representative: Chao-Chih Lien	4	1	80	
Director	TECO Image Systems Co., Ltd. Representative: Chiang Hsu	2	1	67	October 22, 2019 Corporate director reassigned and dismissed (required 3 times of attendance)
Director	TECO Image Systems Co., Ltd. Representative: Chi-Chang Yang	2	0	100	October 22, 2019 Corporate director reassigned and newly appointed (required 2 times of attendance)
Director	KROM Electronics Co., Ltd. Representative: Ying-Sheng Hsieh	4	1	80	
Director	Tong-An Investment Co., Ltd. Representative: Yao-Ming Wei	3	0	100	October 22, 2019 Corporate director reassigned and dismissed (required 3 times of attendance)
Director	Tong-An Investment Co., Ltd. Representative: Chiang Hsu	1	1	50	October 22, 2019 Corporate director reassigned and newly appointed (required 2 times of attendance)
Independent Director	Hsiu-Ming Wang	5	0	100	
Independent Director	James Wang	4	1	80	

Other items to be stated:

- I. Board of Directors meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, opinions of all independent directors and the Company's resolution of said opinions:
  - (I) The circumstances referred to in Article 14-3 of the Securities and Exchange Act: None.
  - (II) Any other resolution(s) passed but with independent directors voicing opposing or qualified opinions on the record or in writing: None.
- II. Directors recusing himself/herself due to a conflict of interest: None.
- III. The goal to improve the functions of the Board of Directors in the current and most recent years: The Company elected 2 independent directors voluntarily according to the Securities and Exchange Act to complete the corporate governance, enforce the independence and functions of directors, and improve the Board of Directors' operational efficiency.

In addition, the Company has amended the rules of procedure for Board of Directors' meetings in accordance with the laws and regulations and operated accordingly. The Company established the Remuneration Committee on December 21, 2011, which is responsible for the performance evaluation of the directors, supervisors and managers; the strategy, system, standard, structure and assessment of the salary remuneration; and the determination of the remuneration for the directors, supervisors and managers.

Note 1: TECO Image Systems Co., Ltd. reassigned its representative on October 22, 2019, and Chi-Chang Yang was appointed to replace Chiang Hsu to be the director Tong-An Investment Co., Ltd. reassigned its representative on October 22, 2019, and Chiang Hsu was appointed to replace Yao-Ming Wei to be the director

(II) Participation status of the supervisors in the meeting of the Board of Directors

1. The board of directors convened 5 meetings (A) lately. The attendance of supervisors is summarized as follows:

Title	Name	Actual attendance (B)	Actual attendance rate (%) (B/A)	Remarks
Supervisor	Guang Yuan Industrial Co., Ltd. Representative: Hui-Mei Wu	5	100	
Supervisor	Hung-Ming Lin	4	80	
Supervisor	Min-Yu Chang	4	80	

Other items to be stated:

I. Structure and responsibilities of supervisors:

(I) Communication between supervisors and employees of the Company: Supervisors may have direct contact and conversation with an employee or a shareholder if necessary.

(II) Communication of supervisors with the internal chief auditor and CPA:

1. The chief auditor submitted an audit report to the superiors in the month before the audit of items was completed and attended the regular Board of Directors' meeting to report the auditing matters. No supervisor had dissent.

2. Supervisors may at any time communicate with the internal chief auditor and CPA regarding the financial and business status of the Company. They also attend the Board of Directors' meetings to hear business reports from the Board of Directors and the management, participate in discussions, and make decisions.

II. Where supervisors attend a meeting of the Board of Directors and state opinions, the date, term, and proposal of the meeting, as well as the resolution at the meeting and our action on these opinions shall be described: None.

2. Information on the operation status of the Audit Committee: The Company does not establish any audit committee and this does not apply.

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

Scope of Assessment	Status			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
I. Has the Company established and disclosed the governance practice principles according to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has approved the establishment of the “Corporate Governance Best Practice Principles” in the 3rd meeting of the 7th term of Board of Directors’ Meeting (November 9, 2015) and has disclosed it in the Market Observation Post System and on the Stakeholders section of the Company’s website.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
II. Equity structure and shareholders’ rights of the Company (I) Has the Company defined some internal operating procedure to deal with suggestions, questions, disputes and legal actions from shareholders, and implemented the procedure? (II) Does the Company have the list of the major shareholders who actually control the Company and the persons who control the major shareholders?	✓		(I) We have established the shareholder service and spokesperson systems. The spokesperson or the deputy of the spokesperson will handle the suggestions, questions, and disputes from the shareholders.  (II) We report on a monthly basis any change of the shareholding status of the directors, supervisors, managers and shareholders who hold more than 10% of the shares in the Market Observation Post System designated by the competent authority according to Article 25 of the Securities and Exchange Act.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
(III) Has the Company established or implemented some risk control and firewall mechanisms between the Company and its affiliates?	✓		(III) We have established the “Regulations Governing Operations Related to Financial Transactions with Affiliated Companies” to ensure sound financial transactions with affiliated companies and the prevention of any abnormality or improper transfer of benefits between affiliated companies in sales and purchasing transactions, acquisition and disposal of assets, endorsements and guarantees, and	

Scope of Assessment	Status			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
(IV) Has the Company established internal regulations to prohibit Company insiders from using information not available to the market to trade securities?	✓		loans.  (IV) We have established the “Management Procedures for Prevention of Insider Trading” and “Code of Ethical Conduct for Directors and Managers” to prohibit Company insiders from using information not available to the market to trade securities. They also serve as the basis for the handling and disclosing mechanism of our important information to prevent insider trading from happening.	
<p>III. Composition and responsibilities of board of directors:</p> <p>(I) Has the Company formulated a policy of diversity for the formation of the Board of Directors and implemented it thoroughly?</p> <p>(II) Is the Company, in addition to establishing the remuneration committee and audit committee, pursuant to laws, willing to voluntarily establish any other functional committees?</p> <p>(III) Has the Company established guidelines for evaluating the performance of the Board of Directors and conducted regular performance evaluations every year?</p>	<p>✓</p> <p>✓</p> <p>✓</p>	<p>(I) Our Board of Directors has not established a policy on the diversity of its members, yet the directors have expertise in different fields and are very helpful for the development and operation of the Company.</p> <p>(II) We set up the Remuneration Committee according to the laws, and have not set up other functional committees.</p> <p>(III) The Group has approved the “Rules for Board of Directors Performance Evaluation” in the board of directors’ meeting on December 16, 2019, specifying that the performance evaluation result shall be completed before the end of the first quarter of the next fiscal year. In addition, starting from 2020, the Company will start the evaluation and will</p>	<p>We will act depending on the needs of the Company and the regulations of the law in the future.</p> <p>In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies</p>	

Scope of Assessment	Status			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
(IV) Does the Company assess the CPAs for their independence on a regular basis?	✓		<p>use it as a reference for the performance, remuneration, and nomination with continuous term of office of each individual director.</p> <p>(IV) We evaluate the independence and suitability of the CPAs regularly every year, examining whether they are shareholders or have received salary from the Company to ensure they are not our stakeholders. We also make sure that they are not involved in any lawsuit and work with the accounting firm to change CPAs regularly.</p>	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
IV. Does TWSE/GTSM Listed Company set up designated (concurrent) corporate governance units or personnel responsible for related matters (including but not limited to providing information required for directors and supervisors to perform their duties, handling matters related to Board of Directors’ and shareholders’ meetings, dealing with company and change registration, and making minutes of the Board of Directors’ and shareholders’ meetings, etc.)?		✓	The Group has not yet designated the Corporate Governance Officer; however, the Group has shareholder service personnel who are responsible for corporate governance-related affairs. The main responsibilities include convening board of directors’ meetings and shareholders’ meetings according to the laws, preparing meeting minutes of the board of directors’ meetings and shareholders’ meetings, assisting assumption of office and continuing education of directors, providing documents necessary for directors to perform duties, assisting directors in legal compliance, handling company registration, and alternation registration etc.	We will act depending on the needs of the Company and the regulations of the law in the future.

Scope of Assessment	Status			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
V. Does the Company establish channels for communication with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), design special web pages for the stakeholders on the website, and appropriately respond to important CSR issues of interest to the stakeholders?	✓		We have a spokesperson, deputy spokesperson and service personnel. We also have contact information on our website to communicate directly with the stakeholders, giving them knowledge on our operational status. The “Stakeholder” page was set up on the website of the Company.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
VI. Does the Company commission a professional registrar to deal with the affairs of shareholders’ meetings?	✓		We commission the Registrar Department of Yuanta Securities as the professional shareholder service agency to deal with the affairs regarding the shares on behalf of the Company. We also establish the “Management for Share Business Operation” to regulate related matters.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
VII. Information Disclosure: (I) Has the Company built a website to disclose the financial and corporate governance information of the Company?	✓		(I) We have set up the “Financial Statement,” “Investor Relations,” “Corporate Governance,” and “Stakeholder” pages to disclose financial business and corporate governance information.	(I) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
(II) Does the Company use other information disclosure methods (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, and the broadcasting of investor conferences via the company website)?	✓		(II) We have set up our English website and have designated personnel responsible for collecting and announcing all kinds of information and put the spokesperson system into practice.	(II) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
(III) Has the Company made public announce and report the annual financial statements within a period		✓	(III) The Group publicly announces and reports the annual financial statements (within three months),	(III) Despite that there are some discrepancies from

Scope of Assessment	Status			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
of two months after the end of each fiscal year, and has the Company also made announcement and provided report of the first, second and third quarter financial statements as well as the monthly business operation status?			the first, second, and third quarter financial statements (within 45 days) and the business status of each month (before 10th day of each month) according to the time limits specified in Article 36 of the Securities and Exchange Act. Presently the Group is temporarily unable to publicly announce and report the annual financial report within two months after each fiscal year.	the requirements specified in the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, it is still in compliance with the regulations of the Securities and Exchange Act.
VIII.Does the Company have additional important information that is helpful to understand the operation of the corporate governance (including but not limited to the interests and care of employees, investor relationships, supplier relationships, rights of stakeholders, further education of directors and supervisors, implementation of risk management policies and risk assessment standards, implementation of customer policies, and liability insurance coverage for directors and supervisors)?	✓		<p>(1) The interests and care of employees: We have always treated our employees sincerely. Through all kinds of employee welfare measures and education training courses, we build a fine relationship with our employees. Please refer to the “Labor-Management Relationship” description of this annual report on (page 73 to page 75).</p> <p>(2) Investor relations: We set up the investor relations page on our website to provide access to our information to the investors. We also have a spokesperson handling the shareholders’ suggestions.</p> <p>(3) Supplier relations: We always maintain a good relationship with our suppliers.</p> <p>(4) Rights of stakeholders: Stakeholders can communicate with us and give us advice to protect their legal rights.</p> <p>(5) Continuing Education for Directors and Supervisors: The directors and supervisors have been taking continuing education according to the “Directions for the Implementation of Continuing Education for Directors and</p>	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies

Scope of Assessment	Status			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
			<p>Supervisors of TWSE and TPEX Listed Companies” (note).</p> <p>(6) Implementation of risk management policies and risk assessment standards: Please refer to the “Risk Analysis and Assessment” description of this annual report on (page 91).</p> <p>(7) Implementation of customer policies: We always maintain stable and good relationships with our customers to create profits for the Company.</p> <p>(8) Liability insurance coverage for directors and supervisors &amp; social responsibility: The Company has bought liability insurance for all the directors and supervisors.</p>	

IX. Please specify the status of the improvement made, based on the corporate governance assessment report released by the Corporate Governance Center of TWSE in the most recent year, and the priority corrective actions and measures for any issues that are yet to be rectified. (Not required, if the Company is not included into the companies to be evaluated.)

The Company ranked in the place between 66%~80% based on the corporate governance evaluation result in 2019. In 2019, the status of improvements already made by the Company was as follows:  
(1) The Company established policies to appropriately reflect the business performance or outcome in the employees’ remuneration and also disclosed the average employee salary adjustment status on the Market Observation Post System website.

Note: 1. Directors and Supervisors' Continuing Education in 2019

Title	Name	Course date	Organizing agency	Course name	Course hours
Chairman	Yu-Ren Huang	December 24, 2019	Taiwan Investor Relations Institute	Anti-Money Laundering and Trade Sanction "Trade War between U.S. and China"	3
		December 27, 2019	Accounting Research and Development Foundation	Independent Director Audit Committee Operation Practice	3
Director	Chao-Chih Lien	August 14, 2019	Taiwan Mergers & Acquisitions and Private Equity Council	Shareholder Activism and Unsolicited Takeover	3
		December 24, 2019	Taiwan Investor Relations Institute	Anti-Money Laundering and Trade Sanction "Trade War between U.S. and China"	3
Director	Chiang Hsu	November 19, 2019	Taiwan Stock Exchange	Promotional Seminar on Effective Implementation of Functions of Directors	3
		December 13, 2019	Securities & Futures Institute	2019 Public Listed Company Derivatives Hedge Practice Seminar	3
Director	Ying-Sheng Hsieh	December 24, 2019	Taiwan Investor Relations Institute	Anti-Money Laundering and Trade Sanction "Trade War between U.S. and China"	3
		December 27, 2019	Accounting Research and Development Foundation	Independent Director Audit Committee Operation Practice	3
Director	Hsiu-Ming Wang	June 14, 2019	Association of Taiwan Listed Companies	Future Outlook of Knowledge-based Economy from Culture and Technology	2
		October 15, 2019		Industry Trend under Trade War between the U.S. and China	2
Supervisor	Hui-Mei Wu	December 24, 2019	Taiwan Investor Relations Institute	Anti-Money Laundering and Trade Sanction "Trade War between U.S. and China"	3
Supervisor	Min-Yu Chang	April 12, 2019	CPA Associations R.O.C. (Taiwan)	Introduction on Taxation Consultation and Practice Operation for Promotion of Overseas Taiwanese Operators Returning to Taiwan and Profit-Seeking Enterprise Income Tax Audit Rules	3
		April 15, 2019	Corporate CPA Associations R.O.C. (Taiwan)	Strategy for Corporations in Response to Labor Incident Act - Start from Labor Contract & Work Rules	3
		April 18, 2019	Taiwan Corporate Governance Association	Tax Haven Economic Substance Law New Regulations and Corporate Responsive Measure Risks and Anti-Money Laundering	3
		May 20, 2019	Taiwan Academy of Banking and Finance	Digital Finance Introduction E-Course	3
Supervisor	Hung-Ming Lin	August 14, 2019	Taiwan Mergers & Acquisitions and Private Equity Council	Shareholder Activism and Unsolicited Takeover	3

## 2. Managers' Continuing Education

Title	Name	Course date	Organizing agency	Course name	Course hours
Deputy President	Yao-Te Chiu	July 16, 2019	Cheng & Ku Law Firm	Corporate Governance and Punishment	3
		December 27, 2019	Hang Seng S.D.	Independent Director and Audit Committee Operation Practice	3
Vice President	Ho-Hsin Chen	July 16, 2019	Cheng & Ku Law Firm	Corporate Governance and Punishment	3
		December 27, 2019	Hang Seng S.D.	Independent Director and Audit Committee Operation Practice	3
Assistant Vice President	Hung-Chi Chen	July 16, 2019	Cheng & Ku Law Firm	Corporate Governance and Punishment	3
		December 27, 2019	Hang Seng S.D.	Independent Director and Audit Committee Operation Practice	3
Assistant Vice President	Sheng-Chih Ou	July 16, 2019	Cheng & Ku Law Firm	Corporate Governance and Punishment	3
		December 27, 2019	Hang Seng S.D.	Independent Director and Audit Committee Operation Practice	3
Director	Chun-Mei Yen	July 16, 2019	Cheng & Ku Law Firm	Corporate Governance and Punishment	3
		September 26, 2019	Accounting Research and Development Foundation	Latest Development on Finance and Tax and Co prorated Responsive Strategies	12
		December 27, 2019	Hang Seng S.D.	Independent Director and Audit Committee Operation Practice	3

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

1. Information about remuneration committee members

Position Title (Note 1)	Criteria	Has at least five years of relevant working experience and the following professional qualifications			Compliance of independence (Note 2)										Number of positions as a Remuneration Committee Member in other public listed companies	Remarks
		Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holder of professional qualification relevant to the Company's operations	Commercial, legal, financial, accounting or other work experience required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10		
Independent Director	Hsiu-Ming Wang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Not applicable
Independent Director	James Wang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0		
Others	Yi-Feng Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0		

Note 1: Please specify director, independent director or others.

Note 2: "✓" is marked in the space beneath a condition number when a member has met that condition during the two years prior to election and during his or her period of service. The conditions are as follows:

- (1) Not an employee of the Company or its affiliates.
- (2) Not a director or supervisor of the company or an affiliate.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (4) Not a managerial officer listed in the preceding Subparagraph (1) or a spouse, relative within second degree of kinship or direct blood relative within third degree of kinship of personnel listed in the preceding Subparagraphs (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company, or of a corporate shareholder that ranks among the top five in shareholdings, or of a proxy appointed according to Paragraph 1 or Paragraph 2 of Article 27 of the Company Act.
- (6) Not a director, supervisor, or employee of other company not controlled by the same parties holding a majority of the number seats of directors of the company or a majority of shares with voting rights.
- (7) Not a director (managing director), supervisor (managing supervisor), or employee of other company or institution being the same person holding the position of Chairman, President or equivalent position in the company or a spouse thereof.
- (8) Is neither a director, supervisor, manager, nor a shareholder holding more than 5% of the outstanding shares, of a certain company or organization that has a financial or business relationship with the company.
- (9) Not a professional providing business, legal, financial, accounting, or consulting services to the company or an affiliate, nor an owner, partner, director (managing director), supervisor (managing director), or manager, or the spouse of any of the foregoing, of a sole proprietorship, partnership, company, or organization providing such services to the company or its affiliates or cumulative remuneration amount obtained in the last two years not exceeding NTD 500,000.
- (10) It's not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.

2. Information concerning the remuneration committee

I. The Company's remuneration committee consists of 3 members.

II. The term of the current members: From July 6, 2018 to the expiration date of the term of office of the appointee in such term of board of directors, the qualification of the members and their attendance status for the last two meetings (A) of the Remuneration Committee Meetings in the most recent year are described in the following:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note)	Remarks

Convener	Hsiu-Ming Wang	2	0	100%	Reelected
Member	James Wang	1	1	50%	Reelected
Member	Yi-Feng Chen	2	0	100%	Reelected
Other items to be stated:					
I. The Board of Directors does not accept or modify the suggestions of the Remuneration Committee: None.					
II. For resolution(s) made by the remuneration committee with the committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, opinions of all members and the company's handling of the said opinions: None.					

Note: Establishment of the first Remuneration Committee was approved by the 5th board or directors on December 21, 2011. The Company reelected all the directors and supervisors in the shareholders' meeting on June 13, 2012, and the newly elected 6th Board of Directors appointed the 2nd Remuneration Committee on June 13, 2012. From 2012 to 2014, the Board of Directors convened 2 meetings respectively during 2012 to 2014. The 1st Remuneration Committee convened 1 meeting and the 2nd Remuneration Committee convened 5 meetings. The Company reelected all the directors and supervisors in the shareholders' meeting on June 24, 2015, and the newly elected 7th Board of Directors appointed the 3rd Remuneration Committee on August 11, 2015. The Company reelected all the directors and supervisors in the shareholders' meeting dated June 27, 2018, and the newly elected 8th term of Board of Directors appointed the 4th term of Remuneration Committee members on August 11, 2018.

Remuneration Committee	Proposal Content and Subsequent Handling	Resolution Result	Dealing with the opinion from the Remuneration Committee
2nd Meeting of 4th Term March 25, 2019	1. Proposal on the Company's 2018 distribution of remuneration of directors, supervisors, and employees' remuneration.	Proposal approved by all Remuneration Committee members through resolution.	Submitted to the board of directors' meeting and approved by all attending directors
3rd Meeting of 4th Term December 16, 2019	1. Proposal on new stipulation of the "Rules for Performance Evaluation of Board of Directors" of the Company, submitted for discussion. 2. Proposal on appointment of senior managerial officers of the Company.	Proposal approved by all Remuneration Committee members through resolution.	Submitted to the board of directors' meeting and approved by all attending directors
4th Meeting of 4th Term March 18, 2020	1. Proposal on the Company's 2019 distribution of remuneration of directors, supervisors and employees' remuneration. 2. Proposal on appointment of senior managerial officers of the Company.	Proposal approved by all Remuneration Committee members through resolution.	Submitted to the board of directors' meeting and approved by all attending directors

(V) Discrepancies between the implementation of social responsibility status and the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons

Scope of Assessment	Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
I. Does the Company implement the risk assessment of environmental, social, and corporate governance issues related to corporate operation and establish relevant risk management policies or strategies based on the principle of materiality?		✓	I. Currently, the Group has only established the environmental analysis and risk control procedure to perform the company’s operational environmental internal and external factor analysis, risk and opportunity identification.	In compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies
II. Has the Company set up a dedicated (concurrent) unit for promotion of the corporate social responsibility? Has the Board of Directors of the Company authorized the management to handle relevant matters and report to the Board of Directors?		✓	(II) The Company has not set up a dedicated unit for promotion of the corporate social responsibility promotion. For now, each department fulfills the corporate social responsibility within the scope of its functions.	Setup depending on the operation status and scale of the Company.
III. Environmental topic (I) Has the Company established environmental policies suitable for the Company’s industrial characteristics?	✓		(I) We do not have any production activity in Taiwan. The production activity of oversea subsidiaries in China have passed all the inspections conducted by the environmental agencies and no air, water, waste, poison, noise and other hazardous elements that damage the environment are produced. The department that is responsible for the matters related to environmental management regularly reviews if we comply with related environmental regulations.	In compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies
(II) Does the Company endeavor to upgrade the efficient use	✓		(II) We endeavor to disseminate the efficient use of available	

Scope of Assessment	Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
<p>of available resources, and the use of environmental-friendly materials?</p> <p>(III) Has the Company evaluated the climate change on the present and future potential risks and opportunities of the corporation, and has the company adopted responsive actions on climate related issues? ✓</p> <p>(IV) Has the Company statistically analyzed the greenhouse gas emission, water usage and waste total weight over the past years, and has the company established policies for energy saving, carbon reduction, greenhouse emission reduction, reduction of water usage or other waste management? ✓</p>			<p>resources. We also do classification, recycling and reduction of garbage to realize the environmental awareness of a green earth.</p> <p>(III) Our air conditioner system has a timer setting, and the subsidiaries overseas set up the operating regulations based on temperature. We also disseminate energy conservation and carbon reduction measures such as turning off lights when leaving and garbage recycle.</p> <p>(IV) The Group, currently, has not statistically analyzed the greenhouse gas emission, water consumption and waste total weight; however, the air conditioner of the Group has the timer shutdown setting and also promotes the employees to prevent the use of disposable tableware or other disposable wastes.</p>	Setup depending on the operation status and scale of the Company.
<p>IV. Social topics</p> <p>(I) Does the Company develop management policies in accordance with relevant regulations and international human rights conventions? ✓</p>			<p>(I) We follow the related labor laws and handle the rights of employees according to the laws and our policies to ensure their legal rights and that the employment policies have no differentiated treatment. We have clear communication channels between employers and employees for us to actively understand and fulfill the reasonable needs of our employees. An employee benefits committee was established in accordance with the laws to handle matters related to employee</p>	In compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies

Scope of Assessment	Status		Summary	Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No		
(II) Has the company established and implemented reasonable employee welfare measures (including remuneration, leave and other welfare etc.), and has the company appropriately reflected the operation performance or outcome in the remuneration of employees?	✓		benefits regularly. (II) The Company has established the work rules and relevant personnel management regulations to specifically regulate the remuneration, working hours, leave, pension payment, labor and health insurance payment, occupational disaster compensation etc. for employees in compliance with the labor law. in addition, the Company also establishes the Employee Welfare Committee to handle welfare affairs. The performance bonus system of the Company is linked to the contribution of an individual to the Company and to the overall business operation in order to provide reasonable incentives and rewards.	
(III) Does the Company provide a safe and healthy work environment for its employees? Does the Company regularly provide its employees with safety and health education?	✓		(III) The “Safety and Health Work Rules” and other regulated operation procedures were set up. We commission external companies to undergo labor safety and health inspection monthly; drinking water inspection biannually; lighting, fire control and carbon dioxide detection annually; and thorough sterilization of the working environment regularly to provide a safe and healthy working environment for the employees. We also organize staff health checkups and educational training on labor safety and health every year.	
(IV) Has the Company established some effective career development training	✓		(IV) We organize supervisor training and courses that help improve their core and professional ability.	

Scope of Assessment	Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
<p>plan for employees?</p> <p>(V) Has the company complied with laws and international standards with regards to the customer health and safety of products and services, customer privacy, marketing and labeling of products and services, and has the company established policies and reporting procedure related to consumer right and benefit protection? ✓</p> <p>(VI) Has the company established supplier management policy, requested suppliers to comply with relevant regulations with regards to the issues of the environmental protection, occupational safety and health or labor rights etc. and the implementation status thereof? ✓</p>			<p>Related course information is announced on the real time electronic bulletin board for employees to make good arrangement of their career development.</p> <p>(V) We brought in the EU Restriction of Hazardous Substances in Electrical and Electronic Equipment (RoHS). All of our products comply with the RoHS regulations, ISO14001 and related REACH regulations. Moreover, our suppliers have also established regulations in line with the RoHS and dedicated themselves to promoting corporate social responsibility along with us. Our website provides information related to our products and service, and we also have designated personnel and an email account serving as channels for receiving customer complaints.</p> <p>(VI) All of our suppliers follow the corporate social responsibility policies and we ask for improvement if any supplier causes remarkable effect on the environment and society, and will request them to improve and to assign the Electronic Industry Citizenship Coalition (EICC) team to perform evaluation on suppliers periodically.</p>	
<p>V. Has the company stipulated standards or guidelines according to the internationally accepted report, prepared corporate social responsibility report</p>		✓	<p>V. The Group has not stipulated the Corporate Social Responsibility Report; however, it will be stipulated depending on the operation status and scale of the Company.</p>	<p>Setup depending on the operation status and scale of the Company.</p>

Scope of Assessment	Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
etc. and reports for disclosing non-financial information of the Company? Has the aforementioned reports obtained the assurance or guarantee opinions from a third verification unit?				
<p>VI. If the Company has established corporate social responsibility principles based on “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies,” please describe any discrepancy between the principles and their implementation: None.</p>				
<p>VII. Other information material to the understanding of the corporate social responsibility:</p> <ol style="list-style-type: none"> <li>1. Environmental protection: We have the ISO14001 environmental management system certificate. Our environment policies are: (1) Following and complying with environmental laws and other requirements. (2) Promoting recycling and reuse of resources, and endeavoring to reduce industrial waste to prevent pollution. (3) Reducing the use of hazardous materials, being thorough on pollution control and management, and endeavoring on the design and manufacturing of green products. (4) Preventing accidents and disasters and enhancing disaster prevention drill. Moreover, we take measures such as recycling and reduction of garbage and conservation of water and electricity to realize the environmental awareness of a green earth.</li> <li>2. Community participation, society contribution, and social service and welfare: We made a donation to sponsor the Chinese National Association of Industry and Commerce, Taiwan, Chang Jung Christian University and TECO technology foundation in 2018.</li> <li>3. Consumers’ rights: We have designated personnel providing product consulting and assistance for each costumer to maintain a stable and fine relationship with the costumers.</li> <li>4. Human rights: We established the “Measures of Prevention, Correction and Punishment of Sexual Harassment” to defend gender equality and human dignity, and report it to the competent authority for reference.</li> <li>5. Safety and health: The “Safety and Health Work Rules” and other regulated operation procedures were set up. We commission external companies to undergo labor safety and health inspection monthly; drinking water inspection biannually; lighting, fire control and carbon dioxide detection annually; and thorough sterilization of the working environment regularly to provide a safe and healthy working environment for the employees. We also organize staff health checkup and educational training of labor safety and health every year.</li> </ol>				
<p>VIII. If the company’s corporate social responsibility reports have met the assurance standards of relevant certification institutions, they should be stated below: The overseas subsidiary of the Company, NanChang Creative Sensor Technology Co., Ltd., has passed the ISO9001 quality certification and ISO14001 environmental certification.</p>				

(VI) Corporate ethical management fulfilled by the Company, and relevant measures taken by the Company

Scope of Assessment	Status		Summary	Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No		
<p>I. Enactment of ethical management policy and program</p> <p>(I) Has the company established ethical management policies approved by the board of directors’ meeting and stated in its memorandum or external correspondence about the polices and practices it has to maintain business integrity? Are the board of directors and the management committed in fulfilling this commitment? ✓</p> <p>(II) Has the company established assessment mechanism for unethical conduct risk, performed periodic analysis and assessed operating activities of relatively higher unethical conduct risk in the scope of business, and has established unethical conduct solution accordingly, and at least covering the preventive measures for the conducts described in each subparagraph of Paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?” ✓</p> <p>(III) Has the Company established any operational procedures, behavioral guidelines, disciplinary actions and complaint systems in the plan for preventing unethical conducts, and is such plan implemented properly? In addition, is the aforementioned plan reviewed periodically before amendment? ✓</p>			<p>(I) The Group has resolved at 19th meeting of the Board of Directors of 7th term to establish the “Corporate Ethical Management Best-Practice Principles” and disclosed the same on the MOPS and the Company’s website.</p> <p>(II) The Group has established the “Work Rules” and a series of ethical systems requiring that employees shall not accept money or financial gift from customers or suppliers, and any employee violating the Rules under the circumstance deemed material, the Company may discharge the employee without prior notice and the employee should indemnify the Company against the loss therefor.</p> <p>(III) The Group’s “Work Rules,” “Business Secrets Management Regulations,” and “Reward &amp; Punishment Rules” have defined the policy against unethical conduct. The Company’s overseas subsidiaries also established the same and performed employees’ educational training and promotion</p>	<p>Compliance with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.”</p>

Scope of Assessment	Status		Summary	Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No		
			periodically to enable the employees to understand the Company’s determination, policy and preventive program for ethical management, and the consequence of unethical conduct.	
<p>II. Implementation of ethical management</p> <p>(I) Has the Company assessed a trading counterpart’s ethical management record, and expressly states the ethical management clause in the contract to be signed with the trading counterpart? ✓</p> <p>(II) Has the Company established a dedicated unit for promoting the corporate ethical management under the board of directors and reporting its ethical management policy and plan for preventing unethical conducts as well as the supervision of implementation status to the board of directors periodically (at least once annually)? ✓</p> <p>(III) Has the Company defined any policy against conflict of interest, provides adequate channel thereof, and fulfills the same precisely? ✓</p>			<p>(I) The Group would check the financial and credit positions of the customers to avoid trading with anyone with unethical conduct record, and also set forth the ethical conduct-related provisions in its business contracts.</p> <p>(II) The Group appointed its Audit Office to act as the unit dedicated to promoting ethical corporate management, which shall be responsible for reporting the status thereof to the Board of Directors periodically, and also urged its HR Section to handle the amendments, execution, interpretation and advice about ethical management rules.</p> <p>(III) The employment agreement between the Group and its employees provided the non-competition provisions. The overseas subsidiaries also set up the conflict of interest reporting system under which the employees may declare the conflict of interest independently. Meanwhile, the directors would recuse themselves from any motions proposed at a directors’ meeting, which had conflict with their own interest or the interest of the juristic persons represented by them pursuant to laws to prevent conflict of interest.</p>	Compliance with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.”

Scope of Assessment	Status		Summary	Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No		
<p>(IV) Has the company implemented effective accounting system and internal control system for the purpose of maintaining ethical operation? Has the internal audit unit established relevant audit plan according to the assessment result of unethical conduct risk and audit the status of compliance with the prevention against unethical conduct plan, or entrust CPA to perform audit? ✓</p> <p>(V) Has the Company organized internal/external education training program for ethical management periodically? ✓</p>			<p>Meanwhile, the Group set up the mailbox for workers and “employees’ complaining management system” to provide the employees with appropriate channels to state their own opinion.</p> <p>(IV) In order to ensure the fulfillment of ethical management, the Group established an effective accounting system and internal control system, and had its internal audit officers audit the compliance with the accounting system and internal control system periodically, and report the status thereof to the Board of Directors on a quarterly basis.</p> <p>(V) The Group organized the relevant programs periodically for propagation to enable its employees to verify the idea and regulations about ethical management.</p>	
<p>III. Status of the Company’s complaint system</p> <p>(I) Has the Company defined a specific complaints and rewards system, and established some convenient complaint channel, and assigned competent dedicated personnel to deal with the situation? ✓</p> <p>(II) Has the Company established any investigation standard operation procedures for accepting reported misconducts, subsequent measures and relevant confidentiality? ✓</p>			<p>(I) The Group has established the “Operating Procedure for Handling the Complaints Against Illegal and Unethical or Dishonest Conduct,” and set up the complaining mailbox and hotline, delegated the dedicated personnel by different issues, and had its HR unit render reward or punishment based on the investigation result.</p> <p>(II) The Group would keep all complaints in confidence, and also provided the non-disclosure obligation in the non-disclosure agreement signed with the</p>	Compliance with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.”

Scope of Assessment	Status		Summary	Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No		
measures required to be performed after the completion of the investigation?  (III) Has the Company adopted any measures to prevent the complainants from being abused after filing complaints?	✓		employees.  (III) The Company adopted strict measures to keep the complainant’s information in confidence and prevent the complainant from being abused or treated unfairly.	
IV. Enhancing Information Disclosure (I) Has the Company has disclosed the Ethical Management Principles and effect of implementation thereof on its website and Market Observation Post System?		✓	The Group set up its official website to disclose the Group’s overview of business, product information and financial information, disclosed the Company’s information on the MOPS timely and openly, and engaged in business activities in a fair and transparent manner.	The Company will deal with it, if necessary or per laws and regulations.
V. If the Company has established ethical management principles based on “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies,” please describe any discrepancy between the principles and their implementation: None.				
VI. Other information material to the understanding of ethical management operation (e.g. discussion of an amendment to the ethical management best practice principles defined by the Company): The Group would arrange directors/supervisors to attend the educational training related to ethical management and corporate governance, and the competition which the directors/supervisors and managerial officers were engaged in was already reported to and approved by shareholders’ meetings and Board of Directors meetings.				

(VII) If the Company has established the corporate governance principles and relevant regulations, the inquiry method thereof shall be disclosed:

Please refer to the Company’s website at [www.csi-sensor.com.tw](http://www.csi-sensor.com.tw) and the Market Observation Post System website at [mops.tse.com.tw](http://mops.tse.com.tw).

(VIII) Other information enabling better understanding of the Company’s corporate governance:  
Please visit the Company’s website at [www.csi-sensor.com.tw](http://www.csi-sensor.com.tw), and the MOPS at [mops.tse.com.tw](http://mops.tse.com.tw).

(IX) Operation Status of the Internal Control System

1. Statement on Internal Control System

CREATIVE SENSOR INC.  
Statement on Internal Control System

Date: March 18, 2020

We make the following statement based on the result of the self-inspection of the internal control system in 2019:

- I. We acknowledge that the Board of Directors and managers are responsible for the establishment, operation and maintenance of the internal control system. We have established such a system to provide reasonable assurance for achievement of the objectives concerning the effectiveness and efficiency of operations (including profits, performance and protection of asset security), reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws.
- II. Any internal control system has its inherent limitations. No matter how well an internal control system is designed, it can only provide reasonable assurance for the achievement of the above three objectives. Moreover, the effectiveness of an internal control system may vary as a result of changes in the environment and circumstances. However, our internal control system has a self-monitoring mechanism, and we take corrective actions immediately once a nonconformity is identified.
- III. We judge the design and operation of the internal control system for their effectiveness with reference to the items to be judged for the effectiveness of the internal control system specified in the “Regulations Governing Establishment of Internal Control Systems by Public Companies” (hereinafter referred to as the “Regulations”). The internal control systems are divided into the following five constituent elements in the management control process in terms of the items to be judged pursuant to the “Regulations”: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communications; and 5. monitoring activities. Each constituent element contains a number of items. Refer to the provisions of the above-mentioned “Regulations.”
- IV. We have adopted the judgment items of the internal control system to assess its design and operation for their effectiveness.
- V. Based on the results of the above-mentioned assessment, we confirm that our internal control system on December 31, 2019 (including monitoring and management of subsidiaries) was effective in terms of its design and operation with respect to understanding the effectiveness and efficiency of operations, the reliability, timeliness, transparency, and regulatory compliance of reporting, and the compliance with applicable laws, regulations, and bylaws in order to reasonably ensure that these objectives are achieved.
- VI. The Statement will be the major part of our annual reports and prospectuses, and will be open to the public. If there is any misrepresentation, nondisclosure or other illegality in the contents open to the public referred to in the previous sentence, legal responsibility specified in Articles 20, 32, 171 and 174 of the Securities and Exchange Act shall apply.
- VII. The Statement was approved at the Board of Directors’ meeting on March 18, 2020. None of the 7 directors present at the meeting expressed any dissent and all of them agree on the Statement. This information is declared as an addition.

CREATIVE SENSOR INC.

Chairman: Yu-Ren Huang      Signature

General Manager: Yuan-Hao Tsai      Signature

2. If review of the internal control system has been conducted by entrusted CPAs, the CPAs’ review report shall be disclosed: None.

(X) Punishment of the Company or its internal personnel in accordance with law, the Company's punishment against its internal personnel violating internal control system regulations, main deficiencies, and improvements during the most recent year and up to the date of the publication of this annual report: Not applicable.

(XI) Shareholder meeting(s) and significant board resolutions during the most recent year and up to the date of publication of this annual report

1. Important resolutions made by the general shareholders' meeting in the most recent year, and execution thereof.

Date	Resolution	Implementation status
June 25, 2019	Acknowledged 2018 business report and financial statement.	Proposal rectified as proposed according to the voting result.
	Acknowledged 2018 earnings appropriation	1. Proposal rectified as proposed according to the voting result. 2. The cash dividend to be allocated was NTD 1.3 per share. The ex-dividend date was set as June 28, 2019, and the cash dividend to be allocated on August 16, 2019.
	Approved the amendments to the Company's "Operating Procedure for Acquisition or Disposition of Assets."	Proposal approved as proposed according to the voting result.
	Approved the amendment to the "Operational Procedures for Loaning Funds to Other" of the Company	Proposal approved as proposed according to the voting result.
	Approved the amendment to the "Operational Procedures for Endorsements and Guarantees" of the Company	Proposal approved as proposed according to the voting result.

2. The important resolution made by the Board of Directors meeting for the most recent year until the date of publication of the annual report.

Date	Important resolution	Dissent and qualified opinion by independent directors
March 25, 2019	1. Approved the Company's 2018 business report and financial statements.	No comment.
	2. Approved the proposal on 2018 allocation of remuneration to directors, supervisors and employees.	No comment.
	3. Approved 2018 earnings appropriation	No comment.
	4. Approved the Company's 2018 "Statement of Declaration for Internal Control System."	No comment.
	5. Approved the change of the CPA for the auditing of financial statements of the Company.	No comment.
	6. Approved the amendment to the Company's "Operating Procedure for Acquisition or Disposition of Assets."	No comment.
	7. Approved organization of 2019 general shareholders' meeting	No comment.
May 8,	1. Approved the amendment to the "Remuneration Committee	No comment.

Date	Important resolution	Dissent and qualified opinion by independent directors
2019	<p>Charter” of the Company.</p> <p>2. Approved the amendment to the “Rules of Procedure for Board of Directors Meetings” of the Company.</p> <p>3. Approved the amendment to the “Operational Procedures for Loaning Funds to Other” and the “Operation Procedures for Endorsements and Guarantees” of the Company.</p> <p>4. Approved addition of the cause for organization of 2019 general shareholders’ meeting</p>	<p>No comment.</p> <p>No comment.</p> <p>No comment.</p>
August 12, 2019	1. Approved the proposal on the senior management officer personnel appointments of the Company.	No comment.
November 11, 2019	<p>1. Approved the Company’s 2019 Audit Plan.</p> <p>2. Approved the amendment to the “Articles of Incorporation” of Company.</p>	<p>No comment.</p> <p>No comment.</p>
December 16, 2019	<p>1. Approved the Company’s 2020 Budget.</p> <p>2. Approved the renewal of the Company’s 2020 financing agreement with the Bank.</p> <p>3. Approved the evaluation on the independence and competency of the Company’s CPAs.</p> <p>4. Approved the “Rules for Performance Evaluation of Board Directors.”</p> <p>5. Approved the use of the 2018 unappropriated earnings of the Company in substantial investments.</p> <p>6. Approved the proposal on the senior management officer personnel appointments of the Company.</p>	<p>No comment.</p> <p>No comment.</p> <p>No comment.</p> <p>No comment.</p> <p>No comment.</p> <p>No comment.</p>
March 18, 2020	<p>1. Approved the Company’s 2019 business report and financial statements.</p> <p>2. Approved the Company’s 2019 allocation of remuneration to directors, supervisors, and employees.</p> <p>3. Approved 2019 earnings appropriation</p> <p>4. Approved the Company’s 2019 “Statement of Declaration for Internal Control System.”</p> <p>5. Approved the amendment to the “Articles of Incorporation” of Company.</p> <p>6. Approved the amendment to the Company’s “Operating Procedure for Acquisition or Disposition of Assets.”</p> <p>7. Approved organization of 2020 general shareholders’ meeting</p> <p>8. Approved the proposal on the senior management officer personnel appointments of the Company.</p>	<p>No comment.</p>
April 29, 2020	<p>1. Approved the amendment to the “Rules of Procedure for Shareholder Meetings” of the Company.</p> <p>2. Approved addition of the cause for organization of 2020 general shareholders’ meeting.</p>	<p>No comment.</p> <p>No comment.</p>

(XII) Recorded or written statements made by any director or supervisor which specified dissent to important resolutions passed by the Board of Directors meetings during the most recent year and up to the date of publication of the annual report:

Date of the Board of	Session	Resolution Content	Board of Directors Resolution	Comment and Handling
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Directors' Meeting			Result	
March 18, 2020	10th Meeting of 8th Term	Amendment to the "Articles of Incorporation" of the Company.	Proposal is approved as proposed	According to the proposal of the supervisors to delete and revise parts of the description of "to facilitate the future introduction of strategic cooperating partners."

(XIII) Resignation or dismissal of the Chairman, President, head of accounting, head of finance, chief internal auditor, or head of R&D in the most recent year up till the publication date of this annual report:

Title	Name	Date of Job Assumption	Date of Dismissal	Reason of Resignation or Dismissal
Vice President	Chien-Lung Chen	February 15, 2017	January 24, 2019	Personal career planning
Deputy President	Yao-Te Chiu	August 6, 2018	December 16, 2019	Reassigned to affiliated enterprise

#### IV. Information of Independent Auditors Fee

Accounting firm name	Name of accountant		Audit period	Remarks
Pricewaterhouse Coopers Certified Public Accountants	Shu-Chiung Chang	Chun-Yao Lin	January 1, 2019~December 31, 2019	

Note: Where any CPA or accounting firm was changed in the current year, the audit period of each CPA or accounting firm shall be enumerated. Reasons for the change shall be indicated in the Remarks column

Unit: NTD thousands

Amount range		Fee items	Audit Fee	Non-Audit Fees	Total
1	Below NTD 2,000,000			✓	
2	NTD 2,000,000 (inclusive) ~ NTD 4,000,000		✓		✓
3	NTD 4,000,000 (inclusive) ~ NTD 6,000,000				
4	NTD 6,000,000 (inclusive) ~ NTD 8,000,000				
5	NTD 8,000,000 (inclusive) ~ NTD 10,000,000				
6	Over NTD 10,000,000 (inclusive)				

- (I) Independent auditing firms, their subordinate offices, and their affiliates to which non-audit fees paid by the company exceed one-fourth of audit fees:

Amount Unit: NTD thousands

Accounting firm name	Name of accountant	Audit Fee	Non-Audit Fees					Audit period	Remarks
			System Design	Business Registration	Human Resources	Others (Note 2)	Sub-total		
Pricewaterhouse Coopers Certified Public Accountants	Shu-Chiu ng Chang	2,900	0	0	0	572	572	January 1, 2019~ December 31, 2019	Other non-audit fees refer to business income tax audit and certification
	Chun-Ya o Lin								
KPMG	Wei-Tun Yeh	0	0	0	0	370	370	January 1, 2019~ December 31, 2019	Other non-audit fees mainly refer to transfer pricing and Group master file report
	Tsai-Hua ng Chen								

Note 1: Where any CPA or accounting firm was changed in the current year, the audit period shall be enumerated for each CPA or accounting firm. Reasons for the change shall be indicated in the Remarks column and the information on the payment of the audit and non-audit fees shall be disclosed in sequence.

Note 2: Non-audit fees shall be enumerated by service items. The services shall be enumerated in the Remarks column if the amount in the "Others" column reaches 25% of the total amount of the non-audit fees.

- (II) Replacement of independent auditing firm and reduction in audit fees paid during the year of replacement compared with the previous year: None.

- (III) The amount of the audit fees is reduced by more than 15% compared with the previous year: None.

V. Information on Change of CPAs: None.

VI. The Auditing Firm or Its Affiliates at Which the Company's Chairman, President, or Managers Responsible for Financial or Accounting Matters Was an Employee over the Past Year, His/Her Name, Position and Employment Period Shall Be Disclosed: None.

VII. Change of shares transferred and pledged for directors, supervisors, managers and any shareholder who holds more than 10% of the company's shares during the most recent year until the date on which the annual report was printed

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

Unit: shares

Title	Name	2019		Up to April 13, 2020	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Director	TECO Image Systems Co., Ltd.	0	0	0	0
Director	Yu-Ren Huang	0	0	0	0
Director	Chiang Hsu (Note 1)	0	0	0	0
Director	Chi-Chang Yang (Note 2)	0	0	0	0
Director	TECO Electric & Machinery Co., Ltd.	0	0	0	0
Director	Chao-Chih Lien	0	0	0	0
Director	KROM Electronics Co., Ltd.	0	0	0	0
Director	Ying-Sheng Hsieh	0	0	0	0
Director	Tong-An Investment Co., Ltd.	0	(5,563,310)	0	0
Director	Yao-Ming Wei (Note 3)	0	0	0	0
Director	Chiang Hsu (Note 4)	0	0	0	0
Independent Director	Hsiu-Ming Wang	0	0	0	0
Independent Director	James Wang	0	0	0	0
Supervisor	Guang Yuan Industrial Co., Ltd.	0	0	0	0
Supervisor	Hui-Mei Wu	0	0	0	0
Supervisor	Hung-Ming Lin	0	0	0	0
Supervisor	Min-Yu Chang	0	0	0	0
President	Chi-Chang Yang (Note 5)	0	0	0	0
President	Yuan-Hao Tsai (Note 6)	0	0	0	0
Deputy President	Yao-Te Chiu (Note 7)	0	0	0	0
Vice President	Chien-Lung Chen (Note 8)	0	0	0	0
Vice President	Ho-Hsin Chen (Note 9)	0	0	0	0
Assistant Vice President	Hung-Chi Chen	0	0	0	0
Assistant Vice President	Sheng-Chih Ou	0	0	0	0
Assistant Vice President	Chi-Wen Chen (Note 10)	0	0	0	0
Director	Chun-Mei Yen	0	0	0	0

Note 1: Chiang Hsu resigned as the corporate director of TECO Image Systems Co., Ltd. on October 22, 2019.

- Note 2: Chi-Chang Yang was reassigned as the corporate director of TECO Image Systems Co., Ltd. on October 22, 2019.
- Note 3: Yao-Ming Wei resigned as the corporate director of TECO. Capital Investment Co., Ltd. on October 22, 2019.
- Note 4: Chiang Hsu was reassigned as the corporate director of TECO. Capital Investment Co., Ltd. on October 22, 2019.
- Note 5: Chi-Chang Yang was reassigned from the position of President to Consultant on August 12, 2019.
- Note 6: Yuan-Hao Tsai assumed the position on December 17, 2019, and was appointed as President on December 17, 2019.
- Note 7: Yao-Te Chiu was reassigned from the position of Vice President to Deputy President on August 12, 2019, and resigned on December 16, 2019.
- Note 8: Chien-Lung Chen was resigned on January 24, 2019.
- Note 9: Ho-Hsin Chen was resigned from the position of Vice President to Special Assistant on March 18, 2020.
- Note 10: Chi-When Chen was appointed as the Assistant Vice President on March 18, 2020.

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

VIII. Relationship information, if among the 10 largest shareholders any one is a related party, or is the spouse or a relative within the second degree of kinship with another

April 13, 2020  
Unit: shares; %

Name (note 1)	Shareholdings by oneself		Shareholdings of spouse & minor		Shareholding using other's name		Disclosure of information on related parties or spouse relationship or relations within second degree of kinship, among top ten shareholders, including their names and name relationships		Remarks
	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Name (or individual name)	Relationship	
TECO Image Systems Co., Ltd. Representative: Yu-Ren Huang	21,928,260	17.26%	0	0	0	0	Tong-An Investment Co., Ltd.	Chairman of Tong-An Investment Co., Ltd. and chairman of TECO Image Systems Co., Ltd. are father and son.	None
							Teco International Investment Co., Ltd.	1. Chairman of Teco International Investment Co., Ltd. and chairman of TECO Image Systems Co., Ltd. are father and son. 2. Teco International Investment Co., Ltd. is a director of TECO Image Systems Co., Ltd.	
							Guang Yuan Industrial Co., Ltd.	Guang Yuan Industrial Co., Ltd. is a supervisor of TECO Image Systems Co., Ltd.	
Tong-An Investment Co., Ltd. Representative: Mao-Hsiung Huang	7,913,310	6.23%	0	0	0	0	Teco Image Systems Co., Ltd.	Chairman of TECO Image Systems Co., Ltd. and chairman of Tong-An Investment Co., Ltd. are father and son.	None
							Teco International Investment Co., Ltd.	1. Chairman of Teco International Investment co., Ltd. and chairman of Tong-An Investment Co., Ltd. are the same person. 2. Teco International Investment Co., Ltd. is a supervisor of Tong-An Investment Co., Ltd.	
							Teco Electric & Machinery Co., Ltd.	1. Tong-An Investment Co., Ltd. is an investee of Teco Electric & Machinery Co., Ltd. evaluated under equity method. 2. Teco Electric & Machinery Co., Ltd. is a director of Tong-An Investment Co., Ltd.	
Teco International Investment Co., Ltd. Representative: Mao-Hsiung Huang	4,326,447	3.41%	0	0	0	0	Teco Image Systems Co., Ltd.	Chairman of TECO Image Systems Co., Ltd. and chairman of Teco International Investment Co., Ltd. are father and son.	None
							Tong-An Investment Co., Ltd.	Chairman of Tong-An Investment Co., Ltd. And chairman of Teco International Investment Co., Ltd. are the same person.	
							Teco Electric & Machinery Co., Ltd.	1. Teco International Investment Co., Ltd. is an investee of Teco Electric & Machinery Co., Ltd. evaluated under equity method. 2. Teco Electric & Machinery Co., Ltd. is a director of Teco International Investment Co., Ltd.	
Hermes Invested Master Fund North America (Cayman Islands) managed by bank of Taiwan In Trust	4,305,000	3.39%	0	0	0	0	None	None	None
Koryo Co., Ltd. trust property account managed by Yuanta Bank in Trust	3,787,000	2.98%	0	0	0	0	None	None	None
Fidelity Funds investment account managed by Standard Chartered Bank in trust	2,758,000	2.45%	0	0	0	0	None	None	None
Teco Electric & Machinery Co., Ltd. Representative: Chun-Chih Chiu	2,137,044	1.68%	0	0	0	0	Tong-An Investment Co., Ltd.	Tong-An Investment Co., Ltd. is an investee of Teco Electric & Machinery Co., Ltd. evaluated under equity method.	None

							Teco International Investment Co., Ltd.	Eco International Investment Co., Ltd. is an investee of Teco Electric & Machinery Co., Ltd. evaluated under equity method.	
							Guang Yuan Industrial Co., Ltd.	Guang Yuan Industrial Co., Ltd. is a director of Teco Electric & Machinery Co., Ltd. evaluated under equity method.	
Fidelity Funds - Asia Focus Fund investment account managed by JP Morgan Chase Bank, N.A. Taipei Branch in trust	1,919,000	1.51%	0	0	0	0	None	None	None
Singapore Government-Gos-Efm C Managed by Citibank in trust	1,669,000	1.31%	0	0	0	0	None	None	None
A-Chung Hou	1,665,000	1.31%	0	0	0	0	None	None	None

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

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

- IX. The total number of shares and total equity stake held in the same investee by the Company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the Company.

March 31, 2020 / Unit: thousand shares

Re-invested business	The Company Investment		Investment by directors, Supervisors and managers or by directly or indirectly controlled enterprises		Total investment	
	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)
Creative Sensor Inc.(BVI)	29,415	100%	0	0	29,415	100%
Creative Sensor (USA) Co	100	100%	0	0	100	100%
Creative Sensor Co., LTD. (Hong Kong)	0	0	29,501	100%	29,501	100%
Wuxi Creative Sensor Technology Co., Ltd.	0	0	Investment certificate	100%	Investment certificate	100%
NanChang Creative Sensor Technology Co., Ltd.	0	0	Investment certificate	100%	Investment certificate	100%

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

## Four. Fundraising Status

### I. Corporate Capital and Shares

#### (I) Equity Capital sources

April 13, 2020

Unit: NTD thousands; thousand

Date	Issue price (NTD)	Authorized capital stock		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Equity Capital sources	Offset against the capital property than cash	Other equity by other s
1998.06	10.0	4,000	40,000	1,000	10,000	Incorporated	None	—
1999.05	10.0	6,000	60,000	6,000	60,000	Capital increase in cash by NTD 50,000 thousand	None	—
2000.06	12.5	72,000	720,000	36,000	360,000	Capital increase in cash by NTD 300,000 thousand	None	Note 1
2002.06	12.5	72,000	720,000	50,000	500,000	Capital increase in cash by NTD 140,000 thousand	None	Note 2
2002.11	18.0	72,000	720,000	70,000	700,000	Capital increase in cash by NTD 200,000 thousand	None	Note 3
2004.07	10.0	112,900	1,129,000	78,239	782,390	Recapitalized from earnings by NTD 82,390 thousand	None	Note 4
2005.06	10.0	112,900	1,129,000	87,331	873,316	Recapitalized from earnings by NTD 90,926 thousand	None	Note 5
2005.11	43.0	112,900	1,129,000	98,968	989,686	Capital increase in cash by NTD 116,370 thousand	None	Note 6
2006.03	55.8	112,900	1,129,000	99,821	998,216	Conversion of domestic unsecured convertible corporate bonds into common stock totaling 853,030 shares	None	—
2006.08	10.0	160,000	1,600,000	123,027	1,230,277	Recapitalized from earnings by NTD 232,060 thousand	None	Note 7
2007.01	36.23	160,000	1,600,000	123,560	1,235,603	Conversion of domestic unsecured convertible corporate bonds into common stock totaling 532,690 shares	None	—
2007.04	36.23	160,000	1,600,000	126,663	1,266,627	Conversion of domestic unsecured convertible corporate bonds into common stock totaling 3,102,351 shares	None	—
2007.07	36.23	160,000	1,600,000	126,682	1,266,820	Conversion of domestic unsecured convertible corporate bonds into common stock totaling 19,320 shares	None	—
2008.08	10.0	160,000	1,600,000	130,000	1,300,000	Recapitalized from earnings by NTD 33,180 thousand	None	Note 8
2009.02	10.0	160,000	1,600,000	127,000	1,270,000	Annulment of treasury stock by NTD 30,000 thousand	None	Note 9
2010.04	30.1	160,000	1,600,000	127,035	1,270,350	Conversion of employee stock warrant to common stock totaling 35,000 shares	None	—
2011.04	28.94	160,000	1,600,000	127,055	1,270,550	Conversion of employee stock warrant to common stock totaling 20,000 shares	None	—

## shares

- Note 1: Approval letter for issuance of new shares upon capital increase: Letter by Securities and Futures Commission, Ministry of Finance under (2000) Tai-Tsai-Cheng (1) No. 520523 dated June 23, 2000.
- Note 2: Approval letter for issuance of new shares upon capital increase: Letter by Securities and Futures Commission, Ministry of Finance under (2002) Tai-Tsai-Cheng (1) No. 111551 dated March 25, 2002.
- Note 3: Approval letter for issuance of new shares upon capital increase: Letter by Securities and Futures Commission, Ministry of Finance under (2002) Tai-Tsai-Cheng (1) No. 0910161006 dated November 14, 2002.
- Note 4: Approval letter for issuance of new shares upon recapitalization from earnings: Letter by Securities and Futures Commission, Ministry of Finance under (2004) Tai-Tsai-Cheng (1) No. 0930127004 dated June 17, 2004.
- Note 5: Approval letter for issuance of new shares upon recapitalization from earnings: Letter by Financial Supervisory Commission, Executive Yuan under Chin-Kuan-Cheng-Yi No. 0940122245 dated June 2, 2005.
- Note 6: Approval letter for issuance of new shares upon capital increase: Letter by Financial Supervisory Commission, Executive Yuan under Chin-Kuan-Cheng-Yi No. 0940149562 dated November 25, 2005.
- Note 7: Approval letter for issuance of new shares upon recapitalization from earnings: Letter by Financial Supervisory Commission, Executive Yuan under Chin-Kuan-Cheng-Yi-Zi No. 0950127763 dated June 30, 2006.
- Note 8: Approval letter for issuance of new shares upon recapitalization from earnings: Letter by Financial Supervisory Commission Letter, Executive Yuan under Chin-Kuan-Cheng-Yi-Zi No. 0970033055 dated July 2, 2008.
- Note 9: Approval letter for annulment of treasury stock: Letter by Financial Supervisory Commission, Executive Yuan under Chin-Kuan-Cheng-Yi-Zi No. 0970069736 dated December 19, 2008.

April 13, 2020  
Units: thousand shares

Types of shares	Authorized capital stock			Remarks
	Outstanding shares (Note 1)	Unissued shares (Note 2)	Total	
Common stock	127,055	32,945	160,000	—

Note 1: Listed company' stock

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

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

(II) Shareholder structure

April 13, 2020

Shareholder structure Quantity	Government agencies	Financial institutions	Other institutions	Foreign Institute and others	Individuals	Total
Persons	0	0	131	74	26,320	26,525
Shares held	0	0	42,802,651	19,198,019	65,054,330	127,055,000
Shareholding ratio (%)	0.00%	0.00%	33.69%	15.11%	51.20%	100%

(III) Distribution of equity

April 13, 2020  
Unit: shares

Shareholding category	Number of shareholders	Shares held	Shareholding ratio (%)
1 to 999	17,226	328,816	0.26%
1,000 to 5,000	6,687	14,325,032	11.27%
5,001 to 10,000	1,312	9,906,245	7.80%
10,001 to 15,000	456	5,574,048	4.39%
15,001 to 20,000	274	5,033,971	3.96%
20,001 to 30,000	218	5,483,859	4.32%
30,001 to 50,000	166	6,585,426	5.18%
50,001 to 100,000	95	6,522,706	5.13%
100,001 to 200,000	50	7,235,542	5.69%
200,001 to 400,000	17	4,341,695	3.42%
400,001 to 600,000	6	3,109,000	2.45%
600,001 to 800,000	6	4,323,599	3.40%
800,001 to 1,000,000	1	836,000	0.66%
Over 1,000,001	11	53,449,061	42.07%
Total	26,525	127,055,000	100%

Note: No preferred stock issued by the Company.

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

April 13, 2020

Major Shareholders	Shares	Shares held	Shareholding ratio (%)
TECO Image Systems Co., Ltd.		21,928,260	17.26%
Tong-An Investment Co., Ltd.		7,913,310	6.23%
TECO International Investment Co., Ltd.		4,326,447	3.41%
Hermes invested master fund North America (Cayman Islands) managed by Bank of Taiwan in trust		4,305,000	3.39%
Koryo Co., Ltd. trust property account managed by Yuanta Bank in trust		3,787,000	2.98%
Fidelity Funds investment account managed by Standard Chartered Bank in trust		2,758,000	2.17%
TECO Electric & Machinery Co., Ltd.		2,137,044	1.68%
Fidelity Funds - Asia Focus Fund investment account managed by JP Morgan Chase Bank, N.A. Taipei Branch in trust		1,919,000	1.51%
Singapore government-GOS-EFM C managed by Citibank in trust		1,669,000	1.31%
A-Chung Hou		1,665,000	1.31%

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

Unit: NTD; thousand shares

Item	Year		2018	2019	Up to March 31, 2020 for the current year (Note 8)
Market price per share (Note 1)	Highest		28.00	24.45	24.35
	Lowest		17.80	19.8	14.85
	Average		23.02	21.73	20.84
Net worth per share (Note 2)	Before distribution		25.49	25.95	25.25
	After distribution		24.19	24.75	—
Earnings per share	Weighted average number of shares		127,055	127,055	127,055
	Earnings per share (Note 3)	Before adjustment	1.62	1.45	(0.08)
		After adjustment	—	—	—
Dividends per share	Cash dividend		1.3	1.2	
	Stock dividends	Before adjustment	—	—	—
		After adjustment	—	—	—
	Accumulated, unpaid dividends (Note 4)		—	—	—

ROI analysis	P/E ratio (Note 5)	14.21	14.99	—
	P/D ratio (Note 6)	17.71	18.11	—
	Cash dividend yield (Note 7)	5.65%	5.52%	—

Note 1: State the highest and lowest market prices for the common stock, and calculate the average market price for each year based on the turnover value and volume of each year.

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

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

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

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

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

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

Note 8: The consolidated financial statements of Q1, 2020 have already been reviewed and audited by the CPAs.

(VI) Stock dividend policy and execution thereof

1. The stock dividend policy defined under the Articles of Incorporation:  
Earnings concluded at the end of a year shall be allocated in the priority listed below:
  - I. Payment of tax;
  - II. Covering of loss;
  - III. 10% provision for statutory reserve, unless the balance of statutory reserve has accumulated to the same amount as the Company's paid-up capital.
  - IV. Provision or reversal of special reserve according to the authority's rules.
  - V. The remainder from Subparagraphs (1) ~ (4) plus undistributed earnings carried from previous years are available to shareholders, for which the board of directors will propose an earnings appropriation plan to be resolved during shareholder meeting.

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

2. The allocation of stock dividend proposed by the shareholders' meeting (not yet approved by the shareholders' meeting).  
The motion for 2019 allocation of earnings has been resolved and approved by the Board of Directors meeting on March 18, 2020. The stock dividend to be allocated to shareholders amounted to NTD 152,466,000. That is, the cash dividend to be allocated to shareholders was NTD 1.2 per share.

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

(VIII) Remuneration to employees, directors, and supervisors:

1. Percentage or scope of the remuneration to employees, directors, and supervisors referred to in the Articles of Incorporation:  
Profits concluded by the Company in a financial year are subject to employee remuneration of 5%~15%, and director and supervisor remuneration of no more than 5%. However, profits must first be taken to offset against cumulative losses, if any, before the remainder can be distributed as employee/director/supervisor remuneration according to said percentages.
2. The basis for estimating the amount of remuneration to employees, directors and supervisors, for calculating the number of shares to be distributed as remuneration to employees, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: The discrepancy between the actual distributed amount and the estimated figure, if any, will be treated as the changes in accounting estimates and stated as the income of 2020.
3. The motion for allocation of remuneration passed by the Board of Directors:
  - (1) The remuneration to employees, directors and supervisors in cash or in the form of stock. If there is any discrepancy between the amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed:  
The Company's Board of Directors resolved the 2019 allocation of remuneration to directors, supervisors and employees on March 18, 2020. As a result, the

remuneration to be allocated to directors and supervisors totaled NTD 7,817,245, and the remuneration to employees totaled NTD 23,451,733. All shall be allocated in cash and expected to be reported at the shareholders' meeting on June 12, 2020.

- (2) The amount of remuneration to any employee allocated in the form of stock, and the size of that amount as a percentage of the sum of the net income after tax stated in the individual or separate financial reports for the current period and total employee remuneration: No stock dividend was allocated.
4. The actual allocation of remuneration to employees, directors and supervisors for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual allocation and the recognized remuneration to employees, directors or supervisors, please also specify the discrepancy, cause, and how it is treated:

Unit: NTD

Item	Counterparts	Amount allocated upon resolution by the Board of Directors meeting	Amount allocated actually	Method of allocation
Employee Compensation	The Company's employees	27,782,966	27,782,966	Cash
Remuneration to directors and supervisors	The Company's directors and supervisors	9,260,989	9,260,989	
Total		37,043,955	37,043,955	

(IX) The Company's repurchase of the Company's shares: None.

- II. Issuance of Corporate bonds: None.
- III. Issuance of Preferred Shares: None.
- IV. Issuance of Overseas Depository Receipts: None.
- V. Issuance of Employee Stock Option Certificates: None.
- VI. Information about new restricted employee shares: None.
- VII. Issuance of new shares in connection with mergers or acquisitions of, or succession to shares of other companies: None.
- VIII. Implementation of Capital Utilization Plan: None.

## Five. Operation Overview

### I. Business content

#### (I) Business scope

##### 1. Main content of business operated by the Company

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

##### 2. Operating revenue percentages

Unit: NTD thousands

Item	2018		2019	
	Revenue	Operating revenue percentage (%)	Revenue	Operating revenue percentage (%)
Image sensors	4,576,761	100	4,169,494	100
Total	4,576,761	100	4,169,494	100

##### 3. Present product items of the Company

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

##### 4. New products planned for development

With regard to the CIS main application products and market demand, the Group has developed a complete series of products to satisfy the demands of various types of scanning input devices (such as MFP scanner, printers etc.). The focus of the research and development works for 2020 is as follows:

- A. Continuous improvement for CIMS cost and quality.
- B. Ultra-high speed A4 digital CISM design.
- C. Ultra-high speed A3 digital CISM design.
- D. Niche CISM module, applied to commercial and industrial applications etc.
- E. Sensor module COB packaging technology, applied to the environmental detection and MEMS sensor packaging.
- F. Industry 4.0 visual inspection application.
- G. Automatic optical inspection module with high resolution and high depth of field
- H. Infrared imaging QVGA and VGA core module

(II) Industry Overview:

1. Industry Current Status and Development:

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



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

Unit: Million pcs

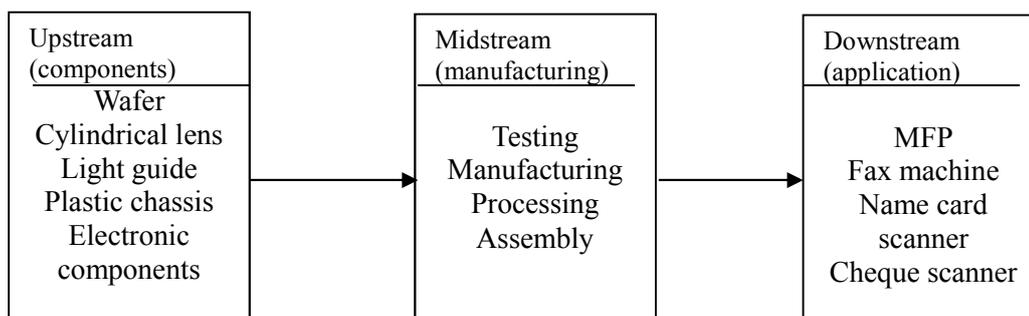
Year Product	2017	2018	2019
MFP	74.4	74.8	72.2

Source of information: IDC

As the modular design of CISM is advantageous to the application assembly of system operators, over the past years of development, products with scanning functions for personal and SOHO commercial purposes and CISM use have become the main stream products in the market. The main products of the Group are to supply scanners, fax machines and MFP for use.

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

For the CISM products of the Group, wafer, cylindrical lens, light guide, plastic chassis and other electronic components are purchased. Through the front-end processing of the wafer testing, wafer cutting, loading, wire bonding, lamination and after the back-end processing, testing and inspection are performed. Once products are completed, they are directly sold to professional manufacturing OEM operators. The correlation among the upstream, midstream and downstream in the industry is as follows:



### 3. Development trends of products and competition status:

#### (1) Product development trend

CISM is an essential component to MFP, and the key development relies on low cost, low power consumption, light weight and slim, as the niche of the product development of the Group. Through cooperative development of new products with customers, the Group heads toward the solutions of ultra-high speed, high precision and high depth of field. The team of the Creative Sensor have established customer trust in all aspects of research and development, price, quality and service.

#### (2) Industry and Market Competition Status

CISM refers to the contact image sensor module, and the Group currently maintains the leading position in the market. Through complete automated production line, the Group is able to achieve minimized cost and optimized quality in order to cope with the continuous increase of production labor cost of the Group.

### (III) Technology and Research and Development Overview

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

1. For 2019 and up to March 31 of this year, the consolidated research and development expenses invested were NTD 67,059 thousand and NTD 15,386 thousand respectively.
2. Technology or product developed successfully:
  - (1) Annual mass production models of main Taiwanese, Japanese, and U.S. customers.
  - (2) Completion of development of high speed A4 CISM and introduction of mass production.
  - (3) A4 CISM with introduction of self-developed components and mass production.
  - (4) Completion of development of new testing machine.
  - (5) Development of 5th generation of slim type CISM.
  - (6) Development of critical components with ultra-high speed and large dimensions.

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

1. Short-term business development plan:
  - (1) Expand customer end market share percentage, and introduce new customers in order to maintain the leading position in the market.
  - (2) Development niche CISM module, and devices for applying to commercial and industrial inspection.
  - (3) Develop and design image input module with high field of depth in order to strengthen the competitiveness in the high end MFP market.

- (4) Expand the market penetration rate for A3 CISM in the high end printers of Japanese customers in order to replace the original A3 CCDM products.
  - (5) Develop COB packaging technology, and promote and expand to new application fields.
2. Long-term Business Development Plan:
- (1) Develop far infrared imaging temperature sensing module in order to enter the body temperature monitoring of the epidemic market application.
  - (2) Design sensing module with the application of the COB packaging technology in order to apply the environmental detection and MEMS sensor packaging products.
  - (3) Market development of other optical input/output devices.
  - (4) Continue to expand the ratio of self-developed components.

## II. Market and Production/Sales Overview

### (I) Market Analysis

#### 1. Sales region of main productions

The sales region of the products of the Group mainly refers to the information technology and consumer electronic operators in Asia, U.S. and Europe. Presently, most of the customers are internationally well-known OEM or system operators.

#### 2. Market share

##### CISM Market share

Unit: %

Year	2017	2018	2019
Creative Sensor global market share	49.8%	58.1%	51.7%

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

#### 3. Market future supply and demand status and growth

##### (1) Supply aspect:

CISM is a critical component for imaging process, and it is mainly applied to scanners, MFP etc. The CISM supply chain of the Group is now mature, and it is able to achieve comprehensive planning and implementation. Provide CISM integrated with the front-end functions of scanners in order to allow customers to utilize it in their products with greater flexibility. The Group is equipped high competency to cope with the market change.

##### (2) Demand aspect:

Presently, the market scale of MFP continues to decrease. In addition, the Group will actively explore other applications of CIS, and develop new products for applications such as Internet of things (IoT) and Industry 4.0 as new sources of revenue.

#### 4. Competitive niche

##### (1) Rigorous quality demands and precise manufacturing process technology:

Since the customers of the Company are all international brand giants, customers have high demand in the product quality, and the internal of the Company continues to implement quality improvement plans to achieve perfection. The Company has obtained intentional quality system certifications of ISO90001 and ISO14001. Our factory further

implements the overall cleanroom ESD protective environment upgrade, and gradually introduced the complete automation in the production lines as well as the introduction of precise and reliable production lines, in order to manufacture products of high standard. Furthermore, for product quality design, the Company is also able to satisfy different customer demands and provide greater design integration capacity among the same operators in the industry. Consequently, the overall product quality standard of the Company is higher than the industrial standard.

(2) Excellent supplier integration capability:

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

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

The R&D team of the Group has a long period of operations with respect to the research and development of CISM, and the team is equipped with the self-design capability and has also obtained numerous patents. In addition, the team also engages in joint research and development with relevant suppliers in order to develop important raw materials. Consequently, the quality of the R&D technology and technical innovation capacity of the Group leads ahead of the operators in the same industry.

(4) Production application field expansion:

The Group applies the knowhow accumulated over the past numerous years in CISM production technologies in order to enter the fields of relevant technologies and the developments of upstream, midstream and downstream products. In addition to the currently existing products, for the production of niche CISM module, the breadth and depth of the production line have been expanded gradually. Furthermore, with the utilization of the COB packaging and imaging technical capabilities of the Group, the Group has started to enter the industries of Industry 4.0 visual inspection application and MEMS sensor packaging etc. in order to expand the business niche points and to develop new application fields.

5. Favorable, unfavorable factors for development outlook and responsive strategies:

Item	Favorable factors	Unfavorable factors	Responsive Strategy
I. Industry prospect	<p>MFP market is still the main stream for the office/home products, and the demand is stable. In addition, CIS industry is still an oligopoly market, and the entrance barrier is high. With limited domestic and foreign competing operators in the market, in a medium and long term, the market demand will remain high.</p>	<p>MFP has entered the mature stage, and the growth has started to slow down; consequently, the revenue growth of such product of the Company becomes mild.</p> <p>Under the impact of the COVID-19 epidemic, the global supply chain production capacity has been affected, and the revenue is being affected directly.</p>	<p>(1) Develop products of greater high speed and high resolution performance in order to be applied to high end ink jet and laser MFP, thereby expanding the product penetration rate and maintaining continuous revenue growth.</p> <p>(2) Engage in cooperative research and development with domestic relevant suppliers to develop important raw materials, thereby reducing the cost.</p> <p>(3) Utilize the COB packaging and imaging technology and capability, enter the industries of AOI linear sensor camera module and infrared thermal imaging sensor, thereby expanding the business niche point and develop new application fields.</p>

Item	Favorable factors	Unfavorable factors	Responsive Strategy
II. Position in industry	Presently, for color contact image sensors, the market share of the Group is No. 1 in the world, and the Group has relatively greater production scale competitiveness and cost control capability.	Both the upstream and downstream are oligopoly markets, and the price control capability is relatively weak. As the competing operators in the industry seek business opportunities in the market, price competition occurs.	<p>(1) Enhance the development of high end products and low price module products, increase the added value and market share at the same time, thereby increasing the differentiation from the operators in the same industry.</p> <p>(2) Continue to improve manufacturing process and engage in development of raw materials of high performance and low cost with suppliers, in order to reduce the production cost.</p>
III. Primary raw material supply status	The Group adopts the strategic alliance relationship with primary raw material suppliers in a long term cooperation, and the Group is able to control the quality and quantity of raw materials and components supplied.	Parts of the products of the primary raw material suppliers belong to the oligopoly market; therefore, the price flexibility is relatively small.	<p>(1) Engage in cooperative research and development with relevant suppliers to develop important raw materials, thereby reducing the cost.</p> <p>(2) Continue to maintain excellent business relationship with suppliers and to obtain stable supply source.</p>

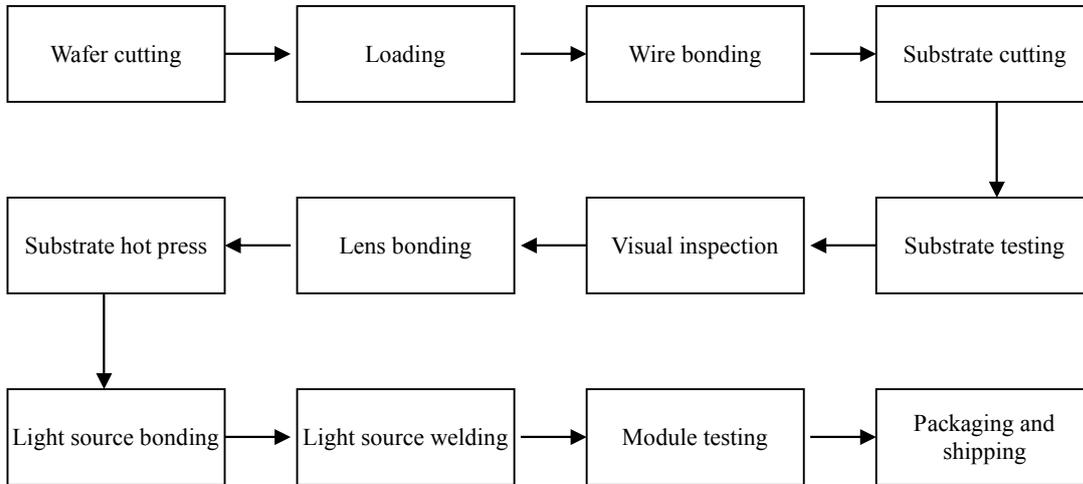
Item	Favorable factors	Unfavorable factors	Responsive Strategy
IV. Sales status of main productions	The product quality and delivery of the Group have been recognized by the customers for a long time, and the Group continues to maintain the leading position in the market share for color CIS. In addition, the Group continues to develop new customers and engages in joint development of new products with customers; therefore, the sales quantity continues to increase.	(1) Downstream product market with distinctive high and low seasons, affecting the production capacity planning. (2) Customer concentration is high.	(1) Actively expand business, attract new customers and new orders, in light of diversifying the customer group. (2) Obtain long term and orders in order to make appropriate adjustment on the production capacity and to reduce the overly obvious operating cost during the high and low seasons.
V. Financial status	The Group has maintained stable profit for a long period of time. In addition, the management values the importance of accounts receivable and control of inventory; therefore, the operating activities indicate cash inflow status and a sound financial structure. The Group's own fund is sufficient without any concerns.	Products are devoid of diversity, and the industry has reached the mature stage, both the revenue and profit growth become mild, such that the profitability is weakened.	Develop new business to simulate future business profits. In addition, presently, the Group has sufficient funds to cope with the future capital expense needs.

(II) Key purpose and manufacturing process of main products

1. Key purpose of main products:

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

## 2. Manufacturing Process



### (III) Primary raw material supply status

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

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

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

Unit: NTD thousands

Item	2018				2019				1st quarter of 2020			
	Name	Amount	Annual net purchase percentage (%)	Relationship with the issuer	Name	Amount	Annual net purchase percentage (%)	Relationship with the issuer	Name	Amount	Net purchase percentage up to the last quarter of the current year (%)	Relationship with the issuer
1	Company A	642,663	18.55%	None	Company A	540,829	18.91%	None	Company A	73,619	16.81%	None
2	Company B	522,887	15.09%	"	Company B	417,181	14.58%	Note	Company B	69,631	15.90%	"
3	Company C	427,814	12.35%	Note	Company C	401,513	14.04%	None	Company C	66,803	15.25%	Note
	Others	1,871,861	54.01%	--	Others	1,501,000	52.47%	--	Others	227,894	52.04%	--
	Net purchase amount	3,465,225	100.00%		Net purchase amount	2,860,523	100.00%		Net purchase amount	437,947	100.00%	

Note: It refers to the main management of the Group.

Reason of increase/decrease: In the last two years, there were no major changes in the incoming material supplier ranking of the Company. However, to diversify the incoming risk and to stabilize the supply source, under the condition where the raw material quality is not affected, new cooperating suppliers are sought actively.

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

Unit: NTD thousands

Item	2018				2019				1st quarter of 2020			
	Name	Amount	Annual net sales percentage (%)	Relationship with the issuer	Name	Amount	Annual net sales percentage (%)	Relationship with the issuer	Name	Amount	Net sales percentage up to the last quarter of the current year (%)	Relationship with the issuer
1	Company A	1,049,680	22.93%	None	Company A	744,489	17.86%	None	Company A	92,901	16.26%	None
2	Company B	663,442	14.50%	"	Company B	731,737	17.55%	"	Company D	87,847	15.37%	"
3	Company C	655,781	14.33%	"	Company C	603,375	14.47%	"	Company B	65,923	11.54%	"
4	Company D	530,744	11.60%	"	Company D	554,022	13.29%	"	Company C	64,095	11.22%	"
	Others	1,677,114	36.64%	--	Others	1,535,871	36.83%	--	Others	260,653	45.61%	--
	Net sales amount	4,576,761	100.00%		Net sales amount	4,169,494	100.00%		Net sales amount	571,419	100.00%	

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

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

Unit: NTD millions;1,000 pcs

Year Production Quantity and Value Key Products	2018			2019		
	Production Capacity	Production Quantity	Production Value	Production Capacity	Production Quantity	Production Value
Image sensors	45,396	34,948	4,674	42,460	28,721	4,095
Total	45,396	34,948	4,674	42,460	28,721	4,095

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

Unit: NTD millions;1,000 pcs

Year Sales quantity and amount Key products	2018				2019			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Image sensors	0	3	34,223	4,574	0	5	29,245	4,164
Total	0	3	34,223	4,574	0	5	29,245	4,164

## III. Number of employees in the last two years and the employee information of the Group up to the publication date of annual report

Year		2018	2019	Up to March 31, 2020
Number of employees	Indirect labor	406	363	352
	Direct labor	838	568	513
	Total	1244	931	865
Average age		29.45	31.17	32.08
Average service year		3.01	2.99	3.10
Education background distribution ratio (%)	PhD	0%	0%	0%
	Master	2%	3%	3%
	College	21%	25%	25%
	Senior High School	40%	35%	31%
	Under Senior High School	37%	37%	41%

## IV. Information on Environmental Protection Expense

Total amount of loss (including compensation) and penalties due to pollution to the environment in the most recent year and up to the date of the publication of the annual report, and please explain the future responsive measures (including improvement measures) and possible expenses (including possible loss, penalty and compensation estimated amount due to failure in adopting responsive measures; if reasonable estimation cannot be made, the fact for such failure in providing reasonable estimation shall be explained): The Group is in the component manufacturing industry, and during the manufacturing process, there are no production of waste gas, wastewater, and noise pollution. Consequently, there have been no losses due to environmental pollution in the last two years, and in the future, it is expected to have no capital expense in the environmental protection.

## V. Labor-management relationship

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

1. Employee welfare measures implementation status thereof:
  - A. Starting from the job onboard date of employees of the Company, employees enjoy the labor insurance and national health insurance. For employees of overseas subsidiaries, employees enjoy the local insurance system starting from the onboard date.
  - B. According to the employee stock subscription regulations of the Company, during the capital increase by cash, 10% to 15% of stocks are reserved for employees' subscription according to the regulations, and the employee bonus sharing system is implemented.
  - C. The Company has established the Employee Welfare Committee, and the Employee Welfare Committee handles and manages the operations of all welfare measures. Presently, all of the labor criterion of leave applications, working hours etc. are handled according to the Labor Standards Act, and various welfare measures are planned.
  - D. Presently, the employee welfare measures are as follows:
    - 1) Three-holiday bonuses, gift vouchers.
    - 2) Year-end bonus, performance bonus.
    - 3) Organization of year-end party activity.
    - 4) Organization of employees' domestic and overseas travel activities.
    - 5) Employee marriage, funeral monetary gifts.
    - 6) Subsidies to children education.
    - 7) Apply for labor, health insurance and group insurance enrollment for employees.
    - 8) Provide stock subscription opportunity for employees during capital increase by cash.
2. Employees continuing education, training system, and implementation status
  - A. With regard to the employee educational training, employee educational training is implemented according to the Company's training related regulations of "Educational Training Implementation Regulations," "Internal Educational Training Implementation Regulations," "External Training Implementation Regulations," "Language Proficiency Examination Subsidy Regulations," "On-Job Continuing Education Subsidy Regulations" etc. Actively provide employees various learning and development opportunities and environment in order to cultivate outstanding talents with international vision and active learning.
  - B. 2019 educational training hours statistics: In 2019, programs of supervisor training, internal and external courses for core ability and professional ability improvement were organized, and there were a total of 93 people participated in the training, and the total number of hours were 690 hours. In 2019, on average, each person received 9.5 hours of training, and the annual training expense was NTD 243,376.
3. Retirement system and implementation status:
  - A. With regard to the employee retirement system and regulations of the Company, the Company handles such matters according to the relevant regulations of the Labor Standards Act and the Labor Pension Act. Overseas subsidiaries handle such matters according to the retirement and insurance system of People's Republic of China (PRC).

- B. The Company has also established the “Labor Retirement Reserve Fund Supervisory Committee” to supervise the implementation status of the retirement system.
- C. According to the regulations specified in the Generally Accepted Accounting Principles (GAAP) of R.O.C. No. 18, the Company entrusts actuary to perform assessment and calculation of the labor retirement reserve fund and to submit actuarial assessment report.

Since July 1, 2005, the Company has appropriated 6% of the employee wage into the employee individual pension account on a monthly basis according to the Labor Pension Act. Overseas subsidiaries follow the retirement insurance system of PRC to make a certain ratio of appropriation according to the employee’s total salary amount, and the monthly pensions of employees are managed and arranged uniformly by the government.

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

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

- 5. Employee code of conduct or ethical rules:

To maintain the workplace occupational order, the Group explicitly specify the rights and obligation relationships between the both parties of labor and management. In addition, the Company has established the “Work Rules” according to the laws and is publicly disclosed after the approval of the competent authority. Furthermore, to reduce the operational risk of the Company, to prevent occurrence of conducts damaging the interests of shareholders and to provide guidance to employees of the Company, the Company has specified the following rules and actively promotes the same:

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

- 6. Internal Material Information Handling Operation Procedure:

To establish proper internal material information handling and disclosure mechanism, to prevent improper disclosure of information and to ensure consistency and accuracy of information published by the Company to the external, the Group has additionally established the “Management for Preventing Insider Trading” in the internal control system, which has been reported to the board of directors’ meeting for resolution with approval on December 21, 2009, and all employees and managerial officers have been informed accordingly.

- 7. Working environment and employee personal safety protective measures:

- A. Working environmental protective measures

- 1) The Group is equipped with the ISO14001 environmental management system certificate. The Group's environment policies are: (1) Following and complying with environmental laws and other requirements. (2) Promoting recycling and reuse of resources, and endeavoring to reduce industrial waste to prevent pollution. (3) Reducing the use of hazardous materials, being thorough on pollution control and management, and endeavoring on the design and manufacturing of green products. (4) Preventing accidents and disasters and enhancing disaster prevention drill.
- 2) Equipment safety: The Company implements periodic inspection on the elevators and cargo elevators in the building, and also entrusts external contractors to perform labor safety and health inspection monthly; thereby preventing increase of labor risk and requesting workers to wear labor protective gears.
- 3) Fire safety: Fire control system installed completely according to the regulations of the Fire Services Act, including fire sprinkling system, escape system, such as escape sling, and emergency lighting etc. In addition, inspection on the lighting fire control and carbon dioxide is performed annually.
- 4) The Group performed the drinking water machine test semi-annually. In addition, full disinfection of the working environment is performed annually in order to maintain the sanitary of the working environment.

B. Employee personal safety protective measures

- 1) The Group has established the "Safety and Health Work Rules" to protect the rights and benefits related to workers' physical and mental health, and to reduce all major hazards caused during operation. Furthermore, the Company has also established the "Regulations for Attending to Accidents of Natural Disaster, Power Outage, Pending for Material Supply etc." in order to facilitate immediate response actions in case of occurrence of disasters.
  - 2) Medical health care: The Group provides one time of physical examination for employees at work annually.
  - 3) Periodic labor safety and health educational training is held annually in order to increase relevant knowledge of employees in light of reducing employees' occupational injuries.
  - 4) The counter of the Group is equipped with alcohol and masks at all time for the use of employees and visitors in order to reduce likelihood of spreading of infectious diseases, such as flu and cold among employees at the working environment.
  - 5) To prevent occurrence of worker personal safety, personnel are requested to wear protective gear, and relevant operation procedures are established.
- (II) For most recent year and up to the printing date of the annual report, any current loss due to labor-management disputes and possible future loss estimated amount and responsive measures. If reasonable estimation cannot be provided, the facts related to such failure in providing reasonable estimates shall be explained: None.

VI. Important Contracts: None.

## Six. Financial Information

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

#### (I) Condensed Balance Sheet

##### 1. Consolidated Condensed Balance Sheet - IFRS

Unit: NTD thousands

Item \ Year		Financial information for the latest five years					Financial information up to March 31, 2020 for the current year (Note 2)
		2015	2016	2017	2018	2019	
Current assets		2,885,432	3,041,354	3,168,989	3,466,786	3,220,429	3,286,232
Real estate, plant and equipment		902,558	786,190	613,890	485,435	371,289	346,956
Intangible assets		8,713	6,369	4,306	6,909	6,170	6,111
Other assets		802,087	778,839	808,864	675,174	775,294	707,627
Total assets		4,598,790	4,612,752	4,596,049	4,634,304	4,373,182	4,346,926
Current liabilities	Before distribution	969,030	1,144,945	1,131,232	1,284,592	920,458	992,434
	After distribution	1,197,729	1,348,233	1,334,520	1,449,763	Note 3	Note 3
Non-current liabilities		61,591	53,367	60,458	111,553	155,141	146,211
Total liabilities	Before distribution	1,030,621	1,198,312	1,191,690	1,396,145	1,075,599	1,138,645
	After distribution	1,259,320	1,401,600	1,394,978	1,561,316	Note 3	Note 3
Equity attributable to parent company shareholders		3,568,169	3,414,440	3,404,359	3,238,159	3,297,583	3,208,281
Capital stock		1,270,550	1,270,550	1,270,550	1,270,550	1,270,550	1,270,550
Capital surplus		677,467	677,467	677,467	677,467	677,467	677,467
Retained earnings	Before distribution	1,113,340	1,143,166	1,152,065	1,154,222	1,172,756	1,161,997
	After distribution	884,641	939,878	948,777	989,051	Note 3	Note 3
Other equity		506,812	323,257	304,277	135,920	176,810	98,267
Treasury stock		0	0	0	0		0
Non-controlling interests		0	0	0	0		0
Total	Before	3,568,169	3,414,440	3,404,359	3,238,159	3,297,583	3,208,281

equities	distribu tion						
	After distribu tion	3,339,470	3,211,152	3,201,071	3,072,988	Note 3	Note 3

Note 1: 2015~2019 information is based on the consolidated financial statements audited and certified by CPA and according to IFRS.

Note 2: The information of the first quarter of 2020 is based on the consolidated financial statements audited and certified by CPA and according to IFRS.

Note 3: The distribution of earnings is not yet approved by the shareholders' meeting.

## 2. Standalone Condensed Balance Sheet - IFRS

Unit: NTD thousands

Year		Financial information for the latest five years				
		2015	2016	2017	2018	2019
Current assets		989,905	1,341,985	1,257,172	1,344,074	1,008,818
Real estate, plant and equipment		22,982	14,728	8,770	6,443	26,643
Intangible assets		2,698	1,925	960	3,502	4,111
Other assets		3,327,734	3,249,495	3,264,807	3,249,211	3,337,634
Total assets		4,343,319	4,608,133	4,531,709	4,603,230	4,377,206
Current liabilities	Before distribution	713,559	1,140,326	1,073,943	1,267,545	938,429
	After distribution	942,258	1,343,614	1,277,231	1,432,717	Note 2
Non-current liabilities		61,591	53,367	53,407	97,526	141,194
Total liabilities	Before distribution	775,150	1,193,693	1,127,350	1,365,071	1,079,623
	After distribution	1,003,849	1,396,981	1,330,638	1,530,243	Note 2
Equity attributable to parent company shareholders		3,568,169	3,414,440	3,404,359	3,238,159	3,297,583
Capital stock		1,270,550	1,270,550	1,270,550	1,270,550	1,270,550
Capital surplus		677,467	677,467	677,467	677,467	677,467
Retained earnings	Before distribution	1,113,340	1,143,166	1,152,065	1,154,222	1,172,756
	After distribution	884,641	939,878	948,777	989,051	Note 2
Other equity		506,812	323,257	304,277	135,920	176,810
Treasury stock		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total equities	Before distribution	3,568,169	3,414,440	3,404,359	3,238,159	3,297,583
	After distribution	3,339,470	3,211,152	3,201,071	3,072,988	Note 2

Note 1: 2015~2019 information is based on the standalone financial statements audited and certified by CPA and according to IFRS.

Note 2: The distribution of earnings is not yet approved by the shareholders' meeting.

## (II) Condensed Statement of Comprehensive Income

## 1. Consolidated Condensed Statements of Comprehensive Income - IFRS

Unit: NTD thousands

Item \ Year	Financial information for the latest five years					Financial information up to March 31, 2020 for the current year (Note 2)
	2015	2016	2017	2018	2019	
Operating revenue	4,864,840	4,309,299	3,957,862	4,576,761	4,169,494	571,419
Gross profit	728,785	664,203	551,959	552,868	605,987	40,318
Operating Income (Loss)	313,992	297,797	213,120	226,435	268,756	(20,692)
Non-operating revenue and expense	128,290	67,094	70,568	91,753	17,244	8,236
Net Profit Before Taxes	442,282	364,891	283,688	318,188	286,000	(12,456)
Net profit from continuing operation	293,600	257,536	210,019	205,800	183,626	(10,759)
Loss on discontinued operation	0	0	0	0	0	0
Net income (loss)	293,600	257,536	210,019	205,800	183,626	(10,759)
Other comprehensive income (Net income after tax)	(116,128)	(182,566)	(16,812)	(168,712)	40,969	(78,543)
Current total consolidated income	177,472	74,970	193,207	37,088	224,595	(89,302)
Profit attributable to owners of the parent	293,600	257,536	210,019	205,800	183,626	(10,759)
Net profit attributable to non-controlling interests	0	0	0	0	0	0
Comprehensive income attributable to owners of the parent	177,472	74,970	193,207	37,088	224,595	(89,302)
Comprehensive income attributable to non-controlling Interests	0	0	0	0	0	0
Earnings per share	2.31	2.03	1.65	1.62	1.45	(0.08)

Note 1: 2015~2019 information is based on the consolidated financial statements audited and certified by CPA and according to IFRS.

Note 2: The information of the first quarter of 2020 is based on the consolidated financial statements audited and certified by CPA and according to IFRS.

## 2. Standalone Condensed Statements of Comprehensive Income - IFRS

Unit: NTD thousands

Item \ Year	Financial information for the latest five years				
	2015	2016	2017	2018	2019
Operating revenue	4,842,825	4,291,231	3,941,913	4,563,815	4,161,994
Gross profit	486,056	437,780	381,756	375,869	399,983
Operating Income (Loss)	165,394	148,667	116,249	125,317	188,478
Non-operating revenue and expense	147,120	141,175	126,476	149,081	43,143
Net Profit Before Taxes	312,514	289,842	242,725	274,398	231,621
Net profit from continuing operation	293,600	257,536	210,019	205,800	183,626
Net profit					
Loss on discontinued operation	0	0	0	0	0
Net income (loss)	293,600	257,536	210,019	205,800	183,626
Other comprehensive income (Net income after tax)	(116,128)	(182,566)	(16,812)	(168,712)	40,969
Current total consolidated income	177,472	74,970	193,207	37,088	224,595
Profit attributable to owners of the parent	293,600	257,536	210,019	205,800	183,626
Net profit attributable to non-controlling interests	0	0	0	0	0
Comprehensive income attributable to owners of the parent	177,472	74,970	193,207	37,088	224,595
Comprehensive income attributable to non-controlling Interests	0	0	0	0	0
Earnings per share	2.31	2.03	1.65	1.62	1.45

Note 1: 2015~2019 information is based on the standalone financial statements audited and certified by CPA and according to IFRS.

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

Year	Name of CPA	Audit opinions
2015	Chun-Yao Lin, Shu-Chiung Chang	Unqualified opinion
2016	Chun-Yao Lin, Shu-Chiung Chang	Unqualified opinion
2017	Shu-Chiung Chang, Hui-Chin Tseng	Unqualified opinion
2018	Shu-Chiung Chang, Hui-Chin Tseng	Unqualified opinion
2019	Shu-Chiung Chang, Chun-Yao Lin	Unqualified opinion

II. Financial analysis for the last five years

(I) Financial Analysis

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

Analysis Item		Year	Financial analysis for the last five years					Up to March 31, 2020 for the current year
		2015	2016	2017	2018	2019		
Financial structure	Debt to assets ratio (%)	22.41	25.98	25.93	30.13	24.60	26.19	
	Long-term capital to property real estate, plant and equipment ratio (%)	402.16	441.09	564.40	690.04	929.93	966.83	
Debt servicing capability	Current ratio (%)	297.76	265.63	280.14	269.87	349.87	331.13	
	Quick ratio (%)	266.79	241.35	250.81	231.16	316.03	300.02	
	Interest earned ratio (times)	48.69	-	-	-	367.20	-36.07	
Management capacity	Receivables turnover ratio (times)	8.16	8.19	7.32	7.82	7.11	5.06	
	Average collection days	45	45	50	47	51	72	
	Inventory turnover ratio (times)	11.29	12.61	11.17	9.71	8.81	6.85	
	Payables turnover ratio (times)	5.45	5.27	4.49	4.85	4.73	3.95	
	Average inventory turnover days	32	29	33	38	41	53	
	Real estate, plant and equipment turnover ratio (number of times)	5.13	5.09	5.65	8.33	9.73	6.36	
	Total asset turnover (number of times)	1.01	0.94	0.86	0.99	0.93	0.52	
Profitability	Return on asset (%)	6.27	5.59	4.56	4.46	4.09	-0.96	
	Return on equity (%)	8.16	7.38	6.16	6.20	5.62	-1.32	
	Net income before tax to paid-in capital ratio (%)	34.81	28.72	22.33	25.04	22.51	-3.92	
	Net Profit Margin (%)	6.04	5.98	5.31	4.50	4.40	-1.88	
	Earnings per Share (NTD)	2.31	2.03	1.65	1.62	1.45	-0.08	

Cash flow	Cash flow ratio (%)	59.22	26.41	43.12	33.44	46.86	-9.72
	Cash flow adequacy ratio (%)	154.55	159.95	150.69	143.25	138.06	122.83
	Cash reinvestment ratio (%)	6.41	1.84	5.53	4.44	5.50	-2.02
Leverage	Operating leverage	3.08	2.87	3.51	3.49	2.92	-4.79
	Financial leverage	1.03	1.00	1.00	1.00	1.00	0.98

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

1. Increase of the long-term capital to property real estate, plant and equipment ratio was mainly due to the decrease of the book value after the depreciation of real estate, plant and equipment.
2. Increase of current ratio and quick ratio was mainly due to the reduction of the current liabilities.
3. Increase of Interest earned ratio was mainly due to interest expense of the 2019 lease liabilities.
4. Increase of the cash flow ratio was mainly due to the reduction of the fund purchase in 2019 such that the net cash flow of operating activities increased.
5. Increase of the cash reinvestment ratio was mainly due to the reduction in the fund purchase in 2019 such that the net cash flow of operating activities increased.

Note 1: 2015~2019 information is based on the consolidated financial statements audited and certified by CPA and according to IFRS.

Note 2: The information of the first quarter of 2020 is based on the consolidated financial statements audited and certified by CPA and according to IFRS.

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

Analysis Item		Year				
		2015	2016	2017	2018	2019
Financial structure	Debt to assets ratio (%)	17.85	25.90	24.88	29.65	24.66
	Long-term capital to property real estate, plant and equipment ratio (%)	15,793.93	23,545.67	39,427.21	51,772.23	12,906.87
Debt servicing capability:	Current ratio (%)	138.73	117.68	117.06	106.04	107.50
	Quick ratio (%)	138.58	117.68	116.92	105.93	106.36
	Interest earned ratio (times)	274.89	-	-	-	306.97
Management capacity	Receivables turnover ratio (times)	8.07	8.17	7.29	7.80	7.10
	Average collection days	45	45	50	47	51
	Inventory turnover ratio (times)	2,251.56	7,083.55	4,466.95	2,892.23	622.85
	Payables turnover ratio (times)	7.47	5.70	4.17	4.46	4.23
	Average inventory turnover days	1	1	1	1	1
	Real estate, plant and equipment turnover ratio (number of times)	174.08	227.59	335.51	599.99	251.59
	Total asset turnover (number of times)	1.12	0.93	0.87	1.00	0.95
Profitability	Return on asset (%)	6.55	5.75	4.60	4.51	4.10
	Return on equity (%)	8.16	7.38	6.16	6.20	5.62
	Net income before tax to paid-in capital ratio (%)	24.60	22.81	19.10	21.6	18.23
	Net Profit Margin (%)	6.06	6.00	5.33	4.51	4.41
	Earnings per Share (NTD)	2.31	2.03	1.65	1.62	1.45
Cash flow	Cash flow ratio (%)	28.85	18.63	23.81	24.11	5.57
	Cash flow adequacy ratio (%)	127.04	111.94	123.83	115.34	94.41
	Cash reinvestment ratio (%)	(0.94)	(0.45)	1.45	2.93	(3.14)
Leverage	Operating leverage	2.72	2.84	3.14	2.88	2.11
	Financial leverage	1.01	1.00	1.00	1.00	1.00

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

1. Decrease of the long-term capital to property real estate, plant and equipment ratio was mainly due to the increased purchase of equipment.
2. Increase of Interest earned ratio was mainly due to interest expense of the 2019 lease liabilities.
3. Decrease of the inventory turnover rate was mainly due to the increase of the inventory.
4. Decrease of real estate, plant and equipment turnover rate was mainly due to the increased purchase of equipment.
5. Decrease of the cash flow ratio was mainly due to the reduction of the net cash flow of operating activities in 2019.
6. Decrease of the cash reinvestment ratio was mainly due to the reduction of the net cash flow of operating activities in 2019.
7. Decrease of the operating leverage was mainly due to the increase of operating profit in 2019.

Note 1: 2015~2019 information is based on the standalone financial statements audited and certified by CPA and according to IFRS.

1. Financial structure
  - (1) Debt to total assets ratio = Total debt / Total assets.
  - (2) Ratio of long-term capital to property, plant & equipment = (Total equity + Non-current liabilities) / Net worth of property, plant and equipment.
2. Debt servicing capability:
  - (1) Current ratio = Current assets / Current liabilities.
  - (2) Quick ratio = (Current assets - Inventory - Pre-payment) / Current liabilities.
  - (3) Interest earned ratio = Profit before income tax and interest expense / Interest expense.
3. Management capacity
  - (1) Accounts receivable (include receivable amounts and receivable bills from operation) turnover = Net sales / Average accounts receivable in each period (include receivable amounts and receivable bills from operation) balance.
  - (2) Average collection period = 365 / Accounts receivable turnover.
  - (3) Inventory turnover = Sales cost / average inventory amount.
  - (4) Accounts payable (include payable amounts and payable bills from operation) turnover = Sales cost / Average accounts payable in each period (include payable amounts and payable bills from operation) balance.
  - (5) Average days in sales = 365 / Inventory turnover.
  - (6) Property, plant and equipment turnover = Net sales / Average net worth of property, plant and equipment.
  - (7) Total assets turnover = Net sales / Average total assets.
4. Profitability
  - (1) Return on asset = [Earnings after tax + Interest expense × (1 - Interest rate)] / Average total assets.
  - (2) Return on shareholders' equity = Earnings (loss) after tax / Average total equity.
  - (3) Profit ratio = Earnings (loss) after tax / Net sales.
  - (4) Earning per share = (Earnings of parent company owner - Preference dividends) / weighted average number of shares outstanding.
5. Cash flow
  - (1) Cash flow adequacy ratio = Net cash flow from operating activities / Current liabilities
  - (2) Net cash flow adequacy ratio = Net cash flows from operating activities in the last five years / (Capital expenditure + Inventory increase + Cash dividends) in the last five years.
  - (3) Cash flow reinvestment ratio = (Cash provided by operating activities - Cash dividends) / (Gross property, plant and equipment + Long-term investments + Other non-current assets + Working capital).
6. Leverage:
  - (1) Operating leverage = (Net sales - Variable cost) / Income from operations.
  - (2) Financial leverage = Income from operations / (income from operations - Interest expense).

III. Supervisors' Review Report of the Financial Statements in the Most Recent Year

**CREATIVE SENSOR INC.  
Supervisor's Review Report**

The 2019 consolidated financial statements and standalone financial statements presented by the board of directors have been audited by CPA Shu-Chiung Chang and CPA Chun-Yao Lin of Pricewaterhouse Coopers Certified Public Accountants. These financial statements were submitted for review by us, the supervisors, along with the Company's 2019 business report and earnings appropriation proposal. We found no misstatement in the above, and thereby issue this review report in accordance with Article 219 of The Company Act.

Submitted to

The 2020 Annual General Shareholders' Meeting

CREATIVE SENSOR INC.  
Supervisor: Guang Yuan Industrial Co.,  
Ltd.  
Representative: Hui-Mei Wu  
Supervisor: Hung-Ming Lin  
Supervisor: Min-Yu Chang

March 18, 2020

IV. Financial statements of most recent year

For 2019 financial statements, please refer to page 98 to page 168 of this Annual Report.

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

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

### I. Financial status

#### (I) Financial Status Comparison and Analysis Table

Unit: NTD thousands

Item \ Year	2019	2018	No difference		
			Amount	%	Descriptions
Current assets	3,220,429	3,466,786	(246,357)	(7.11)	—
Fixed Asset	371,289	485,435	(114,146)	(23.51)	1
Other assets	781,464	682,083	99,381	14.57	—
Total assets	4,373,182	4,634,304	(261,122)	(5.63)	—
Current liabilities	920,458	1,284,592	(364,134)	(28.35)	2
Total liabilities	1,075,599	1,396,145	(320,546)	(22.96)	2
Capital stock	1,270,550	1,270,550	0	0	—
Capital surplus	677,467	677,467	0	0	—
Retained earnings	1,172,756	1,154,222	18,534	1.61	—
Total shareholders' equity	3,297,583	3,238,159	59,424	1.84	—
<p>Description of increase/decrease change of ratio for the two periods: For the increase/decrease change ratio reaches 20%, and absolute amount exceeds NTD 10,000 thousand, analysis is then performed.</p> <ol style="list-style-type: none"> <li>1. Decrease of fixed asset was mainly due to the appropriation of depreciation expense and disposal of equipment of second-tier subsidiaries.</li> <li>2. Decrease of liabilities was mainly due to the decrease in the accounts payable.</li> </ol>					

### II. Financial Performance

#### (I) Financial performance comparison analysis

Item \ Year	2019	2018	Increase (Decrease) Amount	Change ratio %	Analysis and explanation for change of ratio
Operating costs	3,563,507	4,023,893	(460,386)	(11.44)	—
Gross profit	605,987	552,868	53,119	9.61	—
Operating expenses	337,231	326,433	10,798	3.31	—
Operating profit	268,756	226,435	42,321	18.69	—
Non-operating revenue and expense					
Other Income	80,611	76,024	4,587	6.03	
Other benefits and loss	(67,794)	(1,449)	(66,345)	4,578.67	1
Finance costs	(781)	0	0	0	—
Share of profits/losses on equity-accounted associated	5,208	17,178	(11,970)	(69.68)	2

companies and joint ventures					
Net Profit Before Taxes	286,000	318,188	(32,188)	(10.12)	—
Income tax expense	(102,374)	(112,388)	10,014	(8.91)	—
Net profit	183,626	205,800	(22,174)	(10.77)	—
I. Description of increase/decrease change of ratio analysis: For the increase/decrease change ratio not reaching 20% or the absolute amount less than NTD 10,000 thousand, analysis is exempted. The analysis is as follows:					
1. It was mainly due to the recognition of the impairment loss of the reinvested companies.					
2. It was mainly due to the decrease of profit of the reinvested companies.					

### III. Cash flow

#### (I) Analysis of cash flow change of most recent year:

Item	Year		Increase (decrease) ratio
	2019	2018	
Cash flow ratio (%)	46.86	33.44	40.13
Cash flow adequacy ratio (%)	138.06	143.25	(3.62)
Cash reinvestment ratio (%)	5.50	4.44	23.87
1. Increase of the cash flow ratio and cash reinvestment ratio was mainly due to the reduction in the fund purchase in 2019 such that cash flow of operating activities increased.			
2. Decrease of the cash flow adequacy ratio was mainly due to the increase of the cash dividends in the last five years.			

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

#### (III) Cash liquidity analysis for the next year:

Unit: NTD thousands

Cash balance at the beginning of the year (1)	Expected annual net cash flow from operating activities (2)	Expected cash flow for whole year investing and financing activities (3)	Expected Cash surplus (deficit) amount (1)+(2)+(3)	Expected cash deficiency amount remedies	
				Investment plan	Financial management plan
1,216,519	318,276	(233,528)	1,301,267	\$ -	\$ -
1. Analysis of current year cash flow change					
(1) Operatingmainly refer to have stable expected operating income and to gain activities:profit continuously, as well as to implement effective control on the inventories and accounts receivable, in order to generate net cash inflow.					
(2) Investingmainly refer to maintain facilities and obtain computer equipment, activities:in order to generate net cash outflow from the investing activities.					
(3) FinancingMainly refer to the issuance of cash dividends such that financing activities:activities indicate net cash outflow.					
2. Analysis on remedy for estimated cash shortage and liquidity: Not applicable.					

- IV. Impact of Significant Capital Expenditures in the Most Recent Year on the Financial and Operating Conditions of the Company: There were no significant capital expenditures in the most recent year.
- V. Causes of profit or loss incurred on investments in the most recent years, any improvements, and investments planned for the next year
- (I) Reinvestment policy  
The reinvestment of the Group mainly focuses on the core business of image sensors along with the consideration of the long-term development plan of the company, and the Group also evaluates each investment plan in a rigorous and conservative manner.
  - (II) Main cause of profit or loss  
The share of profit of associates accounted for using equity method was NTD 5,208 thousand, a decrease of 69.68% from NTD 17,178 thousand in 2018, and this was mainly due to the decrease in the profit of the reinvested companies.
  - (III) Investment plan for next year  
With regard to the investment plan for next year, in addition to the continuous focus in the investment of the core business, the Group will make adjustments and implement future development strategy base on the future economic change along with the new product development progress of the Group.

VI. Risk analysis and assessment made in the most recent year and up to the printing date of the annual report

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

1. Impact on company profit (loss)

Unit: NTD thousands

Item	2019 amount	Percentage of operating revenue %	Percentage of net income before tax %
Net interest income	33,438	0.80	11.69
Net foreign exchange gain (loss)	(3,316)	(0.08)	(1.16)
Net forward hedging gain (loss)	(10,403)	(0.25)	(3.64)

2. Interest rate change

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

3. Exchange rate change

When the business engaged by the Group involves non-functional currency (the functional currency of the Company and a portion of the subsidiaries is TWD, the functional currency of a portion of the subsidiaries is CNY); therefore, in case of the impact of the exchange rate fluctuation, the Company establishes natural hedging strategy via the assets and liabilities recognized in conjunction with the methods of SPOT, forward exchange and currency exchange etc. to achieve hedging. Furthermore, the Group also adopts the principle of stability and conservation to perform hedging, thereby reducing the impact of the exchange rate risk on the profit or loss of the Company. Information on the foreign currency assets and liabilities with significant exchange rate fluctuation impacts of the Company is as follows (Unit: thousands):

December 31, 2019

	<u>Foreign currency</u> (thousands)	<u>Exchange</u> Rate	Carrying amount (NTD)	Change percentag e	<u>Sensitivity analysis</u>	
					<u>Impact on</u> <u>profit/Loss</u>	Impact on other comprehensive income
<b>(Foreign currency: Functional currency)</b>						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : TWD	\$50,927	30.02	\$1,528,829	1%	\$15,288	\$-
CNY : TWD	2,393	4.30	10,290	1%	103	-
USD : CNY	27,893	6.98	837,348	1%	8,373	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : TWD	\$26,063	30.02	\$782,411	1%	\$7,824	\$-
USD : CNY	19,584	6.98	587,912	1%	5,879	-

December 31, 2018

	<u>Foreign currency</u> (thousands)	<u>Exchange</u> Rate	Carrying amount (NTD)	Change percentag e	<u>Sensitivity analysis</u>	
					<u>Impact on</u> profit/Loss	Impact on other comprehensive income
<b>(Foreign currency: Functional currency)</b>						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : TWD	\$55,185	30.79	\$ 1,699,146	1%	\$16,991	\$-
CNY : TWD	2,371	4.49	10,646	1%	106	-
USD : CNY	36,882	6.86	1,135,597	1%	11,356	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : TWD	\$35,593	30.79	\$ 1,095,908	1%	\$10,959	\$-
USD : CNY	25,144	6.86	773,260	1%	7,733	-

4. Inflation

The condition of Inflation has not caused any adverse impacts on the operation of the Group. The Group will monitor the impact of interest rate, exchange rate and inflation condition on the profit or loss of the Group closely at all time and will propose relevant responsive measures timely.

- (II) Policies on engaging in high risk, high leverage investments, loaning funds to others, endorsement and guarantee as well as derivative transactions, main causes of profit and loss as well as future countermeasures
1. In the most recent year, the Group did not engage in high risk or high leverage investments.
  2. Up to March 31, 2020, both the balance of the loaning to others and the balance of guarantee/endorsement made by the Company was zero.
  3. In view of the risk arising from the exchange change, for the hedge foreign currency position of the Group, up to March 31, 2020, the currency exchange amount of derivative transactions executed by the Company was USD 2.85 million. Since the operation of derivatives of the Company is for the purpose of risk aversion and since the "Procedures for Acquisition or Disposal of Assets" of the Company has specified strict requirements on such transactions, consequently, the profit or loss arising from such transactions has not caused material impact on the profit or loss of the Company. In addition, for the future operation, the Company will continue to operate based on the purpose of risk aversion.
  4. Hedge accounting adopted for financial products and its purpose and method: The Group does not adopt hedge accounting.
  5. With regard to the execution of aforementioned relevant policies, in addition to careful assessment, periodic report and control, the execution is further based on the requirements specified in the "Procedures for Acquisition or Disposal of Assets," "Procedures for Loaning Funds to Others," and "Procedures for Making Endorsements and Guarantees" of the Company.
- (III) Future R&D plan and expected investment in R&D budget
1. Future R&D plan
    - (1) Continuous improvement for CIMS cost and quality.
    - (2) Ultra-high speed A4 digital CISM design.
    - (3) Ultra-high speed A3 digital CISM design.
    - (4) Development IC CISM module, device for applying to commercial and industrial inspection device.
    - (5) Sensor module COB packaging technology, applied to the environmental

- detection and MEMS sensor packaging.
  - (6) Industry 4.0 visual inspection application.
  - (7) Development of automatic optical inspection module with high resolution and high depth of field.
  - (8) Development of Infrared thermal imaging low, medium, and high resolution temperature detection core module.
2. Expected investment in R&D expense: The expected R&D expense for 2020 is approximately NTD 85 million.
- (IV) Impacts of domestic/foreign important policies and changes of laws on the financial business of the company and responsive measures  
The management team of the Group has paid close attention to domestic and foreign policies and laws that may affect the finance and business of the company. Up to the present day, changes of relevant polices and laws have no material impacts on the finance and business of the Company.
  - (V) Impacts of changes in technology and industry on the financial business of the Company and countermeasures  
Electronic mails have replaced facsimile to become the primary channel of communication among people. In view of such trend and development, processing facsimile is not going to be the reason for consumers to purchase MFPs; therefore, the functions of scanning and photocopying are the key niche points for MFPs. From fax machine, scanner to MFP integrated with multiple functions of facsimile, scanning, photocopying and printing etc., the Company has been able to synchronize with the market demand and supply and maintains high sensitivity to the industrial technology changes in order to respond and to satisfy customer demands swiftly.
  - (VI) Impacts of change of cooperate image on the cooperate crisis management and countermeasures  
The Group is committed to maintain the corporate image and to comply with laws and regulations. Up to the present day, there has been no occurrence of incidents capable of affecting the corporate image of the company.
  - (VII) Expected benefit, possible risk and countermeasure for merger: The Group did not engage in any merger or acquisition in the most recent year.
  - (VIII) Expected benefit, possible risk and countermeasure for expansion of facilities: The Group did not perform any expansion of facilities in the most recent year.
  - (IX) Risks faced during material incoming or sales concentration and responsive measures  
The market of MFPs is mainly lead by brand makers, and the market share of key customers of the Group accounts for more than half of the global market; therefore, sales concentration is the industrial characteristic. Regarding the demand and supply of color image sensors, since there are few domestic manufacturers equipped with the color image sensor manufacturing technologies, and due to the high market demand and the high barrier to enter such industry, the condition of industry oligopoly occurs. Currently, for domestic and foreign manufacturers capable of mass producing CISM, there are only a few manufacturers such as Asia Tech Image Inc., Japan Canon and our Company, such that under the condition where the source of supply to all system giant operators, material purchase source concentration occurs.
  - (X) Impacts, risks, and countermeasures of directors, supervisors or shareholders with shareholding percentage exceeding 10%, large equity transfer or change on the company: In the most recent year, directors, supervisors or major shareholders with shareholding percentage exceeding 10% of the Company were not engaged in large equity transfer or change.
  - (XI) Impacts, risks, and countermeasures of change in management rights: None.
  - (XII) For litigation or non-litigation cases indicating the Company and directors, supervisors, President, substantial responsible person, major shareholder with

shareholding exceeding 10% of the Company and affiliates that are involved in major lawsuits with affirmative judgment or is pending in the court proceeding, non-litigation or administrative dispute cases with results capable of causing material impacts on the interests of shareholders or stock price, the dispute fact, claim amount, litigation starting date, primary litigation parties and handling status up to the printing date of the annual report shall be disclosed: None.

(XIII) Other significant risks and countermeasure: None.

VII. Other Important Matters: None.

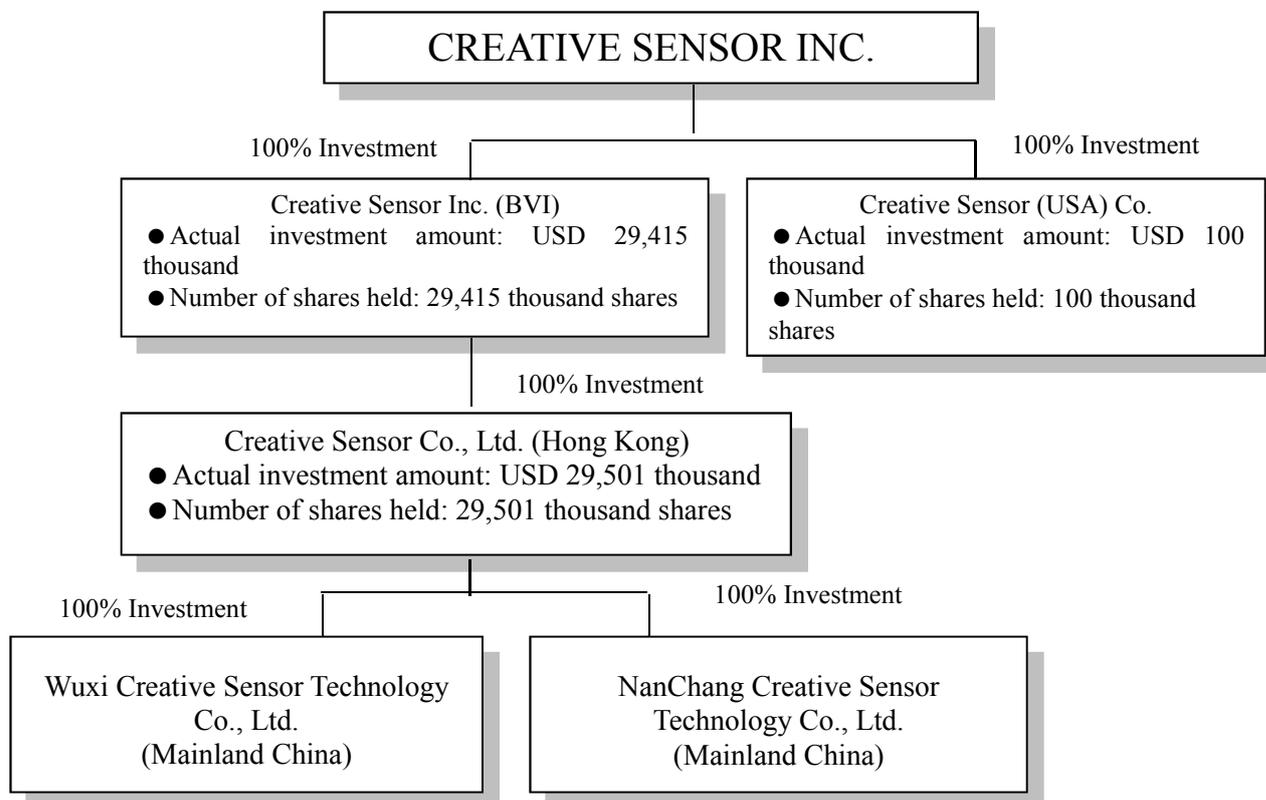
## Eight. Special Disclosure

### I. Affiliated Enterprise Information

#### (I) Affiliated enterprise consolidated business report

##### 1. Affiliated enterprise overview

##### (1) Affiliated enterprise organizational chart



##### (2) Affiliated enterprise basic information

December 31, 2019

Unit: NTD thousands

Enterprise name	Establishment date	Address	Paid-in capital	Primary business or production item
Creative Sensor Inc.	June 2002	Beaufort House, P.O. Box 438, Road Town, Tortola, British Virgin Islands.	974,576	Holding company
Creative Sensor (USA) Co.	October 2005	19 Peters Canyon RD.STEC Irvine, CA92606	3,169	Market information collection and customer relationship maintenance
Creative Sensor Co., Ltd.	July 2002	Unit 618 6/F Peninsula CRT., No67 Mody Rd Tst East , Kowloon, HK	977,388	Holding company
Wuxi Creative Sensor Technology Co., Ltd.	August 2002	No. 9, Changjiang South Road, Xinwu District, Wuxi City, Jiangsu Province	533,253	Manufacturing of image sensors
NanChang Creative Sensor Technology Co., Ltd.	April 2007	No. 36, Huoju 5th Road, Gaoxin Development Park, Nanchang City, Jiangxi Province	934,720	Manufacturing of image sensors

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

(3) Information of shareholders presumed to have control the same as the affiliates: None.

(4) Businesses covered by the business operated by the overall affiliated enterprise

Scope of businesses covered by the business operated by the overall affiliated enterprise of the Company: Holding company and manufacturing of image sensors.

(5) Director, Supervisor and President Information of Affiliated Enterprises

December 31, 2019

Units: thousand shares

Enterprise name	Title	Name	Representative	Shares held	
				Shares	Shareholding ratio (%)
Creative Sensor Inc.	Director	CREATIVE SENSOR INC.	Yu-Ren Huang	29,415	100%
Creative Sensor Co., Ltd	Director	Creative Sensor Inc.	Yu-Ren Huang	29,501	100%
	Director	Creative Sensor Inc.	Sheng-Chi Lin		
Wuxi Creative Sensor Technology Co., Ltd.	Director	Creative Sensor Co., Ltd.	Yu-Ren Huang	Investment certificate	100%
	Director	Creative Sensor Co., Ltd.	Chao-Chih Lien		
	Director	Creative Sensor Co., Ltd.	En-Kuo Wang		
	Director	Creative Sensor Co., Ltd.	Chi-Chang Yang		
	Director	Creative Sensor Co., Ltd.	Chien-Lung Chen		
	Supervisor	Creative Sensor Co., Ltd.	Ying-Sheng Hsieh		
	President	Hung-Chi Chen			0
NanChang Creative Sensor Technology Co., Ltd.	Director	Creative Sensor Co., Ltd.	Yu-Ren Huang	Investment certificate	100%
	Director	Creative Sensor Co., Ltd.	Chao-Chih Lien		
	Director	Creative Sensor Co., Ltd.	En-Kuo Wang		
	Director	Creative Sensor Co., Ltd.	Chi-Chang Yang		
	Director	Creative Sensor Co., Ltd.	Hung-Chi Chen		
	Supervisor	Creative Sensor Co., Ltd.	Chieh-Fang Hou		
	President	Hung-Chi Chen			0
Creative Sensor (USA) Co.	Director	CREATIVE SENSOR INC.	Yu-Ren Huang	100	100%
	Director	CREATIVE SENSOR INC.	Chi-Chang Yang		
	Director	CREATIVE SENSOR INC.	Sheng-Chi Lin		

2. Operation summary of affiliated enterprise:

December 31, 2019

Unit: NTD thousands

Enterprise name	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating benefits	Profit or loss (after tax)	EPS (NTD)
Creative Sensor Inc.	974,576	2,629,628	111	2,629,517	0	(64)	60,105	2.04
Creative Sensor (USA) Co.	3,169	3,215	165	3,050	0	(505)	26	0.26
Creative Sensor Co., Ltd.	977,388	1,821,592	14,063	1,807,529	0	(906)	61,751	2.09
Wuxi Creative Sensor Technology Co., Ltd.	533,253	700,794	50,838	649,956	350,329	(52,516)	(22,365)	(Note 2)
NanChang Creative Sensor Technology Co., Ltd.	934,720	1,868,823	781,955	1,086,868	3,381,631	127,827	112,778	(Note 2)

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

Note 2: Not applicable to limited liability companies.

(II) Affiliated Enterprise Consolidated Financial Statements

The companies required to be incorporated into the preparation of the consolidated financial statement of the affiliates are identical with the companies required to be incorporated into the preparation of the consolidated financial statement of affiliates and parent company. In addition, relevant information required to be disclosed in the consolidated financial statement of the affiliates has been disclosed completely in the consolidated financial statement of affiliates and parent company. Accordingly, no separate consolidated financial statement of the affiliates is further provided.

(III) Affiliated enterprise report: None.

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

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

IV. Additional Information Required to be Disclosed: None.

V. For the most recent year and up to the printing date of the annual report, events having material impact on shareholders' rights and interests or stock price: None.

**CREATIVE SENSOR INC. AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT ACCOUNTANTS  
DECEMBER 31, 2019 AND 2018**

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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.

Creative Sensor Inc.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2019, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard 10. Also, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Representative: Ko Ikujin

March 18, 2020

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

### ***Opinion***

We have audited the accompanying consolidated balance sheets of Creative Sensor Inc. and its subsidiaries (the “Group”) as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### ***Basic for opinion***

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The key audit matters in relation to the consolidated financial statements for the year ended December

31, 2019 are outlined as follows:

### ***Impairment assessment of investments accounted for using equity method***

#### Description

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

The Group applied value-in-use to measure recoverable amount and assessed the impairment of its investment, Teco Image Systems Co., Ltd. (hereinafter referred to as “Teco Image Systems”), accounted for using equity method. Since value-in-use involved forecasting of future years’ cash flow and determination of discount rate, there is high uncertainty in relation to the assumptions, and the estimated outcome had a significant effect to the valuation of value-in-use, we identified the impairment assessment of investments accounted for using equity method as a key audit matter.

#### How our audit addressed the matter

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

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

### ***Existence of revenues of the newly top 10 significant customers***

#### Description

Please refer to Note 4(26) for accounting policy on revenue recognition and Note 6(18) for the details of operating revenue.

The Group was mainly engaged in manufacturing and trading of image sensor and its electronic components. The products were primarily applied in multi-function printers, fax machines and scanners.

The Group's sales counterparties were mostly optimal OEM or system vendors and were based on the long-term business partnership. The Group was improving and developing their market share in order to maintain their leadership in the market.

After comparing the lists of the Group's top 10 significant customers for the years ended December 31, 2019 and 2018, there were changes in sales revenue resulting in some customers being newly included in the top 10 list, and impacts the consolidated operating revenue. We considered the existence of sales revenues in relation to those newly top 10 significant customers to be significant to the financial statements. Therefore, we determined the existence of revenues from the newly top 10 significant customers as a key audit matter.

#### How our audit addressed the matter

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

1. Assessed the revenue cycle and performed tests to determine that the Group's direct revenue process follows the internal control procedures.
2. Checked the related industry background information in respect of the newly top 10 significant customers.
3. Obtained and selected samples to verify related vouchers of sales revenue from the newly top 10 significant customers.

#### ***Other matter – Parent company only financial reports***

We have audited and expressed an unqualified opinion on the parent company only financial statements of Creative Sensor Inc. as at and for the years ended December 31, 2019 and 2018.

#### ***Responsibilities of management and those charged with governance for the consolidated financial statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory

Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including supervisors, are responsible for overseeing the Group's financial reporting process.

### ***Auditor's responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of

doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Chang, Shu-Chiung

Lin, Chun-Yao

For and on behalf of PricewaterhouseCoopers, Taiwan

March 18, 2020

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

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

**CREATIVE SENSOR INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 1,216,519	28	\$ 773,409	17
1110	Financial assets at fair value through profit or loss - current	6(2)	186,271	4	276,972	6
1136	Financial assets at amortised cost - current, net	6(3)	934,749	22	1,233,141	26
1170	Accounts receivable, net	6(4)	533,634	12	636,693	14
1180	Accounts receivable - related parties, net	6(4) and 7	100	-	1,653	-
130X	Inventories, net	6(5)	311,531	7	497,264	11
1479	Other current assets		37,625	1	47,654	1
11XX	<b>Total current assets</b>		<u>3,220,429</u>	<u>74</u>	<u>3,466,786</u>	<u>75</u>
<b>Non-current assets</b>						
1517	Non-current financial assets at fair value through other comprehensive income	6(6)	389,477	9	284,042	6
1550	Investments accounted for using equity method	6(7)	256,665	6	303,321	7
1600	Property, plant and equipment, net	6(8)	371,289	8	485,435	10
1755	Right-of-use assets	6(9)	86,841	2	-	-
1780	Intangible assets		6,170	-	6,909	-
1840	Deferred income tax assets	6(22)	16,802	-	23,213	1
1900	Other non-current assets	6(10)	25,509	1	64,598	1
15XX	<b>Total non-current assets</b>		<u>1,152,753</u>	<u>26</u>	<u>1,167,518</u>	<u>25</u>
1XXX	<b>Total assets</b>		<u>\$ 4,373,182</u>	<u>100</u>	<u>\$ 4,634,304</u>	<u>100</u>

(Continued)

**CREATIVE SENSOR INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2019		December 31, 2018	
		AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>					
2120	Financial liabilities at fair value	6(11)			
	through profit or loss - current		\$ 1,563	-	\$ -
2170	Accounts payable		516,100	12	789,060
2180	Accounts payable - related parties	7	85,048	2	115,601
2200	Other payables	6(12)	256,323	6	345,215
2230	Income tax payable		38,582	1	24,543
2280	Current lease liabilities		12,309	-	-
2300	Other current liabilities		10,533	-	10,173
21XX	<b>Total current liabilities</b>		<u>920,458</u>	<u>21</u>	<u>1,284,592</u>
<b>Non-current liabilities</b>					
2570	Deferred income tax liabilities	6(22)	119,303	3	111,553
2580	Non-current lease liabilities		35,838	1	-
25XX	<b>Total non-current liabilities</b>		<u>155,141</u>	<u>4</u>	<u>111,553</u>
2XXX	<b>Total liabilities</b>		<u>1,075,599</u>	<u>25</u>	<u>1,396,145</u>
<b>Equity attributable to owners of parent</b>					
<b>Share capital</b>					
3110	Capital stock - common stock	6(14)	1,270,550	29	1,270,550
<b>Capital surplus</b>					
3200	Capital surplus	6(15)	677,467	15	677,467
<b>Retained earnings</b>					
3310	Legal reserve	6(16)	459,995	11	439,415
3320	Special reserve		39,847	1	39,847
3350	Unappropriated retained earnings		672,914	15	674,960
<b>Other equity interest</b>					
3400	Other equity interest	6(17)	176,810	4	135,920
31XX	<b>Equity attributable to owners of the parent</b>		<u>3,297,583</u>	<u>75</u>	<u>3,238,159</u>
3XXX	<b>Total equity</b>		<u>3,297,583</u>	<u>75</u>	<u>3,238,159</u>
3X2X	<b>Total liabilities and equity</b>		<u>\$ 4,373,182</u>	<u>100</u>	<u>\$ 4,634,304</u>

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

CREATIVE SENSOR INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

Items	Notes	Year ended December 31				
		2019		2018		
		AMOUNT	%	AMOUNT	%	
4000	<b>Net revenue</b>	6(18) and 7	\$ 4,169,494	100	\$ 4,576,761	100
5000	<b>Cost of revenue</b>	6(5)(21) and 7	( 3,563,507)	( 85)	( 4,023,893)	( 88)
5900	<b>Gross profit</b>		<u>605,987</u>	<u>15</u>	<u>552,868</u>	<u>12</u>
	<b>Operating expenses</b>	6(21)				
6100	Selling expenses		( 80,079)	( 2)	( 93,048)	( 2)
6200	General and administrative expenses		( 190,093)	( 4)	( 161,152)	( 3)
6300	Research and development expenses		( 67,059)	( 2)	( 72,233)	( 2)
6000	<b>Total operating expenses</b>		<u>( 337,231)</u>	<u>( 8)</u>	<u>( 326,433)</u>	<u>( 7)</u>
6900	<b>Income from operations</b>		<u>268,756</u>	<u>7</u>	<u>226,435</u>	<u>5</u>
	<b>Non-operating income and expenses</b>					
7010	Other income	6(19)	80,611	2	76,024	2
7020	Other gains and losses	6(20)	( 67,794)	( 2)	( 1,449)	-
7050	Finance costs	6(9)	( 781)	-	-	-
7060	Share of profit of associates and joint ventures accounted for using equity method, net	6(7)	<u>5,208</u>	-	<u>17,178</u>	-
7000	<b>Total non-operating income and expenses</b>		<u>17,244</u>	-	<u>91,753</u>	<u>2</u>
7900	<b>Profit before income tax</b>		<u>286,000</u>	<u>7</u>	<u>318,188</u>	<u>7</u>
7950	Income tax expense	6(22)	( 102,374)	( 3)	( 112,388)	( 2)
8200	<b>Net income</b>		<u>\$ 183,626</u>	<u>4</u>	<u>\$ 205,800</u>	<u>5</u>
	<b>Other comprehensive income</b>					
	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(13)	\$ 94	-	\$ 4,358	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(6)(17)	105,435	3	( 120,991)	( 3)
8320	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method	6(17)	14,362	-	( 20,696)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(22)	( 19)	-	( 1,044)	-
8310	<b>Other comprehensive income (loss) that will not be reclassified to profit or loss</b>		<u>119,872</u>	<u>3</u>	<u>( 138,373)</u>	<u>( 3)</u>
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361	Exchange differences on translation	6(17)	( 78,273)	( 2)	( 30,242)	( 1)
8370	Share of other comprehensive loss of associates and joint ventures accounted for using equity method	6(17)	( 630)	-	( 97)	-
8360	<b>Other comprehensive loss that will be reclassified to profit or loss</b>		<u>( 78,903)</u>	<u>( 2)</u>	<u>( 30,339)</u>	<u>( 1)</u>
8500	<b>Total comprehensive income(loss) for the year</b>		<u>\$ 224,595</u>	<u>5</u>	<u>\$ 37,088</u>	<u>1</u>
	<b>Basic earnings per share</b>	6(23)				
9750	<b>Total basic earnings per share</b>		<u>\$ 1.45</u>		<u>\$ 1.62</u>	
	<b>Diluted earnings per share</b>	6(23)				
9850	<b>Total diluted earnings per share</b>		<u>\$ 1.43</u>		<u>\$ 1.60</u>	

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

CREATIVE SENSOR INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent									Total equity
		Capital surplus			Retained earnings			Other equity interest			
		Capital stock - common stock	Additional paid- in capital	Treasury stock transactions	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available- for-sale financial assets	
<b>Year ended December 31, 2018</b>											
Balance at January 1, 2018		\$ 1,270,550	\$ 673,471	\$ 3,996	\$ 418,413	\$ 39,847	\$ 693,805	\$ 164,115	\$ -	\$ 140,162	\$ 3,404,359
Effect of retrospective application and restatement		-	-	-	-	-	( 3,437 )	-	143,599	( 140,162 )	-
Balance at January 1 after adjustments		<u>1,270,550</u>	<u>673,471</u>	<u>3,996</u>	<u>418,413</u>	<u>39,847</u>	<u>690,368</u>	<u>164,115</u>	<u>143,599</u>	<u>-</u>	<u>3,404,359</u>
Net income for the year		-	-	-	-	-	205,800	-	-	-	205,800
Other comprehensive income (loss) for the year	6(17)	-	-	-	-	-	3,082	( 30,339 )	( 141,455 )	-	( 168,712 )
Total comprehensive income (loss)		-	-	-	-	-	<u>208,882</u>	<u>( 30,339 )</u>	<u>( 141,455 )</u>	<u>-</u>	<u>37,088</u>
Appropriations of 2018 earnings	6(16)										
Legal reserve		-	-	-	21,002	-	( 21,002 )	-	-	-	-
Cash dividends		-	-	-	-	-	( 203,288 )	-	-	-	( 203,288 )
Balance at December 31, 2018		<u>\$ 1,270,550</u>	<u>\$ 673,471</u>	<u>\$ 3,996</u>	<u>\$ 439,415</u>	<u>\$ 39,847</u>	<u>\$ 674,960</u>	<u>\$ 133,776</u>	<u>\$ 2,144</u>	<u>\$ -</u>	<u>\$ 3,238,159</u>
<b>Year ended December 31, 2019</b>											
Balance at January 1, 2019		\$ 1,270,550	\$ 673,471	\$ 3,996	\$ 439,415	\$ 39,847	\$ 674,960	\$ 133,776	\$ 2,144	\$ -	\$ 3,238,159
Net income for the year		-	-	-	-	-	183,626	-	-	-	183,626
Other comprehensive income (loss) for the year	6(17)	-	-	-	-	-	79	( 78,903 )	119,793	-	40,969
Total comprehensive income (loss)		-	-	-	-	-	<u>183,705</u>	<u>( 78,903 )</u>	<u>119,793</u>	<u>-</u>	<u>224,595</u>
Appropriations of 2018 earnings:	6(16)										
Legal reserve		-	-	-	20,580	-	( 20,580 )	-	-	-	-
Cash dividends		-	-	-	-	-	( 165,171 )	-	-	-	( 165,171 )
Balance at December 31, 2019		<u>\$ 1,270,550</u>	<u>\$ 673,471</u>	<u>\$ 3,996</u>	<u>\$ 459,995</u>	<u>\$ 39,847</u>	<u>\$ 672,914</u>	<u>\$ 54,873</u>	<u>\$ 121,937</u>	<u>\$ -</u>	<u>\$ 3,297,583</u>

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

CREATIVE SENSOR INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31,	
		2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 286,000	\$ 318,188
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(9)(21)	125,299	166,719
Amortization	6(21)	5,670	5,529
Expected credit impairment loss	12(2)	( 29 )	192
Net loss on financial assets or liabilities at fair value through profit or loss	6(2)(11)(20)	10,403	51,786
Interest expense	6(9)	781	-
Share of profit of associates and joint ventures accounted for using equity method	6(7)	( 5,208 )	( 17,178 )
Net loss (gain) on disposal of property, plant and equipment	6(20)	3,884	( 716 )
Interest income	6(19)	( 34,219 )	( 26,238 )
Loss on financial assets	6(7)(20)	53,000	-
Dividend income	6(19)	( 15,811 )	( 15,351 )
Reversal of impairment loss on non-financial assets	6(8)(20)	( 4,042 )	( 2,669 )
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		81,861	63,570
Accounts receivable		104,641	( 106,529 )
Inventories		173,369	( 173,672 )
Other current assets		7,902	( 4,743 )
Changes in operating liabilities			
Accounts payable		( 251,631 )	133,125
Accounts payable - related parties		( 25,674 )	31,612
Other payables		( 74,307 )	15,464
Other current liabilities		360	181
Cash inflow generated from operations		442,249	439,270
Interest received		36,346	21,102
Dividends received		28,407	33,345
Interest paid		( 781 )	-
Income tax paid		( 75,774 )	( 64,089 )
Income tax refund received		850	-
Net cash flows from operating activities		<u>431,297</u>	<u>429,628</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease (increase) in financial assets at amortised cost		281,685	( 145,174 )
Acquisition of property, plant and equipment	6(25)	( 23,526 )	( 58,634 )
Proceeds from disposal of property, plant and equipment		1,121	739
Acquisition of intangible assets		( 2,537 )	( 6,239 )
Increase in refundable deposits		( 58 )	( 451 )
(Increase) decrease in other non-current assets		( 4,173 )	1,965
Net cash flows from (used in) investing activities		<u>252,512</u>	<u>( 207,794 )</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayments of lease principal		( 9,075 )	-
Payment of cash dividends	6(16)	( 165,171 )	( 203,288 )
Net cash flows used in financing activities		<u>( 174,246 )</u>	<u>( 203,288 )</u>
Effect of exchange rate		( 66,453 )	( 25,022 )
Net increase (decrease) in cash and cash equivalents		443,110	( 6,476 )
Cash and cash equivalents at beginning of year		773,409	779,885
Cash and cash equivalents at end of year		<u>\$ 1,216,519</u>	<u>\$ 773,409</u>

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

CREATIVE SENSOR INC. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

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

1. HISTORY AND ORGANIZATION

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

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

These consolidated financial statements were reported to the Board of Directors on March 18, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

IFRS 16, 'Leases'

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

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

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

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

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS7, ‘Interest rate benchmark reform’	January 1, 2020

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2021
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the noncontrolling interests having a deficit balance.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)	
			December 31, 2019	December 31, 2018
Creative Sensor Inc.	Creative Sensor Inc. (BVI)	Holding company	100	100
Creative Sensor Inc.	Creative Sensor (USA) Co.	Collection of marketing information and maintaining relationship with customers	100	100
Creative Sensor Inc. (BVI)	Creative Sensor Co. Ltd.	Holding company	100	100
Creative Sensor Co., Ltd.	Wuxi Creative Sensor Technology Co., Ltd.	Manufacturing of image sensor	100	100
Creative Sensor Co., Ltd.	Nanchang Creative Sensor Technology Co., Ltd.	Manufacturing of image sensor	100	100

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

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

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

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences

arising upon re-translation at the balance sheet date are recognized in profit or loss.

- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

#### B. Translation of foreign operations

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

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

#### (5) Classification of current and non-current items

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

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

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

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

classification.

(6) Cash equivalents

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

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

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

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
  - (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:  
The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognized and derecognized using trade date accounting.

C. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For financial assets at amortised cost, including financial assets at amortised cost and accounts receivable that have a significant financing component, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

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

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(13) Inventories

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

(14) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly

20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) Property, plant and equipment

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

benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, ‘Accounting Policies, Changes in Accounting Estimates and Errors’, from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	15 ~ 20 years
Machinery and equipment	2 ~ 10 years
Office equipment	2 ~ 5 years
Leasehold improvements	5 years
Other equipment	2 ~ 5 years

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

Effective 2019

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

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

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

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

(17) Operating leases (lessee)

Applicable for 2018

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

(18) Intangible assets

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

(19) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is

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

(20) Notes and accounts payable

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

(21) Derecognition of financial liabilities

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

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

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

(23) Non-hedging and embedded derivatives

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

(24) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of

pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

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

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

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

(25) Income tax

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

- E. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(26)Revenue recognition

Sale of goods

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

(27)Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant and equipment are presented by deducting the grants from the asset's carrying amount and are amortized to profit or loss over the estimated useful lives of the related assets as reduced depreciation expenses.

(28)Operating segments

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

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

The preparation of these consolidated financial statements requires management to make critical

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

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

None.

(2) Critical accounting estimates and assumptions

Impairment assessment of investments accounted for using equity method

The Group assesses the impairment of an investment accounted for using equity method as soon as there is any indication that it might have been impaired and its carrying amount cannot be recoverable.

The Group assesses the recoverable amount of an investment accounted for under the equity method based on the present value of the Group's share of expected future cash flows of the investee, and analyses the reasonableness of related assumptions.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand and revolving funds	\$ 222	\$ 373
Checking accounts and demand deposits	564,017	616,013
Time deposits	<u>652,280</u>	<u>157,023</u>
Total	<u>\$ 1,216,519</u>	<u>\$ 773,409</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>December 31, 2019</u>	<u>December 31, 2018</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 169,490	\$ 273,461
Derivative instrument	<u>15,787</u>	<u>1,802</u>
	185,277	275,263
Valuation adjustment	<u>994</u>	<u>1,709</u>
Total	<u>\$ 186,271</u>	<u>\$ 276,972</u>

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

	Years ended December 31,	
	2019	2018
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 1,135	\$ 1,496
Derivative instrument	23,333	( 53,282)
Total	<u>\$ 24,468</u>	<u>(\$ 51,786)</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, 2019	
	Contract amount (Notional principal) (In thousands)	Maturity date of the contract
Cross currency swap	USD 2,000	2020.01.20
Cross currency swap	USD 2,000	2020.01.20
Cross currency swap	USD 2,000	2020.01.21
Cross currency swap	USD 1,000	2020.01.21
Cross currency swap	USD 1,000	2020.02.19
Cross currency swap	USD 4,000	2020.02.24
Cross currency swap	USD 3,000	2020.02.24
Cross currency swap	USD 5,500	2020.04.13
Forward foreign exchange contracts	USD 2,000	2020.02.26
Forward foreign exchange contracts	USD 2,000	2020.04.29

December 31, 2018

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

(a) Cross currency swap

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

(b) Forward foreign exchange contracts

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

(3) Financial assets at amortised cost

Items	December 31, 2019	December 31, 2018
Current items:		
Time deposits with maturity over three months	\$ 934,749	\$ 1,233,141

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

	Years ended December 31,	
	2019	2018
Interest income	\$ 19,628	\$ 14,700
Loss on disposal	-	( 1,005)
	<u>\$ 19,628</u>	<u>\$ 13,695</u>

B. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group were \$934,749, and \$1,233,141,

respectively.

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

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

(4) Accounts receivable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts receivable	\$ 533,797	\$ 636,885
Accounts receivable due from related parties	100	1,653
Less: Loss allowance	( 163)	( 192)
	<u>\$ 533,734</u>	<u>\$ 638,346</u>

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Without past due	\$ 508,858	\$ 637,034
Up to 30 days	22,180	1,504
31 to 90 days	2,859	-
	<u>\$ 533,897</u>	<u>\$ 638,538</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2019 and 2018, accounts receivable were all from contracts with customers. As of January 1, 2018, the balance of receivables from contracts with customers amounted to \$532,009.

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

D. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were \$533,734 and \$638,346, respectively.

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

(5) Inventories

	<u>December 31, 2019</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	\$ 113,285	(\$ 2,828)	\$ 110,457
Work in progress	13,351	( 766)	12,585
Finished goods	200,596	( 12,107)	188,489
Total	<u>\$ 327,232</u>	<u>(\$ 15,701)</u>	<u>\$ 311,531</u>

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 186,901	(\$ 7,332)	\$ 179,569
Work in progress	23,294	( 90)	23,204
Finished goods	298,628	( 4,137)	294,491
Total	<u>\$ 508,823</u>	<u>(\$ 11,559)</u>	<u>\$ 497,264</u>

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

	Years ended December 31,	
	2019	2018
Cost of goods sold	\$ 3,561,319	\$ 4,025,414
Inventory valuation loss	4,142	1,678
Others	( 1,954)	( 3,199)
Total	<u>\$ 3,563,507</u>	<u>\$ 4,023,893</u>

B. The Group has no inventories pledged to others.

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

Items	December 31, 2019	December 31, 2018
Non-current items:		
Equity instruments		
Listed stocks	\$ 286,186	\$ 286,186
Unlisted stocks	3,590	3,590
	289,776	289,776
Valuation adjustment	99,701	( 5,734)
Total	<u>\$ 389,477</u>	<u>\$ 284,042</u>

A. The Group has elected to classify abovementioned shares that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$389,477 and \$284,042 as at December 31, 2019 and 2018, respectively.

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

	Years ended December 31,	
	2019	2018
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	\$ 105,435	(\$ 120,991)
Dividend income recognized in profit or loss held at end of period	\$ 15,811	\$ 15,351

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

(7) Investments accounted for using equity method

	December 31, 2019		December 31, 2018	
	Book value	Shareholding ratio	Book value	Shareholding ratio
Associate:				
K9 Inc.	\$ -	33.82%	\$ -	33.82%
Teco Image Systems Co., Ltd (Teco Image)	256,665	10.66%	303,321	10.66%
	<u>\$ 256,665</u>		<u>\$ 303,321</u>	
	Years ended December 31,			
	2019		2018	
	Share of profit of associates and joint ventures accounted for using equity method, net	Other comprehensive income after tax	Share of profit of associates and joint ventures accounted for using equity method, net	Other comprehensive income after tax
Associate:				
K9 Inc.	\$ -	\$ -	\$ -	\$ -
Teco Image Systems Co., Ltd (Teco Image)	5,208	13,732	17,178	( 20,793)
	<u>\$ 5,208</u>	<u>\$ 13,732</u>	<u>\$ 17,178</u>	<u>(\$ 20,793)</u>

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

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

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

Balance sheet

	<u>Teco Image Systems Co., Ltd</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current assets	\$ 1,235,009	\$ 1,504,127
Non-current assets	1,232,239	1,010,122
Current liabilities	( 616,623)	( 742,630)
Non-current liabilities	( 43,568)	( 24,805)
Total net assets	<u>\$ 1,807,057</u>	<u>\$ 1,746,814</u>
Share in associate's net assets	\$ 192,629	\$ 186,285
Goodwill	64,036	117,036
Carrying amount of the associate	<u>\$ 256,665</u>	<u>\$ 303,321</u>

Statement of comprehensive income

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Revenue	\$ 1,769,660	\$ 2,162,117
Profit for the year from continuing operations	\$ 49,537	\$ 160,483
Other comprehensive income (loss), net of tax	128,814	( 197,427)
Total comprehensive income (loss)	<u>\$ 178,351</u>	<u>(\$ 36,944)</u>
Dividends received from associates	<u>\$ 12,596</u>	<u>\$ 17,994</u>

- C. The Group's material associate, Teco Image, has quoted market prices. As of December 31, 2019 and 2018, the fair value was \$163,745 and \$167,944, respectively.
- D. The Group owns less than 20% of the voting rights in Teco Image but holds one-fifth seats (2 out of 9 board seats) in the Board of Directors of Teco Image. The Group is a substantial shareholder of Teco Image and accounts for its investment under the equity method.
- E. In 2019, the Group recognized impairment loss of \$53,000 on its investment in Teco Image as the asset's carrying amount exceeded its recoverable amount.
- F. In January 2008, the Group invested US\$1,000,000 in K9 Inc. Due to the underperformance of K9 Inc. and changes in the Group's investment strategies, the Group adopted the conservatism principle and wrote-off the original investment amount of US\$1,000,000 (approximately NT\$32,314 thousand) in June 2008. As of December 31, 2019 and 2018, the Group's shareholding ratio in K9 Inc. was 33.82% and the balance of investment was \$0. For the years ended December 31, 2019 and 2018, the investment income (loss) was \$0.
- G. The Group has no investments accounted for using equity method pledged to others.

(8) Property, plant and equipment

2019

	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Other equipment</u>	<u>Construction in progress and equipment to be inspected</u>	<u>Total</u>
<u>At January 1</u>							
Cost	\$ 631,003	\$ 1,492,832	\$ 52,395	\$ 43,763	\$ 31,209	\$ 156	\$ 2,251,358
Accumulated depreciation and impairment	( 447,756)	( 1,205,191)	( 46,259)	( 37,454)	( 29,263)	-	( 1,765,923)
	<u>\$ 183,247</u>	<u>\$ 287,641</u>	<u>\$ 6,136</u>	<u>\$ 6,309</u>	<u>\$ 1,946</u>	<u>\$ 156</u>	<u>\$ 485,435</u>
Opening net book value as at January 1	\$ 183,247	\$ 287,641	\$ 6,136	\$ 6,309	\$ 1,946	\$ 156	\$ 485,435
Additions	-	10,552	400	-	166	5,781	16,899
Disposals	-	( 4,969)	( 36)	-	-	-	( 5,005)
Transfer	-	5,851	-	-	86	( 5,937)	-
Gain on reversal of impairment	-	4,036	6	-	-	-	4,042
Depreciation	( 23,700)	( 82,623)	( 3,006)	( 4,598)	( 951)	-	( 114,878)
Net exchange differences	( 6,456)	( 8,605)	( 28)	( 66)	( 49)	-	( 15,204)
Closing net book value as at December 31	<u>\$ 153,091</u>	<u>\$ 211,883</u>	<u>\$ 3,472</u>	<u>\$ 1,645</u>	<u>\$ 1,198</u>	<u>\$ -</u>	<u>\$ 371,289</u>
<u>At December 31</u>							
Cost	\$ 605,258	\$ 1,041,598	\$ 45,157	\$ 42,898	\$ 26,392	\$ -	\$ 1,761,303
Accumulated depreciation and impairment	( 452,167)	( 829,715)	( 41,685)	( 41,253)	( 25,194)	-	( 1,390,014)
	<u>\$ 153,091</u>	<u>\$ 211,883</u>	<u>\$ 3,472</u>	<u>\$ 1,645</u>	<u>\$ 1,198</u>	<u>\$ -</u>	<u>\$ 371,289</u>

## 2018

	Buildings and structures	Machinery and equipment	Office equipment	Leasehold improvements	Other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1</u>							
Cost	\$ 640,818	\$ 1,549,118	\$ 49,281	\$ 41,868	\$ 30,547	\$ 396	\$ 2,312,028
Accumulated depreciation and impairment	( 407,168)	( 1,186,781)	( 43,679)	( 31,784)	( 28,726)	-	( 1,698,138)
	<u>\$ 233,650</u>	<u>\$ 362,337</u>	<u>\$ 5,602</u>	<u>\$ 10,084</u>	<u>\$ 1,821</u>	<u>\$ 396</u>	<u>\$ 613,890</u>
Opening net book value as at January 1	\$ 233,650	\$ 362,337	\$ 5,602	\$ 10,084	\$ 1,821	\$ 396	\$ 613,890
Additions	-	2,897	4,325	2,186	349	34,797	44,554
Disposals	-	( 23)	-	-	-	-	( 23)
Transfer	-	32,732	-	-	819	( 33,551)	-
Reclassifications	-	-	-	-	-	( 1,528)	( 1,528)
Gain on reversal of impairment	-	2,669	-	-	-	-	2,669
Depreciation	( 47,667)	( 108,316)	( 3,757)	( 5,945)	( 1,034)	-	( 166,719)
Net exchange differences	( 2,736)	( 4,655)	( 34)	( 16)	( 9)	42	( 7,408)
Closing net book value as at December 31	<u>\$ 183,247</u>	<u>\$ 287,641</u>	<u>\$ 6,136</u>	<u>\$ 6,309</u>	<u>\$ 1,946</u>	<u>\$ 156</u>	<u>\$ 485,435</u>
<u>At December 31</u>							
Cost	\$ 631,003	\$ 1,492,832	\$ 52,395	\$ 43,763	\$ 31,209	\$ 156	\$ 2,251,358
Accumulated depreciation and impairment	( 447,756)	( 1,205,191)	( 46,259)	( 37,454)	( 29,263)	-	( 1,765,923)
	<u>\$ 183,247</u>	<u>\$ 287,641</u>	<u>\$ 6,136</u>	<u>\$ 6,309</u>	<u>\$ 1,946</u>	<u>\$ 156</u>	<u>\$ 485,435</u>

- A. The aforementioned property, plant and equipment were all for its own use.
- B. For the years ended December 31, 2019 and 2018, no impairment loss was recognized after assessing and comparing the carrying amount and recoverable amount of property, plant and equipment. The gain on reversal of impairment was \$4,042 and \$2,669 in 2019 and 2018, respectively.
- C. The Group has not pledged property, plant and equipment as a collateral or capitalized the interest.

(9) Leasing arrangements - lessee

Effective 2019

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

	Land use right	Buildings	Transportation equipment	Total
At January 1	\$ 41,788	\$ 2,182	\$ 2,717	\$ 46,687
Additions	-	52,233	-	52,233
Depreciation	( 1,090)	( 7,576)	( 1,755)	( 10,421)
Net exchange differences	( 1,658)	-	-	( 1,658)
At December 31	<u>\$ 39,040</u>	<u>\$ 46,839</u>	<u>\$ 962</u>	<u>\$ 86,841</u>

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

	Year ended December 31, 2019
<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	\$ 781
Expense on short-term lease contracts	12,886

- E. For the year ended December 31, 2019, the Group's total cash outflow for leases was \$22,742.

(10) Other non-current assets

	December 31, 2019	December 31, 2018
Long-term prepaid rents	\$ -	\$ 41,788
Prepayments for equipment	2,188	2,245
Refundable deposits	4,688	4,630
Others	18,633	15,935
	<u>\$ 25,509</u>	<u>\$ 64,598</u>

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 Group recognized rental expenses of \$1,104 for the year ended December 31, 2018.

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

<u>Items</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current items:		
Financial liabilities mandatorily measured at fair value through profit or loss Derivative instrument	\$ <u>1,563</u>	\$ <u>-</u>

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

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Financial liabilities mandatorily measured at fair value through profit or loss Derivative instrument	(\$ <u>34,871</u> )	\$ <u>-</u>

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

<u>Derivative instruments</u>	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Contract amount (Notional principal) (In thousands)</u>	<u>Maturity date of the contract</u>	<u>Contract amount (Notional principal) (In thousands)</u>	<u>Maturity date of the contract</u>
Forward foreign exchange contracts	USD 2,000	2020.01.21	-	-
Forward foreign exchange contracts	USD 3,000	2020.01.21	-	-

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>December 31, 2019</u>	<u>December 31, 2018</u>
Accrued employees' compensation and directors' and supervisors' remuneration	\$ 31,269	\$ 37,044
Royalties payable	52,191	52,191
Bonus payable	69,329	107,266
Wages and salaries payable	49,659	71,034
Service fees payable	5,405	6,798
Payables on equipment	-	6,627
Freight payable	3,029	6,811
Others	45,441	57,444
	<u>\$ 256,323</u>	<u>\$ 345,215</u>

(13) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. In July 2018 and June 2019, the Department of Labor, Taipei City Government approved that the Company cease contributing to the retirement fund temporarily for 2019 and 2020, respectively.

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations	\$ 9,288	\$ 8,624
Fair value of plan assets	( 20,496)	( 19,606)
Net defined benefit assets	<u>(\$ 11,208)</u>	<u>(\$ 10,982)</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit asset</u>
Year ended December 31, 2019			
Balance at January 1	\$ 8,624	(\$ 19,606)	(\$ 10,982)
Interest expense (income)	<u>103</u>	<u>( 235)</u>	<u>( 132)</u>
	<u>8,727</u>	<u>( 19,841)</u>	<u>( 11,114)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	( 655)	( 655)
Change in financial assumptions	565	-	565
Experience adjustments	<u>( 4)</u>	<u>-</u>	<u>( 4)</u>
	<u>561</u>	<u>( 655)</u>	<u>( 94)</u>
Balance at December 31	<u>\$ 9,288</u>	<u>(\$ 20,496)</u>	<u>(\$ 11,208)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit asset
Year ended December 31, 2018			
Balance at January 1	\$ 12,303	(\$ 18,842)	(\$ 6,539)
Interest expense (income)	<u>160</u>	<u>( 245)</u>	<u>( 85)</u>
	<u>12,463</u>	<u>( 19,087)</u>	<u>( 6,624)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	( 519)	( 519)
Change in financial assumptions	141	-	141
Experience adjustments	<u>( 3,980)</u>	<u>-</u>	<u>( 3,980)</u>
	<u>( 3,839)</u>	<u>( 519)</u>	<u>( 4,358)</u>
Balance at December 31	<u>\$ 8,624</u>	<u>(\$ 19,606)</u>	<u>(\$ 10,982)</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The percentage composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2019	2018
Discount rate	<u>0.80%</u>	<u>1.20%</u>
Future salary increases	<u>3.00%</u>	<u>3.00%</u>

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

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

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	<u>(\$ 358)</u>	<u>\$ 374</u>	<u>\$ 342</u>	<u>(\$ 329)</u>
<u>December 31, 2018</u>				
Effect on present value of defined benefit obligation	<u>(\$ 347)</u>	<u>(\$ 364)</u>	<u>\$ 334</u>	<u>(\$ 322)</u>

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

- (f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2020 amount to \$0.
- (g) As of December 31, 2019, the weighted average duration of that retirement plan is 16 years.
- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s mainland China subsidiaries, Nanchang Creative Sensor Technology Co., Ltd. and Wuxi Creative Sensor Technology Co., Ltd., have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.
- (c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2019 and 2018 were \$15,587 and \$17,289, respectively.

(14) Capital stock

- A. As of December 31, 2019, the Company’s authorized capital was \$1,600,000, consisting of 160 million shares of ordinary stock (including 15 million shares reserved for employee stock options), and the paid-in capital was \$1,270,550 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.
- B. For the years ended December 31, 2019 and 2018, there was no movement in the number of the Company’s shares which was both 127,055 thousand shares.

(15) Capital surplus

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

(16) Retained earnings

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

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

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

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

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

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

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

As of December 31, 2019 and 2018, all cash dividends of earnings appropriation for the above years have been distributed.

- (b) The 2019 earnings appropriation which was proposed at the Board of Directors' meeting on March 18, 2020 is as follows:

	<u>Year ended December 31, 2019</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
Legal reserve	\$ 18,370	\$ -
Cash dividends	<u>152,466</u>	1.2
Total	<u><u>\$ 170,836</u></u>	

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

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

(17) Other equity items

	<u>2019</u>		
	<u>Unrealized gains (losses) on valuation</u>	<u>Currency translation</u>	<u>Total</u>
At January 1	\$ 2,144	\$ 133,776	\$ 135,920
Valuation adjustment:			
— Group	105,435	-	105,435
— Associates	14,358	-	14,358
Currency translation differences:			
— Group	-	( 78,273)	( 78,273)
— Associates	-	( 630)	( 630)
At December 31	<u><u>\$ 121,937</u></u>	<u><u>\$ 54,873</u></u>	<u><u>\$ 176,810</u></u>

	2018		
	Unrealized gains (losses) on investment	Currency translation	Total
At January 1	\$ 140,162	\$ 164,115	\$ 304,277
Effect of retrospective application and retrospective restatement:			
— Group	( 3,590)	-	( 3,590)
— Associates	7,027	-	7,027
Valuation adjustment:			
— Group	( 120,991)	-	( 120,991)
— Associates	( 20,464)	-	( 20,464)
Currency translation differences:			
— Group	-	( 30,242)	( 30,242)
— Associates	-	( 97)	( 97)
At December 31	<u>\$ 2,144</u>	<u>\$ 133,776</u>	<u>\$ 135,920</u>

(18) Operating revenue

	Years ended December 31,	
	2019	2018
Revenue from contracts with customers	<u>\$ 4,169,494</u>	<u>\$ 4,576,761</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the following major geographical regions:

Year ended					
December 31, 2019	China	Philippines	Thailand	Others	Total
Revenue from external customer contracts	<u>\$ 1,829,253</u>	<u>\$ 975,654</u>	<u>\$ 655,300</u>	<u>\$ 709,287</u>	<u>\$ 4,169,494</u>
Year ended					
December 31, 2018	China	Philippines	Thailand	Others	Total
Revenue from external customer contracts	<u>\$ 2,295,882</u>	<u>\$ 809,291</u>	<u>\$ 723,483</u>	<u>\$ 748,105</u>	<u>\$ 4,576,761</u>

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

(19) Other income

	Years ended December 31,	
	2019	2018
Interest income:		
Interest income from bank deposits	\$ 14,591	\$ 11,538
Interest income from financial assets measured at amortized cost	19,628	14,700
Total interest income	34,219	26,238
Rental revenue	2,699	4,061
Government grants	15,811	15,351
Dividend income	4,538	12,259
Directors' and supervisors' remuneration	13,404	13,381
Other income, others	9,940	4,734
	<u>\$ 80,611</u>	<u>\$ 76,024</u>

(20) Other gains and losses

	Years ended December 31,	
	2019	2018
Gains (losses) on disposal of property, plant and equipment	(\$ 3,884)	\$ 716
Foreign exchange gains (losses)	( 3,316)	51,633
Losses on financial assets (liabilities) at fair value through profit or loss	( 10,403)	( 51,786)
Gains on reversal of impairment loss recognized in profit or loss - property, plant and equipment	4,042	2,669
Financial assets impairment loss (Note)	( 53,000)	-
Other gains and losses	( 1,233)	( 4,681)
	<u>(\$ 67,794)</u>	<u>(\$ 1,449)</u>

Note : For impairment loss on investments accounted for using equity method, please refer to Note 6 (7)5.

(21) Employee benefit expense, depreciation and amortization

For the years ended December 31, 2019 and 2018, employee benefit expense, depreciation and amortization categorized by function were summarized as follows:

	Year ended December 31, 2019		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense			
Wages and salaries	\$ 305,332	\$ 175,176	\$ 480,508
Labor and health insurance fees	36,225	11,235	47,460
Pension costs	9,820	5,635	15,455
Other personnel expenses	26,200	7,087	33,287
Depreciation	103,159	22,140	125,299
Amortization	4,033	1,637	5,670

	Year ended December 31, 2018		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense			
Wages and salaries	\$ 349,438	\$ 160,488	\$ 509,926
Labor and health insurance fees	31,077	10,178	41,255
Pension costs	10,996	6,208	17,204
Other personnel expenses	11,216	7,461	18,677
Depreciation	148,842	17,877	166,719
Amortization	3,777	1,752	5,529

- A. According to the Articles of Incorporation of the Company, the profit before deduction of employees' compensation and directors' and supervisors' remuneration and after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall account for 5%~15% for employees' compensation and shall not be higher than 5% for directors' and supervisors' remuneration.
- B. For the years ended December 31, 2019 and 2018, employees' compensation were accrued at \$23,452 and \$27,783, respectively; directors' and supervisors' remuneration were accrued at \$7,817 and \$9,261, respectively. The aforementioned amounts were recognized in salary expenses, and estimated based on the current profit.

The employees' compensation and directors' and supervisors' remuneration were estimated based on the distributable profit of current year for the year ended December 31, 2019. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were \$23,452 and \$7,817, respectively, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration for 2018 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2018 financial statements of \$27,783 and \$9,261, respectively, and the employees' compensation will be distributed in the form of cash.

Information about employees' compensation and directors' and supervisors' remuneration of the

Company as approved by the Board of Directors will be posted in the “Market Observation Post System” at the website of the Taiwan Stock Exchange.

- C. In 2019, Wuxi Creative Sensor Technology Co., Ltd. downsized its scale of operations and moved its production operations to Nanchang Creative Sensor Technology Co., Ltd. Therefore, the Group recognized wage and salary expenditures relating to employee terminations arising from the streamlining process amounting to \$40,708 for the year ended December 31, 2019, which were recognized in operating costs and operating expenses, respectively.

(22) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2019	2018
Current tax:		
Total current tax	\$ 86,403	\$ 68,296
Tax imposed on undistributed surplus earnings	985	-
Prior year income tax over estimation	( 130)	( 204)
Total current tax	<u>87,258</u>	<u>68,092</u>
Deferred tax:		
Origination and reversal of temporary differences	14,142	20,869
Impact of change in tax rate	-	23,007
Effect of exchange rate	974	420
Total deferred tax	<u>15,116</u>	<u>44,296</u>
Income tax expense	<u>\$ 102,374</u>	<u>\$ 112,388</u>

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

	Years ended December 31,	
	2019	2018
Remeasurement of defined benefit obligations	\$ 19	\$ 872
Impact of change in tax rate	-	172
	<u>\$ 19</u>	<u>\$ 1,044</u>

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 80,273	\$ 92,759
Effect from items disallowed by tax regulations	( 3,109)	( 6,230)
Taxable loss not recognized as deferred tax assets	21,666	-
Prior year income tax underestimation	( 130)	( 204)
Tax on undistributed surplus earnings		
Change in assessment of realisation of deferred tax assets	985	-
	2,689	3,056
Effect from changes in tax regulation	-	23,007
Income tax expense	<u>\$ 102,374</u>	<u>\$ 112,388</u>

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

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

	2019			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
— Deferred tax assets:				
Unrealized gain on affiliates	\$ 321	(\$ 159)	\$ -	\$ 162
Unrealized inventory valuation losses	3,017	1,125	-	4,142
Unrealized expenses	11,481	( 2,341)	-	9,140
Loss on scraps of property, plant and equipment	1,720	( 749)	-	971
Unrealized grant revenue	1,703	( 616)	-	1,087
Impairment loss on property, plant and equipment	4,971	( 3,671)	-	1,300
	<u>\$ 23,213</u>	<u>(\$ 6,411)</u>	<u>\$ -</u>	<u>\$ 16,802</u>
— Deferred tax liabilities:				
Unrealized exchange gain	(\$ 676)	(\$ 813)	\$ -	(\$ 1,489)
Gain on investments accounted for using equity method	( 108,321)	( 4,407)	-	( 112,728)
Unrealized valuation gain on financial assets	( 360)	( 2,485)	-	( 2,845)
Defined benefit plan	( 2,196)	( 26)	( 19)	( 2,241)
	<u>(\$ 111,553)</u>	<u>(\$ 7,731)</u>	<u>(\$ 19)</u>	<u>(\$ 119,303)</u>
	<u>(\$ 88,340)</u>	<u>(\$ 14,142)</u>	<u>(\$ 19)</u>	<u>(\$ 102,501)</u>

	2018			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
— Deferred tax assets:				
Unrealized gain on affiliates	\$ 499	(\$ 178)	\$ -	\$ 321
Unrealised inventory valuation losses	2,421	596	-	3,017
Unrealized expenses	4,079	7,402	-	11,481
Loss on scraps of property, plant and equipment	1,747	( 27)	-	1,720
Unrealized grant revenue	2,425	( 722)	-	1,703
Impairment loss on property, plant and equipment	5,867	( 896)	-	4,971
	<u>\$ 17,038</u>	<u>\$ 6,175</u>	<u>\$ -</u>	<u>\$ 23,213</u>
— Deferred tax liabilities:				
Unrealized exchange gain	(\$ 1,443)	\$ 767	\$ -	(\$ 676)
Gain on investments accounted for using equity method	( 57,903)	( 50,418)	-	( 108,321)
Unrealized valuation gain on financial assets	-	( 360)	-	( 360)
Defined benefit plan	( 1,112)	( 40)	( 1,044)	( 2,196)
	<u>(\$ 60,458)</u>	<u>(\$ 50,051)</u>	<u>(\$ 1,044)</u>	<u>(\$ 111,553)</u>
	<u>(\$ 43,420)</u>	<u>(\$ 43,876)</u>	<u>(\$ 1,044)</u>	<u>(\$ 88,340)</u>

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

December 31, 2019				
Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2019	<u>\$ 86,663</u>	<u>\$ 86,663</u>	<u>\$ 86,663</u>	2024

E. The amounts of deductible temporary difference that are not recognized as deferred tax assets are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Deductible temporary differences	<u>\$ 13</u>	<u>\$ 39</u>

F. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

G. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate for the year ended December 31, 2018.

(23) Earnings per share

	<u>Year ended December 31, 2019</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 183,626</u>	<u>127,055</u>	<u>\$ 1.45</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 183,626	127,055	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>1,274</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 183,626</u>	<u>128,329</u>	<u>\$ 1.43</u>

Year ended December 31, 2018

	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 205,800	127,055	\$ 1.62
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 205,800	127,055	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,626	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 205,800	128,681	\$ 1.60

(24) Operating leases

Applicable for 2018

The Group leases operational assets under non-cancellable operating lease agreements. The lease terms are between 1 and 5 years, and all these lease agreements are renewable at the end of the lease period. Rental is increased every 3 to 5 years to reflect market rental rates. The Group recognized rental expenses of \$19,394 for these leases in profit or loss for the year ended December 31, 2018. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2018</u>
Not later than one year	\$ 17,691
Later than one year but not later than five years	1,556
Total	\$ <u>19,247</u>

(25) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31,	
	2019	2018
Purchase of property, plant and equipment	\$ 16,899	\$ 44,554
Add: Opening balance of payable on equipment	6,627	20,707
Less: Ending balance of payable on equipment	-	(6,627)
Cash paid during the year	<u>\$ 23,526</u>	<u>\$ 58,634</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

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

(2) Significant related party transactions and balances

A. Operating revenue

	Years ended December 31,	
	2019	2018
Sales of goods:		
— Associates	<u>\$ 873</u>	<u>\$ 6,930</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

	Years ended December 31,	
	2019	2018
Purchases of goods:		
— The Group's key management		
— KROM ELECTRONICS	<u>\$ 417,181</u>	<u>\$ 427,814</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>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts receivable:		
— Associates	<u>\$ 100</u>	<u>\$ 1,653</u>

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

D. Payables to related parties

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts payable:		
– The Group’s key management		
– KROM ELECTRONICS	\$ 85,048	\$ 115,601

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

(3) Key management compensation

For the years ended December 31, 2019 and 2018, the key management compensation (including salaries and other short-term employee benefits) recognized for directors, supervisors, general manager and vice general manager was \$47,468 and \$47,709, respectively, including employees’ compensation and directors’ and supervisors’ remuneration accrued in profit or loss for the years ended December 31, 2019 and 2018.

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

Please refer to Note 6 (16).

12. OTHERS

(1) Capital management

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

During the year ended December 31, 2019, the Group’s strategy, which was unchanged from 2018,

was to maintain the gearing ratio within 0% to 20%.

The gearing ratios at December 31, 2019 and 2018 were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Net debt	\$ -	\$ -
Total equity	<u>\$ 3,297,583</u>	<u>\$ 3,238,159</u>
Total capital	<u>\$ 3,297,583</u>	<u>\$ 3,238,159</u>
Gearing ratio	<u>-</u>	<u>-</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 186,271	\$ 276,972
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	389,477	284,042
Financial assets at amortized cost		
Cash and cash equivalents	1,216,519	773,409
Accounts receivable (including related parties)	533,734	638,346
Guarantee deposits paid	4,688	4,630
Financial assets at amortized cost	<u>934,749</u>	<u>1,233,141</u>
	<u>\$ 3,265,438</u>	<u>\$ 3,210,540</u>

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	\$ 1,563	\$ -
Financial liabilities at amortized cost		
Accounts payable (including related parties)	601,148	904,661
Other payables	256,323	345,215
	<u>\$ 859,034</u>	<u>\$ 1,249,876</u>
Lease liability (including current and noncurrent portion)	<u>\$ 48,147</u>	<u>\$ -</u>

#### B. Financial risk management policies

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

#### C. Significant financial risks and degrees of financial risks

##### (a) Market risk

##### Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group use cross currency swap and

forward foreign exchange contracts, transacted with Group treasury.

- iii. The Group hedges foreign exchange rate by using forward foreign exchange contracts and cross currency swap. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Notes 6(2) and 6(11).
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB and USD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations are as follows:

December 31, 2019						
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<b>(Foreign currency: functional currency)</b>						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 50,927	30.02	\$ 1,528,829	1%	\$ 15,288	\$ -
RMB : NTD	2,393	4.30	10,290	1%	103	-
USD : RMB	27,893	6.98	837,348	1%	8,373	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 26,063	30.02	\$ 782,411	1%	\$ 7,824	\$ -
USD : RMB	19,584	6.98	587,912	1%	5,879	-
December 31, 2018						
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<b>(Foreign currency: functional currency)</b>						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 55,185	30.79	\$ 1,699,146	1%	\$ 16,991	\$ -
RMB : NTD	2,371	4.49	10,646	1%	106	-
USD : RMB	36,882	6.86	1,135,597	1%	11,356	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 35,593	30.79	\$ 1,095,908	1%	\$ 10,959	\$ -
USD : RMB	25,114	6.86	773,260	1%	7,733	-

- v. The summary amount for the years ended December 31, 2019 and 2018, of total exchange

gain (loss), including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group, were (\$3,316) and \$51,633, respectively.

#### Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise, beneficiary certificates, domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 10% with all other variables held constant, post-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by \$17,048 and \$27,517, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. For the years ended December 31, 2019 and 2018, other components of equity would have increased/decreased by \$38,948 and \$28,404, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

#### Cash flow and fair value interest rate risk

- i. The Group's interest rate risk arises from short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.
- ii. As of December 31, 2019 and 2018, the borrowing facilities have not been drawn by the Group.

#### (b) Credit risk

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

a significant increase in credit risk on that instrument since initial recognition.

- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group classifies customers' accounts receivable in accordance with customer types. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. As of December 31, 2019 and 2018, the Group had no written-off financial assets that are still under recourse procedures.
- viii. The Group's accounts receivable arose from customers with excellent credit, and the expected loss rate was 0.03%. On December 31, 2019 and 2018, the total book value of accounts receivable and loss allowance were \$533,897, \$638,538 and \$163, \$192, respectively.
- ix. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	<u>2019</u>	<u>2018</u>
	<u>Accounts receivable (including related parties)</u>	<u>Accounts receivable (including related parties)</u>
At January 1	\$ 192	\$ -
Provision for impairment	-	192
Reversal of impairment	( 29)	-
At December 31	<u>\$ 163</u>	<u>\$ 192</u>

For the years ended December 31, 2019 and 2018, the impairment (gains) losses arising from customers' contracts are (\$29) and \$192, respectively.

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

December 31, 2019				
Lifetime				
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortized cost	\$ 934,749	\$ -	\$ -	\$ 934,749
December 31, 2018				
Lifetime				
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortized cost	\$ 1,233,141	\$ -	\$ -	\$ 1,233,141

The financial assets at amortised cost held by the Group are all time deposits with maturity over three months. The credit risk rating has no significant abnormal situation.

(c) Liquidity risk

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

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

<u>Non-derivative financial liabilities</u>			
<u>December 31, 2019</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Accounts payable (including related parties)	\$ 601,148	\$ -	\$ -
Other payables	256,323	-	-
Lease liability	12,991	12,065	24,838
<u>Derivative financial liabilities</u>			
<u>December 31, 2019</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Forward foreign exchange contracts	\$ 1,563	\$ -	\$ -
<u>Non-derivative financial liabilities</u>			
<u>December 31, 2018</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Accounts payable (including related parties)	\$ 904,661	\$ -	\$ -
Other payables	345,215	-	-

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

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

- B. Financial instruments not measured at fair value

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

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

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

<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 170,484	\$ -	\$ -	\$ 170,484
Derivative instruments	-	15,787	-	15,787
Financial assets at fair value through other comprehensive income				
Equity securities	<u>389,477</u>	<u>-</u>	<u>-</u>	<u>389,477</u>
Total	<u>\$ 559,961</u>	<u>\$ 15,787</u>	<u>\$ -</u>	<u>\$ 575,748</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instruments	<u>\$ -</u>	<u>\$ 1,563</u>	<u>\$ -</u>	<u>\$ 1,563</u>
<u>December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 275,170	\$ -	\$ -	\$ 275,170
Derivative instruments	-	1,802	-	1,802
Financial assets at fair value through other comprehensive income				
Equity securities	<u>284,042</u>	<u>-</u>	<u>-</u>	<u>284,042</u>
Total	<u>\$ 559,212</u>	<u>\$ 1,802</u>	<u>\$ -</u>	<u>\$ 561,014</u>

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

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

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

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

the current forward exchange rate.

D. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

According to the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, the significant transactions for the year ended December 31, 2019 are as follows:

A. Loans to others: None.

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

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

D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company’s paid-in capital: None.

E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 2.

H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 3.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2), 6(11) and 12(3).

J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

#### (2) Information on investees

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

#### (3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

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

### 14. SEGMENT INFORMATION

#### (1) General information

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

#### (2) Measurement of segment information

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

(3) Segment information

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

	Year ended December 31, 2019		
	Single operating segment	Reconciliation and elimination	Total
Reportable segments income			
Revenue from external customers	\$ 4,169,494	\$ -	\$ 4,169,494
Total	<u>\$ 4,169,494</u>	<u>\$ -</u>	<u>\$ 4,169,494</u>
Reportable segments profit	<u>\$ 286,000</u>	<u>\$ -</u>	<u>\$ 286,000</u>
Reportable segments income			
Segments profit, including:			
Interest income	<u>\$ 34,219</u>	<u>\$ -</u>	<u>\$ 34,219</u>
Depreciation and amortization	<u>\$ 130,969</u>	<u>\$ -</u>	<u>\$ 130,969</u>
Share of profit of associates and joint ventures accounted for using equity method	<u>\$ 5,208</u>	<u>\$ -</u>	<u>\$ 5,208</u>
Segment assets	<u>\$ 4,373,182</u>	<u>\$ -</u>	<u>\$ 4,373,182</u>
Income tax expense	<u>\$ 102,374</u>	<u>\$ -</u>	<u>\$ 102,374</u>
	Year ended December 31, 2018		
	Single operating segment	Reconciliation and elimination	Total
Reportable segments income			
Revenue from external customers	\$ 4,576,761	\$ -	\$ 4,576,761
Total	<u>\$ 4,576,761</u>	<u>\$ -</u>	<u>\$ 4,576,761</u>
Reportable segments profit	<u>\$ 318,188</u>	<u>\$ -</u>	<u>\$ 318,188</u>
Reportable segments income			
Segments profit, including:			
Interest income	<u>\$ 26,238</u>	<u>\$ -</u>	<u>\$ 26,238</u>
Depreciation and amortization	<u>\$ 172,248</u>	<u>\$ -</u>	<u>\$ 172,248</u>
Share of profit of associates and joint ventures accounted for using equity method	<u>\$ 17,178</u>	<u>\$ -</u>	<u>\$ 17,178</u>
Segment assets	<u>\$ 4,634,304</u>	<u>\$ -</u>	<u>\$ 4,634,304</u>
Income tax expense	<u>\$ 112,388</u>	<u>\$ -</u>	<u>\$ 112,388</u>

(4) Reconciliation for segment income

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

	Years ended December 31,	
	2019	2018
Reportable segments income	\$ 286,000	\$ 318,188
Income before tax from continuing operations	\$ 286,000	\$ 318,188
Reportable segment assets	\$ 4,373,182	\$ 4,634,304
Total assets	\$ 4,373,182	\$ 4,634,304

(5) Information on products and services

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

(6) Geographical information

Geographical information for the years ended December 31, 2019 and 2018 is as follows:

	Years ended December 31,			
	2019		2018	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 1,829,253	\$ 396,678	\$ 2,295,882	\$ 531,225
Philippines	975,654	-	809,291	-
Thailand	655,300	-	723,483	-
Others	709,287	76,991	748,105	9,946
	\$ 4,169,494	\$ 473,669	\$ 4,576,761	\$ 541,171

(7) Major customer information

Information relating to major customers who account for more than 10% of sales revenue disclosed on the consolidated statements of comprehensive income for the years ended December 31, 2019 and 2018 is as follows:

<u>Customers</u>	Years ended December 31,			
	2019		2018	
	Sales amount	Proportions (%)	Sales amount	Proportions (%)
Company A	\$ 744,489	18	\$ 1,049,680	23
Company B	731,737	18	663,442	15
Company C	603,375	15	655,781	14
Company D	554,022	13	530,744	12

## Creative Sensor Inc. and Subsidiaries

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

Year ended December 31, 2019

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

					As of December 31, 2019				
Securities held by	Marketable securities categories (Note 1)	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares (in thousands)	Book value (Note 2)	Ownership (%)	Fair value	Footnote
The Company	Beneficiary certificate	Taishin 1699 Financial Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,582	\$ 35,070	-	\$ 35,070	
"	"	Prudential Financial Money Market Fund	-	"	2,090	33,199	-	33,199	
"	"	FSITC Money Market Fund	-	"	115	20,529	-	20,529	
"	"	FSITC Taiwan Money Market Fund	-	"	2,006	30,811	-	30,811	
"	"	Allianz Global Investors Taiwan Money Market Fund	-	"	430	5,405	-	5,405	
"	"	Jih Sun Money Market Fund	-	"	2,046	30,442	-	30,442	
"	"	CTBC Hua Win Money Market Fund	-	"	1,359	15,028		15,028	
						<u>\$ 170,484</u>		<u>\$ 170,484</u>	
					As of December 31, 2019				
Securities held by	Marketable securities categories (Note 1)	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares (in thousands)	Book value (Note 2)	Ownership (%)	Fair value	Footnote
The Company	Stock	TECO ELECTRIC & MACHINERY CO., LTD.	A company which accounts the Company using equity method	Financial assets at fair value through other comprehensive income- non-current	10,000	\$ 262,000	0.51%	\$ 262,000	
"	"	Koryo Electronics Co., Ltd.	-	"	2,871	73,067	5.54%	73,067	
"	"	MUTUALPAK	-	"	108	-	0.65%	-	
"	"	Taiwan Pelican Express Co., Ltd.	-	"	1,781	54,410	1.87%	54,410	
						<u>\$ 389,477</u>		<u>\$ 389,477</u>	

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

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

Creative Sensor Inc. and Subsidiaries  
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more  
Year ended December 31, 2019

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
The Company	Wuxi Creative Sensor Technology Co., Ltd.	The Company's third-tier subsidiary	Purchases	\$ 367,151	10%	75~90 days after monthly billing	\$ -	Note	(\$ 3,899)	0.53%	-
"	Nanchang Creative Sensor Technology Co., Ltd.	"	"	3,379,551	90%	"	-	Note	( 730,102)	99.40%	-
Nanchang Creative Sensor Technology Co., Ltd.	Krom Electronics Co., Ltd.	The company is a director of the Company's ultimate holding company	"	398,312	15%	60 days after monthly billing	-	Note	( 85,048)	14.13%	-

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

Creative Sensor Inc. and Subsidiaries  
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more  
 Year ended December 31, 2019

Table 3

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Nanchang Creative Sensor Technology Co., Ltd.	The Company	Parent company	\$ 730,102	4.14	\$ -	-	\$ 228,037	\$ -

Creative Sensor Inc. and Subsidiaries  
Significant inter-company transactions during the reporting period  
Year ended December 31, 2019

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	The Company	Wuxi Creative Sensor Technology Co., Ltd.	1	Purchases	\$ 367,151	75~90 days after monthly billing	8.81%
"	"	Nanchang Creative Sensor Technology Co., Ltd.	"	Accounts payable	730,102	"	16.70%
"	"	"	"	Purchases	3,379,551	"	81.05%
1	Nanchang Creative Sensor Technology Co., Ltd.	The Company	2	Purchases	38,080	60 days after monthly billing	0.91%
"	"	Wuxi Creative Sensor Technology Co., Ltd.	3	Purchases	34,093	"	0.82%
2	Wuxi Creative Sensor Technology Co., Ltd.	The Company	2	Property transaction	18,586	45 days after monthly billing	0.45%
"	"	Nanchang Creative Sensor Technology Co., Ltd.	3	"	48,130	60 days after monthly billing	1.15%
"	"	"	"	Payables on equipment	21,527	"	0.49%

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

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

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

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

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

Note 4: Individual transactions not reaching \$10,000 and their corresponding transactions will not be disclosed.

Creative Sensor Inc. and Subsidiaries  
Information on investees  
Year ended December 31, 2019

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note)	Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
The Company	Creative Sensor Inc.	British Virgin Islands	Holding company	\$ 974,576	\$ 974,576	29,414,994	100	\$ 2,628,484	\$ 60,105	\$ 61,201	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	3,050	26	26	Subsidiary
The Company	K9 Inc.	South Korea	Packaging for image sensor module	32,314	32,314	845,000	33.82	-	-	-	Investee accounted for using equity method
The Company	Teco Image Systems Co., Ltd.	Taiwan	Design, manufacturing and trading of multi-function printer, fax machine and scanner	271,728	271,728	11,996,000	10.66	256,665	49,537	5,208	Investee accounted for using equity method
Creative Sensor Inc.	Creative Sensor Co., Ltd.	Hong Kong	Holding company	977,388	977,388	29,501,368	100	1,808,350	61,751	-	Subsidiary

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

Creative Sensor Inc. and Subsidiaries  
Information on investments in Mainland China  
Year ended December 31, 2019

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

A. Information on reinvestment in Mainland Area

Investee in Mainland China	Main business activities	Paid-in capital (Note 2)	Investment method (Note 1)	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2019			Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 (Note 3)	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 4)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
				Remitted to Mainland China	Remitted back to Taiwan	as of January 1, 2019 (Note 3)							
Wuxi Creative Sensor Technology Co., Ltd.	Image Sensor	\$ 533,253	Note 1	\$ 447,748	\$ -	\$ -	\$ 447,748	(\$ 22,365)	100	(\$ 22,365)	\$ 649,230	\$ 149,550	None
Nanchang Creative Sensor Technology Co., Ltd.	Image Sensor	934,720	Note 1	435,290	-	-	435,290	112,778	100	112,778	1,086,783	-	"

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

Note 2: The paid-in capital of two investee companies in the original currency amounted to RMB\$123,920 thousand and RMB\$217,215 thousand, respectively.

Note 3: Wuxi Creative Sensor Technology Co., Ltd.'s accumulated amount of remittance from Taiwan to Mainland China as of January 1 and December 31, 2019 in the original currency was both US\$14,915 thousand. Nanchang Creative Sensor Technology Co., Ltd.'s accumulated amount of remittance from Taiwan to Mainland China as of January 1 and December 31, 2019 in the original currency was both US\$14,500 thousand.

Note 4: Investment income (loss) recognised for the year ended December 31, 2019 was evaluated and disclosed based on the financial statements audited by R.O.C. parent company's CPA.

B. Ceiling on reinvestments in Mainland Area

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
The Company	\$ 883,038	\$ 735,640	\$ 1,978,550

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 in original currency amounted to US\$29,415 thousand.

Note 2: Investment amount in the original currency approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) amounted to US\$24,505 thousand.

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

CREATIVE SENSOR INC.

Yu-Ren Huang