

Stock ID: 8249

CREATIVE SENSOR INC.

2020 Annual General Meeting

Meeting Handbook

Date: June 12, 2020

Venue: 3F, No. 397, Xingshan Road, Neihu District, Taipei City (3F International Conference Center, YC Group Headquarters)

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CREATIVE SENSOR INC.
2020 Annual General Meeting
Proceeding

- I. Call the meeting to order
- II. The Chairperson's opening speech
- III. Management Presentations (Reports on Company Affairs)
- IV. Acknowledgments
- V. Discussions
- VI. Extraordinary motions
- VII. Adjournment of the meeting

CREATIVE SENSOR INC.

Agenda of 2020 Annual General Meeting

Date: 9am, June 12 (Friday), 2020

Venue: 3F, No. 397, Xingshan Road, Neihu District, Taipei City (3F International Conference Center, YC Group Headquarters)

One. Commencement of Meeting (announcing the total number of shares represented in the meeting)

Two. The Chairperson's opening speech

Three. Management Presentations (Reports on Company Affairs)

- I. Business Report of the Company for the 2019 financial year.
- II. Supervisors Review Report of the Company for the 2019 financial year.
- III. Report on distribution of remuneration to employees, directors, and supervisors of the Company for the 2019 financial year.

Four. Acknowledgments

- I. 2019 Business Report and Financial Statements.
- II. 2019 Earnings Appropriation

Five. Discussions

- I. Proposal on amendments to the "Articles of Incorporation" of the Company.
- II. Proposal on amendments to the "Procedures for Acquisition or Disposal of Assets" of the Company.
- III. Proposal on amendments to the "Rules of Procedure for Shareholders Meeting" of the Company.

Six. Extraordinary motions

Seven. Adjournment of the meeting

Management Presentations (Reports on Company Affairs)

Motion No.1

Proposal: Business Report of the Company for the 2019 financial year.

Description: Please refer to pages 10~11 for the 2019 Business Report.

Motion No. 2

Proposal: Supervisors Review Report of the Company for the 2019 financial year.

Description: Please refer to page 12 for the Supervisors Review Report for the 2019 financial year.

Motion No. 3

Proposal: Report on distribution of remuneration to employees, directors and supervisors of the Company for the 2019 financial year.

Description: (1) To proceed according to Article 20 of the Articles of Incorporation.

- (2) The 2019 earnings of Company was NTD 262,889,364 (i.e. the profit before tax prior to the deduction of the employees' remuneration and remuneration of directors and supervisors, followed by deducting the accumulated losses). The remuneration of directors and supervisors appropriated in the current period was NTD 7,817,245 (2.97%) and the employee's remuneration appropriated was NTD 23,451,733 (8.92%). All of the remunerations were issued according to the issuance percentage specified in the articles of incorporation of the Company, and aforementioned amounts were issued in cash.

Acknowledgments

Motion No.1

Proposal: Acknowledgment to the Company's 2019 business report and financial statements. (Proposed by the board of directors)

Description: (1) The Company's 2019 financial statements (including

consolidated financial statements) have been prepared by the board of directors, and audited by CPA Shu-Chiung Chang and CPA Chun-Yao Lin of Pricewaterhouse Coopers Certified Public Accountants, to which they have issued an independent auditor's report. The financial statements and business reports have also been reviewed by supervisors and are ready for acknowledgment.

- (2) Statements and reports of this discussion have been presented in this manual. (Please refer to pages 10~11 for the business report, and pages 13~36 for the independent auditor's report and the financial statements.)

Resolution:

Motion No. 2

Proposal: Acknowledgment to the Company's 2019 earnings appropriation proposal. (Proposed by the board of directors)

Description: (1) The board of directors proposed cash dividend of NTD 1.2 per share as part of the Company's 2019 earnings appropriation.

- (2) Upon approval of cash dividends proposed during the annual general meeting, the Chairman shall be authorized to set the cash dividend baseline date and other details relating to the payment.
- (3) Below is the detailed Earnings Appropriation Report:


CREATIVE SENSOR INC.
 2019 Earnings Appropriation Report

Unit: NTD

Item	Amount
Unappropriated retained earnings at beginning of the term	489,208,524
Plus: Adjustment of retained earnings in 2019	79,439
Adjusted undistributed earnings	489,287,963
Add: Net profit after tax in 2019	183,625,545

Less: Appropriated 10% as legal reserve	(18,370,498)
Add Revolving special reserve	39,846,955
Amount available for distribution	694,389,965
Item of distribution:	
Shareholders' cash dividend (NTD 1.2 per share)	152,466,000
Closing undistributed earnings	541,923,965

Chairman: Yu-Ren Huang



Managerial officer: Yuan-Hao Tsai



Head of Accounting: Chun-Mei Yen



- Note 1: If the number of outstanding shares changes on a later date, whether due to share buyback, transfer of treasury stock or other reasons, the Chairman shall be authorized to adjust dividend payout ratio for this earnings appropriation based on the amount of cash dividend resolved herein and the prevailing number of outstanding shares.
- Note 2: The amount of cash dividends shall be calculated and truncated to the nearest NTD 1. Fractions that do not amount to a full NTD 1 shall be summed and recognized by the Company as other income.
- Note 3: This earnings appropriation shall be allocated from 2019 earnings as the first priority.

Resolution:

Discussions

Motion No.1

Proposal: Amendments to the “Articles of Incorporation” of the Company, submitted for resolution. (Proposed by the board of directors)

- Description: (1) To provide sufficient working capital of the Company, to cope with the future development needs to establish a stable financial structure of the Company, it is proposed to adjust the total capital to NTD 2.5 billion.
- (2) To cope with the business needs of the Company, it is proposed to amend the Articles of Incorporation of the Company to add a new job position of Vice Chairman.
- (3) In accordance with the Jin-Guan-Zheng-Fa-Zi No. 10703452331 Decree dated December 19, 2018, the Jin-Guan-Zheng-Jiao-Zi No. 1080311451 Decree dated April 25, 2019 issued by the Financial Supervisory Commission (FSC) and the requirements for the establishment of Audit Committee in 2021, it is proposed to amend the articles of incorporation of the Company in order to increase the number of seats of directors and to fully adopt the candidate nomination system for the election of directors.
- (4) Please refer to pages 37~41 and pages 47~51 of this manual for Comparison Table for Amendments of “Articles of Incorporation” of the Company.
- (5) The topic is ready for discussion.

Resolution:

Motion No. 2

Proposal: Proposal on the amendments to the “Procedures Governing the Acquisition or Disposal of Assets” of the Company, submitted for resolution. (Proposed by the board of directors)

- Description: (1) To improve the capital utilization efficiency of the Company, it is proposed to invest in individual securities with stable profit and interest distribution as well as high security in a long term. In order to cope with the future development needs of the Company and to establish long-term cooperation relationship with the investment subject matters, it is proposed to increase

the current limit on the investment of individual securities to “not exceeding 80%.” In view of the above, it is proposed to amend the “Procedures Governing the Acquisition or Disposal of Assets” of the Company.

- (2) Please refer to pages 42~43 and pages 52~74 of this manual for Comparison Table for Amendments of “Procedures Governing the Acquisition or Disposal of Assets” and the original provisions of the Company.
- (3) The topic is ready for discussion.

Resolution:

Motion No. 3

Proposal: Proposal on the amendment to the “Rules of Procedure for Shareholders Meeting” of the Company, submitted for resolution (Proposed by the board of directors

)

- Description: (1) In accordance with the amendment of the Articles of Incorporation of the Company and the Jing-Shang-Zi No. 10402404570 Letter dated March 10, 2015, pursuant to Paragraph 1 of Article 181 of the Company Act, “When the government or a juristic person is a shareholder, its proxy shall not be limited to one person.” Pursuant to Paragraph 2 of Article 182-1: “A company shall establish the rules governing the proceedings of meetings.” The Company will specify in the Rules of Procedures for Shareholders Meeting that the maximum number of representatives designated by a corporate shareholder shall be limited to the current number of seats of directors.
- (2) Please refer to pages 44~45 and pages 75~77 of this manual for Comparison Table for Amendments of “Rules of Procedure for Shareholders Meeting” and the original provisions of the Company.
 - (3) The topic is ready for discussion.

Resolution:

Extraordinary motions

Adjournment of the meeting

Attachment

2019 Business Report

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

Item \ Year	2019	2018	Growth rate
Operating revenue	4,169,494	4,576,761	-8.9%
Gross profit	605,987	552,868	9.6%
EPS	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 being carried out still.

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 quality control, and increase automated production flexibility and change, continue to promote the improvement of the process and 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, and 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

General Manager: Yuan-Hao Tsai

Head of Accounting: Chun-Mei Yen

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 Meeting

CREATIVE SENSOR INC.
Supervisor: Kuang Yuan Industrial Co., Ltd.

Representative: Hui-Mei Wu

Supervisor: Hung-Ming Lin

Supervisor: Min-Yu Chang

March 18, 2020

Independent Auditor's Audit Report

(2020) Cai-Shen-Bao-Zi No. 19003198

To shareholders of CREATIVE SENSOR INC.:

Audit opinions

We have audited the consolidated balance sheet of CREATIVE SENSOR INC. and subsidiaries (collectively referred to as "CREATIVE SENSOR GROUP") as at December 31, 2019 and 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated cash flow statement for the periods January 1 to December 31, 2019 and 2018, and the accompanying footnotes (including summary of major accounting policies).

In our opinion, all material disclosures of the consolidated financial statements mentioned above were prepared in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers," international financial reporting standards approved by the Financial Supervisory Commission, the International Accounting Standards, and interpretations thereof, and presented a fair view of the consolidated financial position of CREATIVE SENSOR GROUP as at December 31, 2019 and 2018, and business performance and cash flow for the periods January 1 to December 31, 2019 and 2018.

Basis of audit opinion

We have conducted our audits in accordance with "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and the generally accepted auditing standards of the Republic of China. Our responsibilities as an auditor under the aforementioned standards will be explained in the Consolidated Financial Statement Auditing Responsibilities paragraph. All relevant personnel of the accounting firm have followed CPA code of ethics of the Republic of China and maintained independence from CREATIVE SENSOR GROUP, and fulfilled other responsibilities under the code of ethics. The CPAs believe that sufficient and adequate inspection evidence has been obtained in order to support the inspection feedback provided herein.

Key audit issues

Key audit issues are matters that we considered to be the most important, based on professional judgment, when auditing the 2019 consolidated financial statements of CREATIVE SENSOR GROUP. These issues have already been addressed when we audited and formed our opinions on the consolidated financial statements. Therefore, we do not provide opinions separately for individual issues.

Key audit issues concerning the 2019 consolidated financial statements of CREATIVE SENSOR GROUP are as follows:

Assessment of impairment on equity-accounted investments

Description

Please refer to Notes 4(14) of the consolidated financial statements for detailed accounting policy on investment accounted for using equity method - associated company. Please refer to Note 5 of the consolidated financial statements for detailed descriptions on the uncertainty of investment impairment evaluation and assumption under equity method. Please refer to Note 6(7) for more detailed descriptions on the equity-accounted investments.

CREATIVE SENSOR GROUP had presented equity-accounted investment - TECO Image Systems Co., Ltd. (TIS) on the financial statements by estimating its recoverable value. The same basis was used for assessing impairments. When estimating the utilization value of an investment, it is necessary to forecast future cash flows and determine the appropriate discount rate. In addition, there are uncertainties associated with the assumptions used, and the estimated result may have significantly impacted the assessment of utilization value. For the above reasons, we consider the method adopted by CREATIVE SENSOR for assessing impairment on equity-accounted investments a key audit issue.

Audit procedures

The following audit procedures were taken in relation to the audit issue:

- Understanding the processes undertaken by the management to estimate future cash flows, and verifying that the future cash flows used in the valuation model were consistent with TIS's operating plans.
- Comparing parameters used in the valuation process, such as estimated revenue growth rate, gross profit margin and operating expense ratio, with historical results and economic and industrial forecasts.
- Comparing the discount rate used in the valuation process with the funding cost of the cash generation unit and returns on similar assets.
- Examining the correctness of calculations from the valuation model.

Existence of revenues from new top-10 buyers

Description

Please refer to Note 4(26) of the consolidated financial statements for detailed accounting policy on income recognition. Please refer to Note 6(18) of the consolidated financial statements for detailed descriptions on the operating income.

CREATIVE SENSOR GROUP is mainly involved in the manufacturing and sale of image sensors and electronic components. Its products are mostly used for the production of scanners, fax machines and multifunction printers. The buyers consist primarily of world-renowned OEMs or system manufacturers that the Company has long-term, stable business relationship with. CREATIVE SENSOR GROUP continues to expand its customer base and increase market share to further secure its market leadership. From the comparison between the top-10 buyers list in 2019 and 2018, it indicates that there has been changes in the sales amount in the main customers such that a portion of the customers becoming the new top-10 buyers in the current period have increased impact on the consolidated operating revenue. Whether or not the reported sales transactions have actually taken place with the new top-10 buyers in the current period can significantly affect the presentation of the financial statement; therefore, we consider the existence of revenues from CREATIVE SENSOR's new top-10 buyers list one of the most critical audit issues.

Audit procedures

The following audit procedures were taken in relation to the audit issue:

1. Assessing and testing the internal control process on sales transactions to determine whether transactions were carried out according to the group's internal control system.
2. Reviewing industry background and profile of the new top-10 buyers.
3. Making random checks for proof of revenue and transaction with the new top-10 buyers.

Other issues - standalone financial statements

CREATIVE SENSOR GROUP has prepared the standalone financial statements for 2019 and 2018, to which we have issued an independent auditor's report with unqualified opinion.

Responsibilities of the management and governing body to the consolidated financial statements

Responsibilities of the management were to prepare and ensure fair presentation of consolidated financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers," international financial reporting standards approved and published by the Financial Supervisory Commission, the International Accounting Standards and interpretations thereof, and exercise proper internal control practices that are relevant to the preparation of consolidated financial statements so that the consolidated financial statements are free of material misstatements caused by fraud or error.

The management's responsibilities when preparing consolidated financial statements also involved: assessing the ability of CREATIVE SENSOR GROUP to operate, disclose information and account for transactions as a going concern unless the management intends to liquidate or cease business operations, or is compelled to do so with no alternative solution.

The governance unit (including supervisors) of CREATIVE SENSOR GROUP is responsible for supervising the financial reporting process.

Consolidated financial statement auditing responsibilities

The purposes of our audit were to obtain reasonable assurance of whether the consolidated financial statements were prone to material misstatements caused by fraud or error, and issue a report of our audit opinions. We considered assurance to be reasonable only if it is highly credible. However, audit tasks conducted in accordance with generally accepted auditing principles of the Republic of China do not necessarily guarantee detection of all material misstatements within the consolidated financial statements. Untruthful expressions might have been caused by fraud or errors. Misstatements are considered material if the individual amount or aggregate total is reasonably expected to affect economic decisions of the consolidated financial statement user.

The CPAs apply their professional judgment and keep their professional doubts while performing the inspection according to generally accepted auditing standards of R.O.C. The CPAs also perform the following tasks:

1. Identifying and assessing risks of material misstatement due to fraud or error; designing and executing appropriate responsive measures for the identified risks; and obtaining adequate and appropriate audit evidence to support audit opinions. Due to the fact that frauds might involve collusion, forging, intentional omission, untruthful statement, or non-compliance with internal control, the risk associated undetected significant untruthful expressions caused by frauds is higher than that caused by errors.
2. Obtain a necessary understanding of internal control concerning the inspection in order to design appropriate inspection procedures that are appropriate for the time being. The purpose, however, is not to effectively express opinions on the internal control of CREATIVE SENSOR GROUP.
3. Evaluate the adequacy of accounting policies adopted by the management and the legitimacy of accounting estimates and related disclosures made.
4. Reach a conclusion with regard to the adequacy of the accounting basis adopted to continue with operation by the management and whether significant uncertainties of events or conditions that might result in significant concerns about the ability of CREATIVE SENSOR GROUP to continue with operation exist or not according to the obtained inspection findings. We are bound to remind consolidated financial statement users and make related disclosures if material uncertainties exist in regards to the aforementioned events or circumstances, and amend audit opinions when the disclosures are no longer appropriate. Conclusions made by the CPAs are based on the inspection findings obtained as of the date of inspection report. Future events or conditions, however, are likely to result in CREATIVE SENSOR GROUP no longer capable of continuing with operation.
5. Assessing the overall presentation, structure and contents of the consolidated financial statements (including related footnotes), and whether certain transactions and events are presented appropriately in the financial statements.

6. Obtaining sufficient and appropriate audit evidence on financial information of equity-accounted investments within the group, and expressing opinions on consolidated financial statements. Our responsibilities as auditor are to instruct, supervise and execute audits and form audit opinions on the group.

Communications made by the CPAs with governance units include the planned scope and timing of inspection and significant inspection findings (including significant deficiencies found with internal control during inspection).

We have also provided the governance body with a declaration of independence stating that all relevant personnel of the accounting firm have complied with auditors' professional ethics of the Republic of China, and communicated with the governance body on all matters that may affect the auditor's independence (including protection measures).

We have identified the key audit issues after communicating with the governance body regarding the 2019 consolidated financial statements of CREATIVE SENSOR GROUP. These issues have been addressed in our audit report except for: 1. Certain topics that are prohibited by law from disclosing to the public; or 2. Under extreme circumstances, topics that we decided not to communicate in the audit report because of higher negative impacts they may cause than the benefits they bring to public interest.

Pricewaterhouse Coopers Certified Public Accountants

Shu-Chiung Chang

CPA

Chun-Yao Lin

Former Financial Supervisory Commission, Executive Yuan
Approval No.: Jin-Guan-Zheng-Shen-Zi No. 0990042602

Former SEC, Ministry of Finance
Approval No.: (85) Tai-Cai-Zheng (VI) No. 68702

March 18, 2020

CREATIVE SENSOR INC. AND SUBSIDIARIES
Consolidated Balance Sheet
December 31, 2018 and 2019

Unit: NTD thousands

Assets	Note	December 31, 2019		December 31, 2018		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalent	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 measured at amortized cost – Current	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) & 7	100	-	1,653	-
130X	Inventory	6(5)	311,531	7	497,264	11
1479	Other current assets - other		37,625	1	47,654	1
11XX	Total current assets		<u>3,220,429</u>	<u>74</u>	<u>3,466,786</u>	<u>75</u>
Non-current assets						
1517	Financial assets at fair value through other comprehensive profit or loss - non-current	6(6)	389,477	9	284,042	6
1550	Investment under the equity method	6(7)	256,665	6	303,321	7
1600	Real estate, plant and equipment	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	Total non-current assets		<u>1,152,753</u>	<u>26</u>	<u>1,167,518</u>	<u>25</u>
1XXX	Total assets		<u>\$ 4,373,182</u>	<u>100</u>	<u>\$ 4,634,304</u>	<u>100</u>

(Continued)

CREATIVE SENSOR INC. AND SUBSIDIARIES
Consolidated Balance Sheet
December 31, 2018 and 2019

Unit: NTD thousands

Liability and equity	Note	December 31, 2019		December 31, 2018		
		Amount	%	Amount	%	
Current liabilities						
2120	Financial Liabilities Measured by Fair Value through Profits and Losses - current	6(11)	\$ 1,563	--	\$ -	-
2170	Accounts payable		516,100	12	789,060	17
2180	Accounts payable - related parties	7	85,048	2	115,601	3
2200	Other accounts payable	6(12)	256,323	6	345,215	7
2230	Current income tax liabilities		38,582	1	24,543	1
2280	Lease liabilities - current		12,309	-	-	-
2300	Other current liabilities		10,533	-	10,173	-
21XX	Total current liabilities		<u>920,458</u>	<u>21</u>	<u>1,284,592</u>	<u>28</u>
Non-current liabilities						
2570	Deferred income tax liabilities	6(22)	119,303	3	111,553	2
2580	Lease liabilities - non-current		35,838	1	-	-
25XX	Total non-current liabilities		<u>155,141</u>	<u>4</u>	<u>111,553</u>	<u>2</u>
2XXX	Total liabilities		<u>1,075,599</u>	<u>25</u>	<u>1,396,145</u>	<u>30</u>
Equity attributable to parent company shareholders						
Capital stock						
3110	Common shares	6(14)	1,270,550	29	1,270,550	27
Capital surplus						
3200	Capital surplus	6(15)	677,467	15	677,467	15
Retained earnings						
3310	Legal Reserve	6(16)	459,995	11	439,415	9
3320	Special Reserve		39,847	1	39,847	1
3350	Undistributed Earnings		672,914	15	674,960	15
Other equity						
3400	Other equity	6(17)	176,810	4	135,920	3
31XX	Total equity attributable to the parent company		<u>3,297,583</u>	<u>75</u>	<u>3,238,159</u>	<u>70</u>
3XXX	Total equity		<u>3,297,583</u>	<u>75</u>	<u>3,238,159</u>	<u>70</u>
3X2X	Total liabilities and equities		<u>\$ 4,373,182</u>	<u>100</u>	<u>\$ 4,634,304</u>	<u>100</u>

The attached Notes to the financial statements are part of this consolidated financial statement and should be read in conjunction.

Chairman: Yu-Ren Huang

Managerial officer: Yuan-Hao Tsai

Head of Accounting: Chun-Mei Yen

CREATIVE SENSOR INC. AND SUBSIDIARIES
Consolidated Income Statement
January 1 to December 31, 2018 and 2019

Unit: NTD thousands
(Except for earnings per share in NTD)

Item	Note	2019		2018	
		Amount	%	Amount	%
4000 Operating revenue	6(18) & 7	\$ 4,169,494	100	\$ 4,576,761	100
5000 Operating costs	6(5)(21) & 7	(3,563,507)	(85)	(4,023,893)	(88)
5900 Gross profit		<u>605,987</u>	<u>15</u>	<u>552,868</u>	<u>12</u>
Operating expenses	6(21)				
6100 Selling expenses		(80,079)	(2)	(93,048)	(2)
6200 Management expenses		(190,093)	(4)	(161,152)	(3)
6300 Research and Development Expenses		(67,059)	(2)	(72,233)	(2)
6000 Total operating expense		<u>(337,231)</u>	<u>(8)</u>	<u>(326,433)</u>	<u>(7)</u>
6900 Operating benefits		<u>268,756</u>	<u>7</u>	<u>226,435</u>	<u>5</u>
Non-operating revenue and expense					
7010 Other Income	6(19)	80,611	2	76,024	2
7020 Other benefits and loss	6(20)	(67,794)	(2)	(1,449)	-
7050 Finance costs	6(9)	(781)	-	-	-
7060 Share of profits/losses on equity-accounted associated companies and joint ventures	6(7)	<u>5,208</u>	<u>-</u>	<u>17,178</u>	<u>-</u>
7000 Total non-operating income and expense		<u>17,244</u>	<u>-</u>	<u>91,753</u>	<u>2</u>
7900 Net Profit Before Taxes		<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 Net profit		<u>\$ 183,626</u>	<u>4</u>	<u>\$ 205,800</u>	<u>5</u>
Other net consolidated incomes					
Items not recategorized to profits and losses					
8311 Re-measurable weight of defined benefit programs	6(13)	\$ 94	-	\$ 4,358	-
8316 Unrealized gain or loss on equity instrument investments at fair value through other comprehensive income	6(6)(17)	105,435	3	(120,991)	(3)
8320 Share of other comprehensive income on associated companies and joint ventures recognized using equity method that are not reclassified into profit or loss	6(17)	14,362	-	(20,696)	-
8349 Income tax related to not recategorized items	6(22)	(19)	-	(1,044)	-
8310 Total of items not recategorized to profits and losses		<u>119,872</u>	<u>3</u>	<u>(138,373)</u>	<u>(3)</u>
Items possibly recategorized to profits and losses later					
8361 Difference in exchange from the conversion of financial statements of overseas operating entities	6(17)	(78,273)	(2)	(30,242)	(1)
8370 Share of other comprehensive income on associated companies and joint ventures	6(17)	(630)	-	(97)	-

The attached Notes to the financial statements are part of this consolidated financial statement and should be read in conjunction.

Chairman: Yu-Ren Huang

Managerial officer: Yuan-Hao Tsai

Head of Accounting: Chun-Mei Yen

CREATIVE SENSOR INC. AND SUBSIDIARIES
Consolidated Income Statement
January 1 to December 31, 2018 and 2019

Unit: NTD thousands
(Except for earnings per share in NTD)

	recognized under equity method that are likely to be reclassified into profit or loss				
8360	Total of items possibly reategorized to profits and losses later				
		(78,903)	(2)	(30,339)	(1)
8500	Current total comprehensive income	<u>\$ 224,595</u>	<u>5</u>	<u>\$ 37,088</u>	<u>1</u>
	Basic EPS				
9750	Total of Basic EPS		<u>1.45</u>		<u>1.62</u>
	Diluted EPS				
9850	Total of Diluted EPS		<u>1.43</u>		<u>1.60</u>

The attached Notes to the financial statements are part of this consolidated financial statement and should be read in conjunction.

Chairman: Yu-Ren Huang

Managerial officer: Yuan-Hao Tsai

Head of Accounting: Chun-Mei Yen

CREATIVE SENSOR INC. AND SUBSIDIARIES
Consolidated Statement of Changes in Shareholders' Equity
January 1 to December 31, 2018 and 2019

Unit: NTD thousands

	Note	Equity attributable to parent company shareholders							Other equity	Unrealized gains and losses on available-for-sale financial assets	Total equities
		Capital surplus	Retained earnings	Other equity							
	Common shares	Capital surplus-additional paid-in capital	Capital surplus-treasury stock transactions	Legal Reserve	Special Reserve	Undistributed Earnings	Difference in exchange from the conversion of financial statements of overseas operating entities	Unrealized financial assets profit or loss measured at fair value through other comprehensive income			
<u>2018</u>											
Balance on January 1, 2018		\$ 1,270,550	\$ 673,471	\$ 3,996	\$ 418,413	\$ 39,847	\$ 693,805	\$ 164,115	\$ -	\$ 140,162	\$ 3,404,359
Retroactive application and retroactive restatement effects January 1, Restated balance		-	-	-	-	-	(3,437)	-	143,599	(140,162)	-
January 1, Restated balance		<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 profit		-	-	-	-	-	205,800	-	-	-	205,800
Other comprehensive income	6(17)	-	-	-	-	-	3,082	(30,339)	(141,455)	-	(168,712)
Current total comprehensive income		-	-	-	-	-	208,882	(30,339)	(141,455)	-	37,088
Appropriation and distribution of 2017 earnings:	6(16)										
Legal Reserve		-	-	-	21,002	-	(21,002)	-	-	-	-
Cash dividends		-	-	-	-	-	(203,288)	-	-	-	(203,288)
Balance on 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>
<u>2019</u>											
Balance on January 1, 2019		\$ 1,270,550	\$ 673,471	\$ 3,996	\$ 439,415	\$ 39,847	\$ 674,960	\$ 133,776	\$ 2,144	\$ -	\$ 3,238,159
Net profit		-	-	-	-	-	183,626	-	-	-	183,626
Other comprehensive income	6(17)	-	-	-	-	-	79	(78,903)	119,793	-	40,969
Current total comprehensive income		-	-	-	-	-	183,705	(78,903)	119,793	-	224,595
Appropriation and distribution of 2018 earnings:	6(16)										
Legal Reserve		-	-	-	20,580	-	(20,580)	-	-	-	-
Cash dividends		-	-	-	-	-	(165,171)	-	-	-	(165,171)
Balance on 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 attached Notes to the financial statements are part of this consolidated financial statement and should be read in conjunction.

Chairman: Yu-Ren Huang

Managerial officer: Yuan-Hao Tsai

Head of Accounting: Chun-Mei Yen

CREATIVE SENSOR INC. AND SUBSIDIARIES

Consolidated Statement of Cash Flows
January 1 to December 31, 2018 and 2019

Unit: NTD thousands

	<u>Note</u>	<u>January 1 to December 31, 2019</u>	<u>January 1 to December 31, 2018</u>
<u>Cash flows from operating activities</u>			
Net profit before tax this term		\$ 286,000	\$ 318,188
Adjustments			
Income, expenses, and losses			
Depreciation expenses	6(8)(9)(21)	125,299	166,719
Amortization expenses	6(21)	5,670	5,529
Expected credit loss	12(2)	(29)	192
Net gain (loss) from financial assets and liabilities at fair value through profit or loss	6(2)(11)(20)	10,403	51,786
Interest expense	6(9)	781	-
Share of profits/losses on equity-accounted associated companies and joint ventures	6(7)	(5,208)	(17,178)
Loss (gain) on disposal and scrapping of property, plant and equipment	6(20)	3,884	(716)
Interest revenue	6(19)	(34,219)	(26,238)
Loss in impairment of financial assets	6(7)(20)	53,000	-
Dividend income	6(19)	(15,811)	(15,351)
Gain on reversal of impairment in non-financial assets	6(8)(20)	(4,042)	(2,669)
Changes in assets/debts having to do with business activities			
Net changes in assets related to operating activities			
Financial assets at fair value through profit or loss		81,861	63,570
Accounts receivable		104,641	(106,529)
Inventory		173,369	(173,672)
Other Current Assets		7,902	(4,743)
Net changes in liabilities related to operations			
Accounts payable		(251,631)	133,125
Accounts payable - related parties		(25,674)	31,612
Other accounts payable		(74,307)	15,464
Other current liabilities		360	181
Cash in-flows generated by business operation		442,249	439,270
Interest received		36,346	21,102
Stock dividend received		28,407	33,345
Interest paid		(781)	-
Income tax paid		(75,774)	(64,089)
Income tax returned		850	-
Net cash inflow from operating activities		<u>431,297</u>	<u>429,628</u>
<u>Cash flows from investing activities</u>			
Financial assets measured at amortized cost-current, decrease		281,685	(145,174)
Acquisition of real estate, plant and equipment	6(25)	(23,526)	(58,634)
Disposal of property, plant and equipment		1,121	739
Acquisition of intangible assets		(2,537)	(6,239)
Increase in refundable deposit		(58)	(451)
Increase in other non current assets (decrease)		(4,173)	1,965
Net cash provided by (used in) investing activities		<u>252,512</u>	<u>(207,794)</u>

The attached Notes to the financial statements are part of this standalone financial statement and should be read in conjunction.

Chairman: Yu-Ren Huang

Managerial officer: Yuan-Hao Tsai

Head of Accounting: Chun-Mei Yen

CREATIVE SENSOR INC. AND SUBSIDIARIES

Consolidated Statement of Cash Flows
January 1 to December 31, 2018 and 2019

Unit: NTD thousands

	<u>Note</u>	<u>January 1 to December 31, 2019</u>	<u>January 1 to December 31, 2018</u>
<u>Cash flow from financing</u>			
Lease principle repayment		(9,075)	-
Disbursement of cash dividends	6(16)	(165,171)	(203,288)
Net cash outflows from financing activities		(174,246)	(203,288)
Foreign exchange rate effect		(66,453)	(25,022)
Increase (decrease) of cash and cash equivalents in current period		443,110	(6,476)
Balance of cash and cash equivalents at beginning of period		<u>773,409</u>	<u>779,885</u>
Balance of cash and cash equivalents at ending of period		<u>\$ 1,216,519</u>	<u>\$ 773,409</u>

The attached Notes to the financial statements are part of this standalone financial statement and should be read in conjunction.

Chairman: Yu-Ren Huang

Managerial officer: Yuan-Hao Tsai

Head of Accounting: Chun-Mei Yen

Independent Auditor's Audit Report

(2020) Cai-Shen-Bao-Zi No. 19002973

To shareholders of CREATIVE SENSOR INC.:

Audit opinions

We have audited the standalone balance sheet of CREATIVE SENSOR INC. (“CREATIVE SENSOR”) as at December 31, 2019 and 2018, the standalone statement of comprehensive income, standalone statement of changes in equity, and standalone cash flow statement for the periods January 1 to December 31, 2019 and 2018, and the accompanying footnotes (including summary of major accounting policies).

In our opinion, all material disclosures of the standalone financial statements mentioned above were prepared in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers,” and presented a fair view of the standalone financial position of CREATIVE SENSOR as at December 31, 2019 and 2018, and business performance and cash flow for the periods January 1 to December 31, 2019 and 2018.

Basis of audit opinion

We have conducted our audits in accordance with “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and the generally accepted auditing standards of the Republic of China. Our responsibilities as an auditor under the aforementioned standards will be explained in the Responsibilities of CPAs in Inspecting Individual Financial Statements paragraph. All relevant personnel of the accounting firm have followed CPA code of ethics of the Republic of China and maintained independence from CREATIVE SENSOR, and fulfilled other responsibilities under the code of ethics. The CPAs believe that sufficient and adequate inspection evidence has been obtained in order to support the inspection feedback provided herein.

Key audit issues

Key audit issues are matters that we considered to be the most important, based on professional judgment, when auditing the 2019 standalone financial statements of CREATIVE SENSOR. These issues have already been addressed when we audited and formed our opinions on the standalone financial statements. Therefore, we do not provide opinions on individual issues.

Key audit issues concerning the 2019 standalone financial statements of CREATIVE SENSOR are as follows:

Assessment of impairment on equity-accounted investments

Description

Please refer to Notes 4(12) of the standalone financial statements for detailed accounting policy on equity-accounted investment - subsidiaries and associated companies. Please refer to Note 5 of the standalone financial statements for detailed descriptions on the uncertainty of investment impairment evaluation and assumption. Please refer to Note 6(6) for more detailed descriptions on the equity-accounted investments.

CREATIVE SENSOR had presented equity-accounted investment - TECO Image Systems Co., Ltd. (TIC) on the financial statements by estimating its recoverable value. The same basis was used for assessing impairments. When estimating the utilization value of an investment, it is necessary to forecast future cash flows and determine the appropriate discount rate. In addition, there are uncertainties associated with the assumptions used, and the estimated result may have significantly impacted the assessment of utilization value. For the above reasons, we consider the method adopted by CREATIVE SENSOR for assessing impairment on equity-accounted investments a key audit issue.

Audit procedures

The following audit procedures were taken in relation to the audit issue:

- Understanding the processes undertaken by the management to estimate future cash flows, and verifying that the future cash flows used in the valuation model were consistent with TIS's operating plans.
- Comparing parameters used in the valuation process, such as estimated revenue growth rate, gross profit margin and operating expense ratio, with historical results and economic and industrial forecasts.
- Comparing the discount rate used in the valuation process with the funding cost of the cash generation unit and returns on similar assets.
- Examining the correctness of calculations from the valuation model.

Existence of revenues from new top-10 buyers

Description

Please refer to Note 4(24) of the standalone financial statements for detailed accounting policy on income recognition. Please refer to Note 6(16) of the standalone financial statements for detailed descriptions on the operating income.

CREATIVE SENSOR is mainly involved in the manufacturing and sale of image sensors and electronic components. Its products are mostly used for the production of scanners, fax machines and multifunction printers. The buyers consist primarily of world-renowned OEMs or system manufacturers that the Company has long-term, stable business relationship with. CREATIVE SENSOR GROUP continues to expand its customer base and increase market share to further secure its market leadership. From the comparison between the top-10 buyers list in 2019 and 2018, it indicates that there has been changes in the sales amount in the main customers such that a portion of the customers becoming the new top-10 buyers in the current period have increased impact on the operating revenue. Whether or not the reported sales transactions have actually taken place with the new top-10 buyers in the current period can significantly affect the presentation of the financial statement; therefore, we consider the existence of revenues from CREATIVE SENSOR's new top-10 buyers list one of the most critical audit issues.

Audit procedures

The following audit procedures were taken in relation to the audit issue:

1. Assessing and testing the internal control process on sales transactions to determine whether transactions were carried out according to the Company's internal control system.
2. Reviewing industry background and profile of the new top-10 buyers.
3. Making random checks for proof of revenue and transaction with the new top-10 buyers.

Responsibilities of the management and governing body to the individual financial statements

Responsibilities of the management were to prepare and ensure fair presentation of standalone financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers," and maintain necessary internal control that is relevant to the preparation of standalone financial statements so that the financial statements are free of material misstatement due to fraud or error.

The management's responsibilities when preparing standalone financial statements also involved: assessing the ability of CREATIVE SENSOR to operate, disclose information and account for transactions as a going concern unless the management intends to liquidate or cease business operations, or is compelled to do so with no alternative solution.

The governance unit (including supervisors) of CREATIVE SENSOR INC. is responsible for supervising the financial reporting process.

Responsibilities of CPAs in Inspecting Individual Financial Statements

The CPAs inspect individual financial statements in order to be reasonably convinced over whether or not significant untruthful expressions exist in individual financial statements as a whole due to fraud or errors and issue the inspection report accordingly. Reasonably convinced is highly convinced. There is no guarantee, however, that existence of significant untruthful expressions in individual financial statements will be detected according to generally accepted auditing standards of R.O.C. Untruthful expressions might have been caused by fraud or errors. If individual values or an overview of untruthful expressions can be reasonably expected to affect economic decisions made by users of individual financial reports, they are considered significant.

The CPAs apply their professional judgment and keep their professional doubts while performing the inspection according to generally accepted auditing standards of R.O.C. The CPAs also perform the following tasks:

1. Identify and evaluate the risk of significant untruthful expressions in individual financial statements due to frauds or errors, design and enforce appropriate responsive policies for determined risks; and collect sufficient and adequate inspection evidence to be the basis for inspection opinions. Due to the fact that frauds might involve collusion, forging, intentional omission, untruthful statement, or non-compliance with internal control, the risk associated undetected significant untruthful expressions caused by frauds is higher than that caused by errors.
2. Obtain a necessary understanding of internal control concerning the inspection in order to design appropriate inspection procedures that are appropriate for the time being. The purpose, however, is not to effectively express opinions on the internal control of CREATIVE SENSOR INC.
3. Evaluate the adequacy of accounting policies adopted by the management and the legitimacy of accounting estimates and related disclosures made.
4. Reach a conclusion with regard to the adequacy of the accounting basis adopted to continue with operation by the management and whether significant uncertainties of events or conditions that might result in significant concerns about the ability of CREATIVE SENSOR INC. to continue with operation exist or not according to the obtained inspection findings. In the event that it is determined that significant uncertainties exist with such events or conditions, on the other hand, the CPAs must remind users of individual financial statements in their inspection report that they should pay attention to related disclosures included in the statements or modify their inspection feedback if such disclosures are inappropriate. Conclusions made by the CPAs are based on the inspection findings obtained as of the date of inspection report. Future events or conditions, however, are likely to result in CREATIVE SENSOR INC. no longer capable of continuing with operation.
5. Assessing the overall presentation, structure and contents of the individual financial statements (including related footnotes), and whether certain transactions and events are presented appropriately in the financial statements.
6. Obtaining sufficient and appropriate audit evidence on financial information of equity-accounted investments held by CREATIVE SENSOR, and expressing opinions on individual financial statements. Our responsibilities as auditors are to instruct, supervise and execute audits and form audit opinions on the company.

Communications made by the CPAs with governance units include the planned scope and timing of inspection and significant inspection findings (including significant deficiencies found with internal control during inspection).

We have also provided the governance body with a declaration of independence stating that all relevant personnel of the accounting firm have complied with auditors' professional ethics of the Republic of China, and communicated with the governance body on all matters that may affect the auditor's independence (including protection measures).

We have identified the key audit issues after communicating with the governance body regarding the 2019 individual financial statements of CREATIVE SENSOR. These issues have been addressed in our audit report except for: 1. Certain topics that are prohibited by law from disclosing to the public; or 2. Under extreme circumstances, topics that we decided not to communicate in the audit report because of higher negative impacts they may cause than the benefits they bring to public interest.

Pricewaterhouse Coopers Certified Public Accountants

CPA Shu-Chiung Chang

 Chun-Yao Lin

Former Financial Supervisory Commission, Executive Yuan
Approval No.: Jin-Guan-Zheng-Shen-Zi No. 0990042602
Former SEC, Ministry of Finance
Approval No.: (85) Tai-Cai-Zheng (VI) No. 68702

March 18, 2020

CREATIVE SENSOR INC.
Standalone Balance Sheet
December 31, 2018 and 2019

Unit: NTD thousands

Assets	Note	December 31, 2019		December 31, 2018		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalent	6(1)	\$ 268,764	6	\$ 417,653	9
1110	Financial assets at fair value through profit or loss - current	6(2)	186,271	5	276,972	6
1170	Accounts receivable, net	6(3)	533,634	12	636,693	14
1180	Accounts receivable - related parties, net	6(3) & 7	100	-	1,653	-
1210	Other Receivables-Related parties	7	1,733	-	4,740	-
130X	Inventory	6(4)	10,718	-	1,361	-
1470	Other Current Assets		7,598	-	5,002	-
11XX	Total current assets		<u>1,008,818</u>	<u>23</u>	<u>1,344,074</u>	<u>29</u>
1517	Financial assets at fair value through other comprehensive profit or loss - non-current	6(5)	389,477	9	284,042	6
1550	Investment under the equity method	6(6)	2,888,199	66	2,950,926	64
1600	Real estate, plant and equipment	6(7)&7	26,643	1	6,443	-
1755	Right-of-use assets	6(8)	46,237	1	-	-
1780	Intangible assets		4,111	-	3,502	-
1840	Deferred income tax assets	6(20)	466	-	741	-
1900	Other non-current assets	6(11)	13,255	-	13,502	1
15XX	Total non-current assets		<u>3,368,388</u>	<u>77</u>	<u>3,259,156</u>	<u>71</u>
1XXX	Total assets		<u>\$ 4,377,206</u>	<u>100</u>	<u>\$ 4,603,230</u>	<u>100</u>

(Continued)

The attached Notes to the financial statements are part of this standalone financial statement and should be read in conjunction.

Chairman: Yu-Ren Huang

Managerial officer: Yuan-Hao Tsai

Head of Accounting: Chun-Mei Yen

CREATIVE SENSOR INC.
Standalone Balance Sheet
December 31, 2018 and 2019

Unit: NTD thousands

Liability and equity	Note	December 31, 2019		December 31, 2018		
		Amount	%	Amount	%	
Current liabilities						
2120	Financial Liabilities Measured by Fair Value through Profits and Losses - current	6(9)	\$ 1,563	-	\$ -	-
2150	Notes Payable		213	-	214	-
2170	Accounts payable		308	-	2,558	-
2180	Accounts payable - related parties	7	734,001	17	1,043,439	23
2200	Other accounts payable	6(10)	156,049	4	203,782	5
2230	Current income tax liabilities		29,605	1	9,956	-
2280	Lease liabilities - current		11,255	-	-	-
2300	Other current liabilities		5,435	-	7,596	-
21XX	Total current liabilities		<u>938,429</u>	<u>22</u>	<u>1,267,545</u>	<u>28</u>
Non-current liabilities						
2570	Deferred income tax liabilities	6(20)	105,875	2	97,526	2
2580	Lease liabilities - non-current		35,319	1	-	-
25XX	Total non-current liabilities		<u>141,194</u>	<u>3</u>	<u>97,526</u>	<u>2</u>
2XXX	Total liabilities		<u>1,079,623</u>	<u>25</u>	<u>1,365,071</u>	<u>30</u>
Equity						
Capital stock						
3110	Common shares	6(12)	1,270,550	29	1,270,550	27
Capital surplus						
3200	Capital surplus	6(13)	677,467	15	677,467	15
Retained earnings						
3310	Legal Reserve	6(14)	459,995	11	439,415	9
3320	Special Reserve		39,847	1	39,847	1
3350	Undistributed Earnings		672,914	15	674,960	15
Other equity						
3400	Other equity	6(15)	176,810	4	135,920	3
3XXX	Total equity		<u>3,297,583</u>	<u>75</u>	<u>3,238,159</u>	<u>70</u>
Significant Post-Period Items						
3X2X	Total liabilities and equities	11.	<u>\$ 4,377,206</u>	<u>100</u>	<u>\$ 4,603,230</u>	<u>100</u>

The attached Notes to the financial statements are part of this standalone financial statement and should be read in conjunction.

Chairman: Yu-Ren Huang

Managerial officer: Yuan-Hao Tsai

Head of Accounting: Chun-Mei Yen

CREATIVE SENSOR INC.
Standalone Statement of Comprehensive Income
January 1 to December 31, 2018 and 2019

Unit: NTD thousands
(Except for earnings per share in NTD)

Item	Note	2019		2018	
		Amount	%	Amount	%
4000 Operating revenue	6(16) & 7	\$ 4,161,994	100	\$ 4,563,815	100
5000 Operating costs	6(4)(19) & 7	(3,762,011)	(91)	(4,187,946)	(92)
5900 Gross profit		<u>399,983</u>	<u>9</u>	<u>375,869</u>	<u>8</u>
Operating expenses	6(19) & 7				
6100 Selling expenses		(56,673)	(1)	(70,686)	(1)
6200 Management expenses		(106,482)	(3)	(122,823)	(3)
6300 Research and Development Expenses		(48,350)	(1)	(57,043)	(1)
6000 Total operating expense		(211,505)	(5)	(250,552)	(5)
6900 Operating benefits		<u>188,478</u>	<u>4</u>	<u>125,317</u>	<u>3</u>
Non-operating revenue and expense					
7010 Other Income	6(17)	39,077	1	34,217	1
7020 Other benefits and loss	6(18)	(61,612)	(2)	(53,561)	(1)
7050 Finance costs	6(8)	(757)	-	-	-
7070 Share of gain from subsidiaries, associated companies and joint ventures using the equity method	6(6)	<u>66,435</u>	<u>2</u>	<u>168,425</u>	<u>3</u>
7000 Total non-operating income and expense		<u>43,143</u>	<u>1</u>	<u>149,081</u>	<u>3</u>
7900 Net Profit Before Taxes		<u>231,621</u>	<u>5</u>	<u>274,398</u>	<u>6</u>
7950 Income tax expense	6(20)	(47,995)	(1)	(68,598)	(1)
8200 Net profit		<u>\$ 183,626</u>	<u>4</u>	<u>\$ 205,800</u>	<u>5</u>
Other net consolidated incomes					
Items not recategorized to profits and losses					
8311 Re-measurable weight of defined benefit programs	6(11)	\$ 94	-	\$ 4,358	-
8316 Unrealized gain or loss on equity instrument investments at fair value through other comprehensive income	6(5)(15)	<u>105,435</u>	<u>3</u>	(120,991)	(3)
8330 Share of other comprehensive income on associated companies and joint ventures recognized using equity method that are not reclassified into profit or loss	6(6)	<u>14,362</u>	-	(20,696)	-
8349 Income tax related to not recategorized items	6(20)	(19)	-	(1,044)	-
8310 Total of items not recategorized to profits and losses		<u>119,872</u>	<u>3</u>	(138,373)	(3)
Items possibly recategorized to profits and losses later					
8361 Difference in exchange from the conversion of financial statements of overseas operating entities	6(15)	(78,273)	(2)	(30,242)	(1)
8380 Share of other comprehensive	6(6)(15)	(630)	-	(97)	-

The attached Notes to the financial statements are part of this standalone financial statement and should be read in conjunction.

Chairman: Yu-Ren Huang

Managerial officer: Yuan-Hao Tsai

Head of Accounting: Chun-Mei Yen

CREATIVE SENSOR INC.
Standalone Statement of Comprehensive Income
January 1 to December 31, 2018 and 2019

Unit: NTD thousands
(Except for earnings per share in NTD)

	income on associated companies and joint ventures recognized under equity method that are likely to be reclassified into profit or loss				
8360	Total of items possibly reategorized to profits and losses later				
		(78,903)	(2)	(30,339)	(1)
8500	Current total comprehensive income	<u>\$ 224,595</u>	<u>5</u>	<u>\$ 37,088</u>	<u>1</u>
	Basic EPS				
9750	Total of Basic EPS		<u>1.45</u>		<u>1.62</u>
	Diluted EPS				
9850	Total of Diluted EPS		<u>1.43</u>		<u>1.60</u>

The attached Notes to the financial statements are part of this standalone financial statement and should be read in conjunction.

Chairman: Yu-Ren Huang

Managerial officer: Yuan-Hao Tsai

Head of Accounting: Chun-Mei Yen

CREATIVE SENSOR INC.
Standalone Statement of Changes in Equity
January 1 to December 31, 2018 and 2019

Unit: NTD thousands

	Note	Capital surplus			Retained earnings			Other equity			Total equities
		Common shares	Capital surplus-additiona l paid-in capital	Capital surplus-treasury stock transactions	Legal Reserve	Special Reserve	Undistributed Earnings	Difference in exchange from the conversion of financial statements of overseas operating entities	Unrealized financial assets profit or loss measured at fair value through other comprehensive income	Unrealized gains and losses on available-for-sale financial assets	
2018											
Balance on January 1, 2018		\$ 1,270,550	\$ 673,471	\$ 3,996	\$ 418,413	\$ 39,847	\$ 693,805	\$ 164,115	\$ -	\$ 140,162	\$ 3,404,359
Retroactive application and retroactive restatement effects		-	-	-	-	-	(3,437)	-	143,599	(140,162)	-
January 1, Restated balance		<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 profit		-	-	-	-	-	205,800	-	-	-	205,800
Other comprehensive income	6(15)	-	-	-	-	-	3,082	(30,339)	(141,455)	-	(168,712)
Current total comprehensive income		-	-	-	-	-	<u>208,882</u>	<u>(30,339)</u>	<u>(141,455)</u>	<u>-</u>	<u>37,088</u>
Appropriation and distribution of 2017 earnings	6(14)										
Legal Reserve		-	-	-	21,002	-	(21,002)	-	-	-	-
Cash dividends		-	-	-	-	-	(203,288)	-	-	-	(203,288)
Balance on 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>
2019											
Balance on January 1, 2019		\$ 1,270,550	\$ 673,471	\$ 3,996	\$ 439,415	\$ 39,847	\$ 674,960	\$ 133,776	\$ 2,144	\$ -	\$ 3,238,159
Net profit		-	-	-	-	-	183,626	-	-	-	183,626
Other comprehensive income	6(15)	-	-	-	-	-	79	(78,903)	119,793	-	40,969
Current total comprehensive income		-	-	-	-	-	<u>183,705</u>	<u>(78,903)</u>	<u>119,793</u>	<u>-</u>	<u>224,595</u>
Appropriation and distribution of 2018 earnings	6(14)										
Legal Reserve		-	-	-	20,580	-	(20,580)	-	-	-	-
Cash dividends		-	-	-	-	-	(165,171)	-	-	-	(165,171)
Balance on 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 attached Notes to the financial statements are part of this standalone financial statement and should be read in conjunction.

Chairman: Yu-Ren Huang

Managerial officer: Yuan-Hao Tsai

Head of Accounting: Chun-Mei Yen

CREATIVE SENSOR INC.
Standalone Cash Flow Statement
January 1 to December 31, 2018 and 2019

Unit: NTD thousands

	Note	January 1 to December 31, 2019		January 1 to December 31, 2018
<u>Cash flows from operating activities</u>				
Net profit before tax this term		\$ 231,621	\$	274,398
Adjustments				
Income, expenses, and losses				
Depreciation expenses	6(7)(8)(19)	14,605		6,601
Amortization expenses	6(19)	1,272		1,389
Expected credit impairment loss(reversal gain)	12(2)	(29)		192
Net gain (loss) on financial assets or liabilities at fair value through profit and loss	6(2)(9)(18)			
Interest expense	6(8)	10,403		51,786
Share of gain from subsidiaries, associated companies and joint ventures using the equity method		757		-
Interest revenue		(66,435 )	(	( 168,425)
Loss in impairment of financial assets	6(17)	(1,399 )	(	( 849)
Dividend income	6(18)	53,000		-
	6(17)	(15,811 )	(	( 15,351)
Changes in assets/debts having to do with business activities				
Net changes in assets related to operating activities				
Financial assets at fair value through profit or loss		81,861		63,570
Accounts receivable		103,088	(	( 105,750)
Accounts receivable - related parties, net		1,553	(	( 1,076)
Other receivable accounts-related parties		3,007	(	( 3,469)
Inventory		(9,357)		174
Other Current Assets		(2,596)		2,057
Net changes in liabilities related to operations				
Notes Payable		(1)		-
Accounts payable		(2,250)		2,558
Accounts payable - related parties		(309,438)		211,755
Other accounts payable		(47,732 )	(	( 24,479)
Other current liabilities		(3,137)		1,009
Cash in-flows generated by business operation		42,982		296,090
Interest received		1,399		849
Stock dividend received		28,407		33,345
Income tax paid		(19,741 )	(	( 24,727)
Interest paid		(757)		-
Net cash inflow from operating activities		52,290		305,557
<u>Cash flows from investing activities</u>				
Acquisition of real estate, plant and equipment	6(7)	(26,210 )	(	( 4,274)
Acquisition of intangible assets		(1,881 )	(	( 3,931)
Decrease in refundable deposit		472		-
Decrease (increase) in other non current assets		(131)		322
Net cash outflows from investment activities		(27,750 )	(	( 7,883)
<u>Cash flow from financing</u>				
Lease principle repayment		(8,258)		-
Disbursement of cash dividends	6(14)	(165,171 )	(	( 203,288)
Net cash outflows from financing activities		(173,429 )	(	( 203,288)
Increase (decrease) of cash and cash equivalents in		(148,889)		94,386

The attached Notes to the financial statements are part of this standalone financial statement and should be read in conjunction.

Chairman: Yu-Ren Huang

Managerial officer: Yuan-Hao Tsai

Head of Accounting: Chun-Mei Yen

CREATIVE SENSOR INC.
Standalone Cash Flow Statement
January 1 to December 31, 2018 and 2019

Unit: NTD thousands

	<u>Note</u>	<u>January 1 to December 31, 2019</u>	<u>January 1 to December 31, 2018</u>
current period			
Balance of cash and cash equivalents at beginning of period		<u>417,653</u>	<u>323,267</u>
Balance of cash and cash equivalents at ending of period		<u>\$ 268,764</u>	<u>\$ 417,653</u>

The attached Notes to the financial statements are part of this standalone financial statement and should be read in conjunction.

Chairman: Yu-Ren Huang

Managerial officer: Yuan-Hao Tsai

Head of Accounting: Chun-Mei Yen

CREATIVE SENSOR INC.

Comparison Table for Amendments of “Articles of Incorporation” of the Company

Provisions After Amendment	Provisions Before Amendment	Descriptions of Amendment
<p>Article 5: The Company has an authorized capital of NTD <u>2.5</u> Billion in <u>250</u> Million shares. Each share has a value of NTD 10. The board of directors is authorized to issue the remaining shares over multiple offerings as deemed necessary to support business activities. The amount of authorized capital mentioned in the preceding paragraph shall have NTD150 Million reserved for the issuance of employee warrants, which is equivalent to 15 million shares of NTD10 each. The board of directors is authorized to make multiple issues of this capital.</p>	<p>Article 5: The Company has an authorized capital of NTD <u>1.6</u> Billion in <u>160</u> Million shares. Each share has a value of NTD 10. The board of directors is authorized to issue the remaining shares over multiple offerings as deemed necessary to support business activities. The amount of authorized capital mentioned in the preceding paragraph shall have NTD150 Million reserved for the issuance of employee warrants, which is equivalent to 15 million shares of NTD10 each. The board of directors is authorized to make multiple issues of this capital.</p>	<p>To provide sufficient working capital of the Company, to cope with the future development needs to establish a stable financial structure of the Company, it is proposed to adjust the total capital of the Company to NTD 2.5 billion.</p>
<p>Article 9 Shareholder meetings that are convened by the board of directors shall be chaired by the Chairman. If the Chairman is absent for any reason, <u>the Vice Chairman shall act as the deputy thereof. If the Vice Chairman is unavailable or is absent due to reasons,</u> the Chairman will appoint one of the directors to act on behalf. If no one is appointed, the remaining directors shall appoint one among themselves to perform the Chairman’s duties on behalf. For shareholder meetings that are convened by any authorized party other than the board of directors, the convener shall chair the meeting. If there are two or more conveners at the same time, one shall be appointed among themselves to chair the meeting.</p>	<p>Article 9 Shareholder meetings that are convened by the board of directors shall be chaired by the Chairman. If the Chairman is absent for any reason, the Chairman will appoint one of the directors to act on behalf. If no one is appointed, the remaining directors shall appoint one among themselves to perform the Chairman’s duties on behalf. For shareholder meetings that are convened by any authorized party other than the board of directors, the convener shall chair the meeting. If there are two or more conveners at the same time, one shall be appointed among themselves to chair the meeting.</p>	<p>To cope with the operational needs of the Company, the job position of Vice Chairman is newly added.</p>
<p>Chapter 4 Director, Supervisor, <u>Audit Committee</u>, and Managerial</p>	<p>Chapter 4 Director, Supervisor, and Managerial Officer</p>	<p>To cope with the operational needs of the Company, the job position of</p>

Provisions After Amendment	Provisions Before Amendment	Descriptions of Amendment
<p>Officer Article 13-1 The board of directors is authorized to determine the level of remuneration for the Chairman, Vice Chairman, directors and supervisors based on individual participation and contribution to the Company's operations, and in reference to industry peers.</p>	<p>Article 13-1 The board of directors is authorized to determine the level of remuneration for the Chairman, directors and supervisors based on individual participation and contribution to the Company's operations, and in reference to industry peers.</p>	<p>Vice Chairman is newly added.</p>
<p>Article 13-2 The Company's board of directors consist of 7 to 11 directors, all of whom shall be elected from persons of adequate capacity during shareholder meetings to serve a term of three (3) years. The term of serve may be renewed or re-elected in subsequent elections. The number of directors mentioned above shall include no fewer than 3 independent directors that represent no lesser than one-fifth of the board. Directors of the Company shall be elected using the nomination system, in which shareholders will elect from the list of nominated director candidates. The nomination shall proceed according to Article 192-1 of The Company Act. The Company may purchase liability insurance policies to insure itself against possible claims that may arise as a result of directors' decisions.</p> <p><u>This provision shall become effective starting from the election of new directors in the 2021 shareholders' meeting. The original Article 13 shall not be applicable, and the Articles of the Incorporation shall be amended to delete such article.</u></p>	<p>Newly added</p>	<ol style="list-style-type: none"> 1. To cope with the establishment of the Audit Committee according to the regulations of the FSC, it is necessary to increase the number of seats of directors. 2. According to the regulations of the FSC, starting from 2021, the election of directors shall fully adopt the candidate nomination system, and shall be indicated in the Articles of Incorporation. 3. Explicitly specify that the new provision shall become effective starting from the election of the new directors in the 2021 shareholders' meeting, and the original Article 13 of the Articles of Incorporation shall not be applicable after the implementation of this Article.
<p><u>Article 13-3</u> <u>The Company shall establish the Audit Committee composed of all independent directors as members thereof.</u></p>	<p>Newly added</p>	<p>Newly added relevant regulations for the Audit Committee, and explicitly specify that the new provision shall become effective starting from the election of the</p>

Provisions After Amendment	Provisions Before Amendment	Descriptions of Amendment
<p><u>The authorities required to be exercised by the Supervisors according to the Company Act, Securities and Exchange Act as well as other laws shall be exercised by the Audit Committee. Matters concerning the number, term of office, powers, rules of procedure for meetings, and resources to be provided by the Company when the Audit Committee exercises its powers shall be further handled in accordance with the Audit Committee Charter. The preceding three paragraphs shall become effective starting from the term of office of the new directors elected in the 2021 shareholders' meeting.</u></p>		<p>new directions in the 2021 shareholders' meeting.</p>
<p><u>Article 13-4</u> <u>After the implementation of Article 13-2 of these Articles of Incorporation, the remaining provisions related to Supervisors shall cease to be applicable, and relevant provisions of the Articles of Incorporation shall be amended or deleted.</u></p>	<p>Newly added</p>	<p>Newly added relevant regulations for the Audit Committee, and explicitly specify that the new provision shall become effective starting from the election of the new directors in the 2021 shareholders' meeting.</p>
<p>Article 15 The board consists of directors. <u>A Chairman shall be elected among board members during a board meeting with more than two-thirds of directors present, and with the consent of more than half of all attending directors. In addition, a Vice Chairman shall be elected from among the directors through the same method described above.</u> The Chairman oversees all affairs within the Company and serves as the Company's representative to the outside world. <u>When the Chairman cannot exercise authorities in person, the Vice Chairman shall act as a deputy thereof. Where the Vice Chairman is unavailable or cannot exercise authorities in person, the</u></p>	<p>Article 15 The board consists of directors. A Chairman shall be elected among board members during a board meeting with more than two-thirds of directors present, and with the support of more than half of all attending directors. The Chairman oversees all affairs within the Company and serves as the Company's representative to the outside world.</p>	<p>To cope with the operational needs of the Company, the job position of Vice Chairman is newly added.</p>

Provisions After Amendment	Provisions Before Amendment	Descriptions of Amendment
<p><u>Chairman shall appoint a director to act as the deputy thereof. Where the Chairman fails to appoint a deputy, a director shall be elected from among the directors to act as the deputy thereof.</u></p> <p>During the chairman’s absence or unavailability for performance of duties, the substitution shall be duly handled in accordance with Article 208 of the Company Act. Directors may appoint other directors to attend meetings on their behalf by issuing a proxy form detailing the extent of authorities delegated to the proxy attendant. Each director can only represent the presence of one other director.</p>	<p>During the chairman’s absence or unavailability for performance of duties, the substitution shall be duly handled in accordance with Article 208 of the Company Act. Directors may appoint other directors to attend meetings on their behalf by issuing a proxy form detailing the extent of authorities delegated to the proxy attendant. Each director can only represent the presence of one other director.</p>	
<p>Article 16 Unless otherwise specified in The Company Act, board of directors meetings are to be convened by the Chairman. Convention of board of directors meetings can be advised to directors and supervisors through writing, e-mail, or fax. Unless otherwise regulated by The Company Act, the board’s resolutions are passed if <u>more than</u> half of total board members are present in a meeting, and with more than half of attending directors voting in favor.</p>	<p>Article 16 Unless otherwise specified in The Company Act, board of directors meetings are to be convened by the Chairman. Convention of board of directors meetings can be advised to directors and supervisors through writing, e-mail, or fax. Unless otherwise regulated by The Company Act, the board’s resolutions are passed if more than half of total board members are present in a meeting, and with more than half of attending directors voting in favor.</p>	Revised wording
<p>Article 22 The Articles of Incorporation is instituted by the all founder of the founders meeting on May 29, 1998. The 1st amendment on March 4, 1999. The 2nd amendment on June 14, 1999. The 3rd amendment on May 17, 2000. The 4th amendment on May 24, 2001. The 5th amendment on June 12, 2002. The 6th amendment on June 20, 2003.</p>	<p>Article 22 The Articles of Incorporation is instituted by the all founder of the founders meeting on May 29, 1998. The 1st amendment on March 4, 1999. The 2nd amendment on June 14, 1999. The 3rd amendment on May 17, 2000. The 4th amendment on May 24, 2001. The 5th amendment on June 12, 2002. The 6th amendment on June 20, 2003.</p>	Newly added the number of amendments and the effective date of the provisions

Provisions After Amendment	Provisions Before Amendment	Descriptions of Amendment
<p>The 7th amendment on June 7, 2004.</p> <p>The 8th amendment on June 7, 2004.</p> <p>The 9th amendment on May 20, 2005.</p> <p>The 10th amendment on June 14, 2006.</p> <p>The 11th amendment on June 21, 2007.</p> <p>The 12th amendment on June 19, 2008.</p> <p>The 13th amendment on June 16, 2009.</p> <p>The 14th amendment on June 13, 2012.</p> <p>The 15th amendment on June 11, 2013.</p> <p>The 16th amendment on June 12, 2014.</p> <p>The 17th amendment on June 15, 2016.</p> <p>The 18th amendment on June 27, 2018.</p>	<p>The 7th amendment on June 7, 2004.</p> <p>The 8th amendment on June 7, 2004.</p> <p>The 9th amendment on May 20, 2005.</p> <p>The 10th amendment on June 14, 2006.</p> <p>The 11th amendment on June 21, 2007.</p> <p>The 12th amendment on June 19, 2008.</p> <p>The 13th amendment on June 16, 2009.</p> <p>The 14th amendment on June 13, 2012.</p> <p>The 15th amendment on June 11, 2013.</p> <p>The 16th amendment on June 12, 2014.</p> <p>The 17th amendment on June 15, 2016.</p> <p>The 18th amendment on June 27, 2018, to take effect from the date of shareholder meeting resolution; the same applies to subsequent amendments.</p>	
<p><u>The 19th amendment on June 12, 2020, to take effect from the date of shareholder meeting resolution; the same applies to subsequent amendments.</u></p>		
<p><u>Remarks: Article 13-2, Article 13-3, and Article 13-4 are stipulated for the relevant operations associated with the re-election of directors in 2021 according to the regulations set forth in “Article 14-4 of the Securities and Exchange Act and the Jing-Shang-Yi-Zi No. 10702006520 Administrative Interpretation of the Ministry of Economic Affairs,” and corresponding implementation and effective date are specified accordingly.</u></p>		

CREATIVE SENSOR INC.

Comparison Table for Amendments of “Procedures for Acquisition and Disposal of Assets”

Provisions After Amendment	Provisions Before Amendment	Descriptions of Amendment
<p>Article 5</p> <p>I. The limits for the aforementioned assets acquired by the Company are specified as follows:</p> <p>(I) For non-operating real properties, the total amount shall not exceed 30 percent of the shareholders’ equity indicated in the financial statements of the most recent period of the Company certified by the independent auditor.</p> <p>(II) The total amount of investments in securities shall not exceed the shareholders’ equity indicated in the financial statements of the most recent period of the Company certified by the independent auditor.</p> <p>(III) The amount of investment in an individual securities shall not exceed <u>80%</u> of the shareholders’ equity indicated in the financial statements of the most recent period of the Company certified by the independent auditor.</p> <p>(Content below omitted)</p>	<p>Article 5</p> <p>I. The limits for the aforementioned assets acquired by the Company are specified as follows:</p> <p>(I) For non-operating real properties, the total amount shall not exceed 30 percent of the shareholders’ equity indicated in the financial statements of the most recent period of the Company certified by the independent auditor.</p> <p>(II) The total amount of investments in securities shall not exceed the shareholders’ equity indicated in the financial statements of the most recent period of the Company certified by the independent auditor.</p> <p>(III) The amount of investment in an individual securities shall not exceed <u>30%</u> of the shareholders’ equity indicated in the financial statements of the most recent period of the Company certified by the independent auditor.</p> <p>(Content below omitted)</p>	<p>I. To improve the capital utilization efficiency of the Company, it is proposed to invest in individual securities with stable profit and interest distribution as well as high security in a long term.</p> <p>II. In order to cope with the future development needs of the Company and to establish long-term cooperation relationship with the investment subject matter, it is proposed to increase the current limit on the investment of individual securities to “not exceeding 80%”.</p>
<p>Article 19 Amendment Date</p> <p>These Procedures were stipulated on June 20, 2003.</p> <p>The 1st amendment of these Procedures was made on June 14, 2006.</p> <p>The 2nd amendment of these Procedures was made on June 21, 2007.</p> <p>The 3rd amendment of these Procedures was made on June 13,</p>	<p>Article 19 Amendment Date</p> <p>These Procedures were stipulated on June 20, 2003.</p> <p>The 1st amendment of these Procedures was made on June 14, 2006.</p> <p>The 2nd amendment of these Procedures was made on June 21, 2007.</p> <p>The 3rd amendment of these Procedures was made on June 13,</p>	<p>Added description on the amendment count and date.</p>

Provisions After Amendment	Provisions Before Amendment	Descriptions of Amendment
<p>2012. The 4th amendment of these Procedures was made on June 12, 2014.</p> <p>The 5th amendment of these Procedures was made on June 15, 2016.</p> <p>The 6th amendment of these Procedures was made on June 15, 2017.</p> <p>The 7th amendment of these Procedures was made on June 25, 2019.</p> <p><u>The 8th amendment of these Procedures was made on June 12, 2020.</u></p>	<p>2012. The 4th amendment of these Procedures was made on June 12, 2014.</p> <p>The 5th amendment of these Procedures was made on June 15, 2016.</p> <p>The 6th amendment of these Procedures was made on June 15, 2017.</p> <p>The 7th amendment of these Procedures was made on June 25, 2019.</p>	

CREATIVE SENSOR INC.
Comparison Table for Amendments of “Rules of Procedure for Shareholders Meeting”

Provisions After Amendment	Provisions Before Amendment	Descriptions of Amendment
<p>Article 5: Shareholder meetings that are convened by the board of directors shall be chaired by the Chairman. If the Chairman is unable to perform duty due to leave of absence or any reasons, <u>the Vice Chairman shall act as the deputy thereof. If the Vice Chairman is unavailable or is also on leave or cannot exercise the authorities due to reasons,</u> the Chairman will appoint one of the directors to act on their behalf. If no one is appointed, the remaining directors shall appoint one among themselves to perform the Chairman’s duties on behalf.</p> <p>For shareholder meetings that are convened by any authorized party other than the board of directors, the convener shall chair the meeting. If there are two or more conveners at the same time, one shall be appointed among themselves to chair the meeting.</p>	<p>Article 5: Shareholder meetings that are convened by the board of directors shall be chaired by the Chairman. If the Chairman is unable to perform duty due to leave of absence or any reasons, the Chairman will appoint one of the directors to act on their behalf. If no one is appointed, the remaining directors shall appoint one among themselves to perform the Chairman’s duties on behalf.</p> <p>For shareholder meetings that are convened by any authorized party other than the board of directors, the convener shall chair the meeting. If there are two or more conveners at the same time, one shall be appointed among themselves to chair the meeting.</p>	<p>In accordance with the newly addition of the job position of the Vice President in the Articles of Incorporation of the Company, this provision is amended synchronously.</p>
<p>Article 12: Where an institutional shareholder may be appointed as a proxy to attend the shareholders’ meeting, such institutional shareholder may appoint only one representative to the meeting.</p> <p><u>The maximum number of representatives designated by an institutional shareholder shall be limited to the current number of seats of directors.</u></p> <p>When an institutional shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.</p>	<p>Article 12: Where an institutional shareholder may be appointed as a proxy to attend the shareholders’ meeting, such institutional shareholder may appoint only one representative to the meeting.</p> <p>When an institutional shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.</p>	<p>To prevent abuse of rights by an institutional shareholder, causing disorder at the site of the shareholder’s meeting, the Company specifies in the Rules of Procedures for Shareholders Meeting that the maximum number of representatives designated by an institutional shareholder shall be limited to the current number of seats of directors.</p>
Article 21	Article 21	Newly added the number of

<p>The above rules were passed during the annual general meeting dated June 12, 2002. The 1st amendment of these Rules was made on June 13, 2012. <u>The 2nd amendment of these Rules was made on June 12, 2020.</u></p>	<p>The above rules were passed during the annual general meeting dated June 12, 2002. The 1st amendment of these Rules was made on June 13, 2012.</p>	<p>amendments and the effective date of the provisions</p>
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Appendix

CREATIVE SENSOR INC.

Articles of Incorporation (Original Provisions)

Chapter 1 General Rules

- Article 1:** The Company has been duly incorporated in accordance with Company Limited by Shares in the Company Act and titled CREATIVE SENSOR INC.
- Article 2:** The scope of business of the Company shall be as follows:
- (I) CC01080 Electronic Parts and Components Manufacturing.
 - (II) CC01110 Computers and Computing Peripheral Equipments Manufacturing.
 - (III) CC01060 Wired Communication Equipment and Apparatus Manufacturing.
 - (IV) CC01070 Telecommunication Equipment and Apparatus Manufacturing.
 - (V) CC01101 Restrained Telecom Radio Frequency Equipments and Materials Manufacturing.
 - (VI) CE01010 Precision Instruments Manufacturing.
 - (VII) CE01030 Photographic and Optical Equipment Manufacturing.
 - (VIII) F401010 International Trade.
 - (IX) F401021 Restrained Telecom Radio Frequency Equipment and Materials Import.
 - (X) F119010 Wholesale of Electronic Materials.
 - (XI) F113050 Wholesale of Computing and Business Machinery Equipment.
 - (XII) F113070 Wholesale of Telecom Instruments.
 - (XIII) F113030 Wholesale of Precision Instruments.
 - (XIV) F219010 Retail Sale of Electronic Materials.
 - (XV) F213030 Retail sale of Computing and Business Machinery Equipment.
 - (XVI) F213060 Retail Sale of Telecom Instruments.
 - (XVII) F213040 Retail Sale of Precision Instruments.
 - (XVIII) I301010 Software Design Services.
 - (XIX) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 3:** The Company is headquartered in Taipei City, and may establish domestic or foreign branches subject to the board of directors' approval.

Chapter 2 Shares

- Article 4:** The Company may invest in other business entities, and the total cost of invested businesses is not subject to the restrictions imposed under Article 13 of The Company Act (i.e. 40% of paid up capital).
- Article 4-1:** The Company may provide guarantees to outside parties for business-related purposes.
- Article 5:** The Company has an authorized capital of NTD1.6 Billion in 160 Million shares. Each share has a value of NTD10. The board of directors is authorized to issue the remaining shares over multiple offerings as deemed necessary to support business activities.
- The amount of authorized capital mentioned in the preceding paragraph shall have NTD150 Million reserved for the issuance of employee warrants, which is

equivalent to 15 million shares of NTD10 each. The board of directors is authorized to make multiple issues of this capital.

Article 5-1: Subject to the consents of more the two-thirds of voting rights in a shareholder meeting where more than half of outstanding shares are represented, the Company may issue employee warrants at exercise prices lower than the closing market price of its common share on the date of issuance, and transfer treasury stocks to employees at prices lower than the average buyback price.

Article 6: The Company issues shares to registered owners, and is exempted from printing share certificates for the issued shares. All issued shares shall be registered with the centralized depository institution.

Article 7: Transfer of share ownership shall be suspended during the sixty (60) days prior to an annual general meeting, and during the thirty (30) days prior to an extraordinary shareholders' meeting, and during the 5 days prior to the baseline date of any dividend, bonus or rights distribution.

Chapter 3 Shareholders' Meeting

Article 8: The Company holds 2 types of shareholder meetings: the annual general meeting and extraordinary shareholder meetings:

I. The annual general meeting is convened within six (6) months after the end of a financial year.

II. Extraordinary shareholder meetings may be held whenever deemed necessary, subject to compliance with laws.

With regards to the convention of the aforementioned shareholder meetings, the Company is required to notify all shareholders at least thirty (30) days before an annual general meeting or fifteen (15) days before an extraordinary shareholder meeting with details including the date, venue and agenda, and make corresponding public announcements.

Article 9: Shareholder meetings that are convened by the board of directors shall be chaired by the Chairman. If the Chairman is absent for any reason, the Chairman will appoint one of the directors to act on behalf. If no one is appointed, the remaining directors shall appoint one among themselves to perform the Chairman's duties on behalf.

For shareholder meetings that are convened by any authorized party other than the board of directors, the convener shall chair the meeting. If there are two or more conveners at the same time, one shall be appointed among themselves to chair the meeting.

Article 10: If a shareholder is unable to attend the shareholder meeting in person, a proxy can be appointed by completing the Company's proxy form. With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3 percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

Article 11: A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.

Article 12: Except when otherwise regulated by The Company Act, a shareholder meeting resolution is passed when more than half of all outstanding shares are represented in the meeting, and voted in favor by more than half of all voting rights

represented during the meeting.

Chapter 4 Director, Supervisor, and Managerial Officer

- Article 13:** The Company's board of directors consist of 7 directors and 3 supervisors, all of whom shall be elected from persons of adequate capacity during shareholder meetings to serve a term of three (3) years. The term of serve may be renewed or re-elected in subsequent elections. The number of directors mentioned above shall include no fewer than 2 independent directors that represent no lesser than one-fifth of the board. Independent directors of the Company shall be elected using the nomination system, in which shareholders will elect from the list of nominated independent director candidates. The nomination shall proceed according to Article 192-1 of The Company Act. The Company may purchase liability insurance policies to insure itself against possible claims that may arise as a result of directors' and supervisors' decisions.
- Article 13-1:** The board of directors is authorized to determine the level of remuneration for the Chairman, directors and supervisors based on individual participation and contribution to the Company's operations, and in reference to industry peers.
- Article 14:** Except for decisions that are subject to resolution in a shareholder meeting, as specified in The Company Act or Articles of Incorporation, all business decisions of the Company shall be resolved by the board of directors, which include but are not limited to the following:
- I. Approval of key policies, rules, and contracts.
 - II. Proposal of business plans.
 - III. Approval of budget and year-end account closure.
 - IV. Appointment and dismissal of the Company's managers.
 - V. Proposal of earnings distribution or loss reimbursement plans.
 - VI. Proposal of capital increment or reduction plans.
 - VII. Reporting to supervisors about possible significant losses that the Company may incur.
 - VIII. Approval of investment and management in domestic or foreign businesses.
- Article 15:** The board consists of directors. A Chairman shall be elected among board members during a board meeting with more than two-thirds of directors present, and with the support of more than half of all attending directors. The Chairman oversees all affairs within the Company and serves as the Company's representative to the outside world. During the chairman's absence or unavailability for performance of duties, the substitution shall be duly handled in accordance with Article 208 of the Company Act. Directors may appoint other directors to attend meetings on their behalf by issuing a proxy form detailing the extent of authorities delegated to the proxy attendant. Each director can only represent the presence of one other director.
- Article 16:** Unless otherwise specified in The Company Act, board of directors meetings are to be convened by the Chairman. Convention of board of directors meetings can be advised to directors and supervisors through writing, e-mail, or fax. Unless otherwise regulated by The Company Act, the board's resolutions are passed if more than half of total board members are present in a meeting, and with more than half of attending directors voting in favor.
- Article 17:** Supervisors' responsibilities are as follows:
- I. Review accounts, statements, and reports that the board of directors will be presenting during the shareholders' meeting.

- II. Review the Company's budgets and year-end account closure.
- III. Supervise and inspect the Company's operations.
- IV. Reconcile the Company's accounts, including expenses, revenues, and any assets.
- V. Notify and demand the board of directors to cease any conducts that are in violation of law, the Articles of Incorporation, or shareholder meeting resolutions.
- VI. Any other authorities vested by The Company Act.

The supervisor shall sign or seal on the accounts reviewed, and present findings during shareholder meetings.

The supervisor may engage external lawyers or accountants to perform the aforementioned duties on behalf of the Company.

Supervisors may be invited to present opinions in board of directors meetings, but cannot exercise voting rights.

Article 18: The Company may assign managerial roles such as president, vice president, assistant vice president. Appointment and dismissal of managers are subject to comply with Article 29 of The Company Act. The President manages all business activities within the Company under the command of the Chairman.

Chapter 5 Accounting

Article 19: The board of directors is responsible for preparing the following statements and reports at the end of each financial year. These statements and reports are subject to supervisors' review before they are presented during the annual general meeting.

- I. Report on Operation
- II. Financial statements
- III. Earnings appropriation or loss reimbursement proposals.

Article 20: 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.

Distribution of employee remuneration can be made in cash or in shares. This decision must be resolved in a board meeting with more than two-thirds of the board present, and voted in favor by more than half of all attending directors, and subsequently reported in the shareholder meeting.

Employee remuneration, as mentioned above, can be paid in shares or cash to employees of affiliated companies that satisfy certain criteria. The criteria may be defined at the discretion of the board of directors.

Article 20-1: 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.

Chapter 6 Supplementary Provisions

Article 21: Any matters that are not addressed in the Articles of Incorporation shall be governed by The Company Act and relevant regulations.

Article 22: The Articles of Incorporation is instituted by the all founder of the founders meeting on May 29, 1998.

The 1st amendment on March 4, 1999.

The 2nd amendment on June 14, 1999.

The 3rd amendment on May 17, 2000.

The 4th amendment on May 24, 2001.

The 5th amendment on June 12, 2002.

The 6th amendment on June 20, 2003.

The 7th amendment on June 7, 2004.

The 8th amendment on June 7, 2004.

The 9th amendment on May 20, 2005.

The 10th amendment on June 14, 2006.

The 11th amendment on June 21, 2007.

The 12th amendment on June 19, 2008.

The 13th amendment on June 16, 2009.

The 14th amendment on June 13, 2012.

The 15th amendment on June 11, 2013.

The 16th amendment on June 12, 2014.

The 17th amendment on June 15, 2016.

The 18th amendment on June 27, 2018, to take effect from the date of shareholder meeting resolution; the same applies to subsequent amendments.

CREATIVE SENSOR INC.

Procedures for Acquisition or Disposal of Assets (Original Provisions)

Article 1 Purpose

These Procedures are stipulated to protect the shareholders' equity and to protect the interests of investors.

Article 2 Legal Basis

These Procedures are stipulated according to Article 36-1 of the Securities and Exchange Act and relevant requirements specified in the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies."

Article 3 Scope of Assets

- I. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
- II. Real property (including land, houses and buildings, investment property, land use right and construction enterprise inventory) and equipment.
- III. Memberships.
- IV. Intangible assets: including Patents, copyrights, trademarks, franchise rights, etc.
- V. Right-of-use assets.
- VI. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
- VII. Derivatives.
- VIII. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with the law.
- IX. Other major assets.

Article 4 Definition of Terms

- I. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
- II. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or

disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter “transfer of shares”) under Article 156-3 of the Company Act.

- III. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- IV. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
- V. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
- VI. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
- VII. Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.
- VIII. Securities exchange: “Domestic securities exchange” refers to the Taiwan Stock Exchange Corporation; “foreign securities exchange” refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.
- IX. Over-the-counter venue (“OTC venue,” “OTC”): “Domestic OTC venue” refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; “foreign OTC venue” refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.
- X. The term of “within the preceding year” described herein refers to the year preceding the date of occurrence of the current acquisition or disposal of assets, Items duly announced according to these Procedures need not be counted toward the transaction amount.

- XI. 11. The term of “financial statement of the most recent period” refers to the financial statement certified or reviewed by a certified public accountant (CPA) and disclosed according to the laws prior to the acquisition or disposal of assets of the Company.

Article 5 Investment limits for non-operating real properties and securities

- I. The limits for the aforementioned assets acquired by the Company are specified as follows:
- (I) For non-operating real properties, the total amount shall not exceed 30 percent of the shareholders’ equity indicated in the financial statements of the most recent period of the Company certified by the independent auditor.
 - (II) The total amount of investments in securities shall not exceed the shareholders’ equity indicated in the financial statements of the most recent period of the Company certified by the independent auditor.
 - (III) The amount of investment in an individual securities shall not exceed 30% of the shareholders’ equity indicated in the financial statements of the most recent period of the Company certified by the independent auditor.
- II. The limits for the aforementioned assets individually acquired by a subsidiary of Company are specified as follows:
- (I) For non-operating real properties, the total amount shall not exceed 20 percent of the shareholders’ equity indicated in the financial statements of the most recent period of the subsidiary certified by the independent auditor.
 - (II) The total amount of investments in securities shall not exceed the shareholders’ equity indicated in the financial statements of the most recent period of the subsidiary certified by the independent auditor.
 - (III) The amount of investment in an individual securities shall not exceed 30% of the shareholders’ equity indicated in the financial statements of the most recent period of the subsidiary certified by the independent auditor.

Article 6 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant’s opinions, attorney’s opinions, or underwriter’s opinions obtained by the Company shall meet the following requirements:

- I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
- II. May not be a related party or de facto related party of any party to the transaction.
- III. If the company is required to obtain appraisal reports from two or more

professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:

- I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- II. When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
- III. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
- IV. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.

Article 7 Procedures for acquisition or disposal of real properties or equipment

- I. Assessment and operating procedures
The acquisition or disposal of real properties and equipment or right-of-use assets thereof shall be handled according to the procedures specified in the internal control system fixed asset cycle operation regulations of the Company.
- II. Procedures for determining transaction terms and degree of authority delegation
 - (I) For acquisition or disposal of real properties or right-of-use assets thereof the publicly announced current value, appraisal value, neighboring real property actual transaction price etc. shall be considered in order to determine the transaction terms and transaction price. Where the amount is less than NTD 100 million, it shall be submitted to the Chairman for approval before executing the acquisition or disposal, and shall be reported to the most recent board of directors' meeting after the acquisition or disposal. Where the amount reaches NTD 100 million, it shall be reported to the board of directors' meeting for approval through resolution before executing the acquisition or disposal.
 - (II) For the acquisition or disposal of equipment of right-of-use assets thereof, one of the methods of quotation of price, price comparison, price negotiation or tendering shall be selected for execution of the acquisition or disposal. The approval authority shall be handled according to the "Delegation of Authority Form" summarized in accordance with the Articles of Incorporation of the Company.
 - (III) Where the acquisition or disposal of assets of the Company is required to be approved by the board of directors according to the procedures

stipulated or other laws and regulations, if any director expresses dissent and it is contained in the minutes or a written statement, the Company shall also submit the director's dissenting opinion to all supervisors. In addition, if the Company has established independent directors, when the acquisition or disposal of asset transaction is submitted to the board of directors for discussion, the opinion of each independent director's shall be considered sufficiently. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the meeting minutes of the board of directors meeting.

III. Executing Unit

When the Company acquires or disposes real properties or equipment and right-of-use assets thereof, it is necessary to proceed with the report for approval according to the delegation of authority described in the preceding paragraph, following which the asset management and financial management unit shall be responsible for the execution thereof.

IV. Appraisal Report of Real Property or Equipment

In acquiring or disposing of real property or equipment, and right-of-use assets thereof where the transaction amount reaches 20 percent of the Company's paid-in capital or NTD300 million or more, the company, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

- (I) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
- (II) Where the transaction amount is NTD1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 1. The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
 2. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.

- (IV) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.
- (V) Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.
- V. The calculation of the transaction amounts referred to in the preceding articles shall be done in accordance with Subparagraph (5) of Paragraph 1 of Article 15 herein, and “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA’s opinion has been obtained need not be counted toward the transaction amount.

Article 8 Procedures for Acquisition or Disposal of Securities Investment

I. Assessment and operating procedures

The purchase and sale of securities of the Company shall be handled according to the internal control system investment cycle operation of the Company.

II. Procedures for determining transaction terms and degree of authority delegation

(I) For the purchase and sale of securities at the centralized securities exchange market or OTC venue, it shall be determined by the financial unit according to the market price. The limits for the investment total amount and for the investment on one single subject matter shall be handled according to Article 5 of these Procedures. The approval authority for the purchase and sale thereof shall be handled according to the “Delegation of Authority” of the Company.

(II) For securities acquired or disposed at non-centralized securities exchange market or OTC venue, it is necessary to obtain the financial statements of the most recent period of the subject company certified or reviewed by CPA as the reference for evaluating the transaction price along with the consideration of its earnings per share, profitability and future development potential etc. To acquire such securities, it is necessary to submit to the board of directors for approval before executing the acquisition thereof. To dispose such securities, the Chairman is authorized to approve the disposal, followed by reporting to the board of directors for recordation.

(III) Where the acquisition or disposal of assets of the Company is required to be approved by the board of directors according to the procedures stipulated or other laws and regulations, if any director expresses dissent and it is contained in the minutes or a written statement, the Company shall also submit the director’s dissenting opinion to all supervisors. In addition, if the Company has established independent directors, when the acquisition or disposal of asset transaction is submitted to the board of directors for discussion, the opinion of each independent director’s shall be considered sufficiently. If an independent director objects to or expresses reservations about any

matter, it shall be recorded in the meeting minutes of the board of directors meeting.

III. Executing Unit

When the Company invests in securities, it shall be submitted for approval according to the delegation of authority described in the preceding paragraph, following which the Financial and Accounting Section shall be responsible for the execution thereof.

IV. Obtaining Expert Opinion

(I) The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20% of the company's paid-in capital or NTD300 million or more, the company shall additionally engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation (ARDF). This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the FSC.

(II) Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

V. The calculation of the transaction amounts referred to in the preceding articles shall be done in accordance with Subparagraph (5) of Paragraph 1 of Article 15 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

Article 9 Related party transactions

I. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised according to Articles 7, 8, 10, and 11 as well as this Article, if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion according to Articles 7, 8, 10, and 11. In addition, when judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

II. Assessment and operating procedures

When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20

percent or more of paid-in capital, 10 percent or more of the company's total assets, or NTD300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:

- (I) The purpose, necessity, and anticipated benefit of the acquisition or disposal of assets or right-of-use assets thereof.
- (II) The reason for choosing the related party as a transaction counterparty.
- (III) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Paragraph 4 of this Article.
- (IV) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.
- (V) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- (VI) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with Paragraph 1 of this Article.
- (VII) Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Subparagraph (8) of Paragraph 1 of Article 15 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the supervisors need not be counted toward the transaction amount.

III. With respect to the types of transactions listed below, when to be conducted between the Company and its subsidiaries or between subsidiaries in which the Company directly or indirectly holds 100 percent of the issued shares or authorized capital, the board of directors may authorize the Chairman, according to Paragraph 2 of Article 7, to decide such matters when the transaction is within the following amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting:

- (I) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
- (II) Acquisition or disposal of real property right-of-use assets held for business use.

In addition, if the Company has established independent directors, when the acquisition or disposal of asset transaction is submitted to the board of

directors for discussion, the opinion of each independent director's shall be considered sufficiently. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the meeting minutes of the board of directors meeting.

IV. Assessment of Reasonableness of Transaction Costs

- (I) The Company that acquires real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:
 1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
 2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.
- (II) Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.
- (III) The Company that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with Subparagraph (1) and Subparagraph (2) of Paragraph 4 of this Article shall also engage a CPA to check the appraisal and render a specific opinion.
- (IV) When the results of the Company's appraisal conducted in accordance with Subparagraphs (1) and (2) of Paragraph 4 of this Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Subparagraph (5) of Paragraph 4 of this Article. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:
 1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - (1) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average

gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.

- (2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.
2. Where a the Company acquiring real property or obtaining real property right-of-use assets through leasing from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.
- (V) Where the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the Subparagraphs (1) and (2) of Paragraph 4 of this Article are uniformly lower than the transaction price, the following steps shall be taken:
1. The Company shall set aside a special reserve in accordance with Paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the real property or right-of-use assets thereof transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another public company, then the special reserve called for under Paragraph 1 of Article 41 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.
 2. Supervisors shall comply with Article 218 of the Company Act.
 3. Actions taken pursuant to Item 1 and Item 2 of Subparagraph (5) of Paragraph 3 of this Article shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.

(VI) Where the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the Paragraph 1 and Paragraph 2 of this Article, and the requirements related to the transaction cost reasonableness assessment prescribed in Subparagraphs (1), (2), and (3) of Paragraph 4 of this Article do not apply:

1. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.
3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.
4. The real property right-of-use assets for business use are acquired by the Company with its subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.

(VII) When the Company acquires real property or right-of-use assets from a related party, it shall also comply with the Subparagraph (5) of Paragraph 4 of this Article if there is other evidence indicating that the acquisition was not an arms length transaction.

Article 10 Procedures for Acquisition or Disposal of Memberships

The Company, in principle, does not perform any acquisition or disposal of memberships. However, if the Company plans to performs transactions related to acquisition or disposal of memberships, it shall be reported to the board of directors for approval first, following which the assessment and procedures thereof may then be established.

Article 11 Procedures for Acquisition or Disposal of Intangible Assets

I. Assessment and operating procedures

The acquisition or disposal of intangible assets or right-of-use assets thereof shall be handled according to the internal control system fixed asset cycle procedures of the Company.

II. Procedures for determining transaction terms and degree of authority delegation

(I) Acquisition or disposal intangible assets or right-of-use assets thereof shall consider the expert assessment report or market fair price in order

to determine the transaction terms and transaction price. Acquisition or disposal of intangible assets or right-of-use assets thereof shall be submitted to the board of directors for approval in order to execute the acquisition or disposal accordingly.

- (II) Where the acquisition or disposal of assets of the Company is required to be approved by the board of directors according to the procedures stipulated or other laws and regulations, if any director expresses dissent and it is contained in the minutes or a written statement, the Company shall also submit the director's dissenting opinion to all supervisors. In addition, if the Company has established independent directors, when the acquisition or disposal of asset transaction is submitted to the board of directors for discussion, the opinion of each independent director's shall be considered sufficiently. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the meeting minutes of the board of directors meeting.

III. Executing Unit

When the Company acquires or disposes intangible assets or right-of-use assets thereof, it is necessary to proceed with the report for approval according to the delegation of authority described in the preceding paragraph, following which the use unit and financial management unit shall be responsible for the execution thereof.

IV. Expert assessment opinion report for intangible assets

Where the Company acquires or disposes of intangible assets or right-of-use assets thereof and the transaction amount reaches 20% or more of paid-in capital or NTD300 million or more, except in transactions with a government agency, the Company shall engage a CPA prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

- V. The calculation of the aforementioned transaction amount shall be done in accordance with Subparagraph (8) of Paragraph 1 of Article 15 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

Article 12 Procedures for acquisition or disposal of claims of financial institutions

The Company, in principle, does not perform any acquisition or disposal of claims of financial institutions. However, if the Company plans to performs transactions related to acquisition or disposal of claims of financial institutions, it shall be reported to the board of directors for approval first, following which the assessment and procedures thereof may then be established.

Article 13 Procedures for acquisition or disposal derivatives

I. Transaction principles and directives

The derivatives trading engaged by the Company, in principle, shall be for the purpose of hedging possible risks arising from the operation, and the responsible personnel shall carefully assess possible risks of the company to

engage in the hedging of derivatives trading rigorously, it is also necessary to sufficiently understand various risks that may occur in the derivatives trading.

(I) Type of derivatives trading:

Derivatives refer to forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.

(II) Operating or hedging strategy:

For the foreign currency demands of the Company with respect to the raw materials and machine equipment import etc., the advance purchase of forward foreign exchange is made to achieve the function of hedging. With regard to the foreign currency income generated from the export, the method of pre-sale of forward foreign exchange is adopted for risk hedging.

(III) Delegation of responsibilities:

1. The trading personnel approved by the Chairman under the authorization of the board of directors shall have the right to perform foreign exchange transactions. In case where there is a need to increase or decrease such personnel due to actual needs, the signing approval of the Chairman shall be obtained.
2. The Financial and Accounting Section shall be responsible for the foreign exchange transaction management work.
3. The personnel designated by the Chairman under the authorization of the board of directors shall act as the supervisor for the foreign exchange transaction within the limit authorized.

(IV) Performance evaluation guideline:

1. Transactional: The cumulative exchange gain or loss of the current year already realized shall be used as the evaluation standard.
2. Non-transactional: Whether operation is performed according to the Company’s policy and forward foreign exchange operational plan is used as the standard for the performance evaluation.

(V) Transaction contract total amount: Forward foreign exchange contract authorized transaction limit for the Company and domestic/overseas subsidiaries (referred to as the “entire company”)

1. Hedge trade limit: Open contract total amount of hedge trade of the entire company shall be limited to the exposure position of the Company arising from the operation.
2. Other specific purpose transaction limit: Transactions of other

specific purposes (including but not limited to the capital expenditure, commitment, order etc.) engaged by the entire company shall be approved by the board of directors, and the transaction limit shall not exceed 50% of the import, export demand for a period of six months of the current year of the entire company.

(VI) All and individual contract loss upper limit amount:

1. Hedge trades: For derivatives contracts engaging in hedge trades, the profit/loss from the contract is offset by the profit/loss generated by the corresponding foreign currency asset net position; therefore, it is not required to specify the upper limit for the loss of all contracts or an individual contract.
2. Other specific purpose trades: For the derivatives trading of the entire company, the upper limit amount for all and individual contract loss shall be set to 20% of all of the open contract principles.

II. Risk Management Measures

(I) Credit risk management

Since market is subject to the changes of various factors such that operational risk of derivatives is likely to occur, consequently, with regard to the market risk management, it shall be performed according to the following principle:

1. Transaction counterparties: shall be domestic/foreign well-known financial institutions in principle.
2. Transaction commodities: shall be limited to products provided by domestic/foreign well-known financial institutions.
3. Transaction amount: The open transaction amount of one identical transaction counterparty shall not exceed 10 percentage of the authorized total amount; provided that where the approval of the President is obtained, such restriction shall not be applicable.

(II) Market risk management

The open foreign exchange trading market provided by banks are considered in principle, and the futures market is temporarily not considered.

(III) Liquidity risk management

To ensure the market liquidity, during the selection of financial products, the ones with relatively higher liquidity (i.e. can be squared off in the market at any time) shall be selected in principle. The financial institutions entrusted to perform transactions shall have sufficient information and the capability to perform transaction in any market at any time.

(IV) Cash Flow Risk Management

To ensure the stability of working capital of the Company, the source of fund for the Company to engage in derivatives trading shall be limited to own fund only, and the operating amount shall consider the

fund demand anticipated for the cash income/expenditure in the next three months.

(V) Operational risk management

1. Shall comply with the authorization limit, operation procedures specified by the Company properly and shall be included in the internal audit in order to prevent operating risk.
2. Personnel engaging in derivatives trading shall not concurrently act as the operators for the confirmation and delivery of transactions.
3. Risk measurement, supervision and control personnel shall be from departments different from the personnel described in the preceding subparagraph, and shall report to the board of directors or senior supervisor responsible for the position decision making.
4. The positions held for the derivatives trading shall be assessed at least once weekly. However, for hedge trades performed due to business needs, such trades shall be assessed at least twice monthly. The assessment report shall be submitted to the senior management officer authorized by the board of directors.

(VI) Product risk management

Internal trading personnel shall be equipped with complete and correct professional knowledge on financial commodities, and shall request banks to disclose risks in order to prevent the risk of misuse of financial products.

(VII) Legal risk management

Documents to be signed with financial institutions shall reviewed by professional personnel of the foreign exchange and legal or legal consultant before executing official signing in order to prevent legal risk.

III. Internal audit system

- (I) Internal auditors shall periodically understand the appropriateness of the derivatives trading internal control, and shall audit the status of the trading department complying with the procedures for engaging in derivatives trading and analyze the trading cycle in order to prepare audit report. In case of discovery of material breach, written notice shall be submitted to supervisors. Where the Company has established independent directors according to the regulations, it is required to inform the independent directors in writing altogether.
- (II) Internal auditors shall submit the audit report along with the internal audit operation annual audit plan execution status according to the specified format to the FSC, Executive Yuan, via the Internet-based information system method before the end of February of next year, and shall also report the abnormality improvement status via the same aforementioned method for recordation no later than the end of May of next year.

IV. Periodic assessment method

- (I) The board of directors shall authorize senior management officers to periodically supervise and assess whether derivative trading performed are handled properly according to the trading procedures established by the Company, and whether the risk borne is within the acceptable range. In case of any abnormalities indicated in the market price assessment report (such as the position held has exceeded the loss limit), report to the board of directors shall be made immediately, and responsive measures shall be adopted.
 - (II) The positions held for the derivatives trading shall be assessed at least once weekly. However, for hedge trades performed due to business needs, such trades shall be assessed at least twice monthly. The assessment report shall be submitted to the senior management officer authorized by the board of directors.
- V. Supervision management principles for board of directors for engaging in derivative trading
- (I) The board of directors shall designate senior management officers to be aware of the supervision and control of the risks of derivative trading, and the management principle is as follows:
 1. Periodically assess whether the risk management measures currently adopted are appropriate and properly handle matters according to the procedures for handling derivatives trading stipulated by the Company.
 2. Supervise transactions and profit or loss condition. In case of discovery of any abnormality, necessary responsive measures shall be adopted, and shall report to the board of directors immediately. Where the Company has established independent directors, the board of directors' meeting shall be attended by the independent directors and opinions shall be provided.
 - (II) Periodically assess whether the performance of the derivatives trading complies with the predefined management strategies and whether the risk borne is within the acceptable range of the Company.
 - (III) When the Company engages in derivative trading, where relevant personnel are authorized to according to the requirements of the procedures for derivative trading, it is necessary to report to the most recent board of directors' meeting after such trading.
 - (IV) The Company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, and the matters required to be carefully evaluated under Subparagraph (2) of Paragraph 4, Subparagraph (1) and Subparagraph (2) of Paragraph 5 of this article shall be recorded in detail in the log book.

Article 14 Procedures for merger, demerger, acquisition or transfer of shares

- I. Assessment and operating procedures
 - (I) To conduct merger, demerger, acquisition or transfer of shares, the Company is recommended to appoint attorney, CPA and securities underwriter to jointly establish the statutory procedure and predefined schedule, and organize project team to execute according to the

statutory procedure. In addition, prior to convening the board of directors to resolve on the matter, the Company shall engage a CPA, attorney, or securities underwriter to provide opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for discussion and approval. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.

- (II) The Company shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in Subparagraph (1) of Paragraph 1 of this Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. In addition, where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

II. Other matters requiring attention

- (I) Date of board of directors' meeting: The Company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and a shareholders meeting on the same day to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC, Executive Yuan, is notified in advance of extraordinary circumstances and grants consent thereto. Companies participating in a transfer of shares shall call a board of directors meeting on the same day, unless another act provides otherwise or the FSC, Executive Yuan, notified in advance of extraordinary circumstances and grants consent thereto.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, the Company shall prepare a full written record of the following information and retain it for five years for reference:

1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the

information.

2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, the Company shall, within 2 days counting inclusively from the date of passage of a resolution by the board of directors, in the prescribed format and via the Internet-based information system, report the information set out in Subparagraphs 1 and 2 of the preceding Paragraph to the competent authority for recordation.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such company whereby the latter is required to abide by the provisions of Paragraph 2 and Paragraph 3.

- (II) Prior non-disclosure undertaking: All personnel of the companies participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
- (III) Principles for share exchange ratio or acquisition price establishment and alternation: Companies conducting a merger, demerger, acquisition or transfer of shares, prior to convening the board of directors of both parties to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and shall report to the shareholders' meeting. The share exchange ratio or acquisition price shall not be altered arbitrarily in principle; however, where the contract has specified terms/conditions permitting alternation and such alternation have been publicly disclosed, then such restriction shall not be applied. The criteria permitted for the alternation of share exchange ratio or acquisition price are as follows:
 1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
 2. An action, such as a disposal of major assets, that affects the company's financial operations.

3. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
 4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
 5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
 6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
- (IV) Required content of contract: The contract for participation by a public company in a merger, demerger, acquisition, or of shares shall comply with the regulations of Article 317-1 of the Company Act and Article 22 of Business Mergers And Acquisitions Act, and shall also record the following:
1. Handling of breach of contract.
 2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
 3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
 4. The manner of handling changes in the number of participating entities or companies.
 5. Preliminary progress schedule for plan execution, and anticipated completion date.
 6. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
- (V) When there is change in the number of companies participating in merger, demerger, acquisition or transfer of share: After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.
- (VI) Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company and shall handle

the board of directors' meeting date according to Subparagraph (1) , prior non-disclosure undertaking according to Subparagraph (2) and requirements for the change in the number of companies participating in merger, demerger, acquisition or transfer of share according to Subparagraph (5) of Paragraph 2 of this Article.

Article 15 Procedures for public disclosure of information

- I. Required announcement and report items and standards for announcement and report
 - (I) Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NTD300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
 - (II) Merger, demerger, acquisition, or transfer of shares.
 - (III) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.
 - (IV) Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:
 1. For the paid-in capital is less than NTD10 billion, the transaction amount reaches NTD500 million or more.
 2. For the paid-in capital is NTD10 billion or more, the transaction amount reaches NTD1 billion or more.
 - (V) Acquisition or disposal by the Company in the construction business of real property or right-of-use assets thereof for construction use, and the transaction counterparty is not a related party, and the transaction amount reaches NTD500 million; among such cases, if the paid-in capital reaches NTD10 billion or more, and it is disposing of real property from a completed construction project that it constructed itself, and furthermore the transaction counterparty is not a related party, then the threshold shall be a transaction amount reaching NTD1 billion or more.
 - (VI) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NTD500 million.

(VII) Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NTD300 million; provided, this shall not apply to the following circumstances:

1. Trading of domestic government bonds.
2. Where done by professional investors-securities trading on securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.
3. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

(VIII) The amount of transactions described in the preceding paragraph shall be calculated as follows, and the term of “within the preceding year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.

1. The amount of any individual transaction.
2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

(IX) For requirements related to the calculation of 10 percentage of total assets described in these Procedures, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

In the case of the Company whose shares have no par value or a par value other than NTD10-for the calculation of transaction amounts of 20 percent of paid-in capital under these Regulations, 10 percent of equity attributable to owners of the parent shall be substituted.

II. Time-limit for public announcement and report

Where the public announcements specified in Paragraph 1 of This Article are required and the transaction amount reaches the standard for public announcement and report with respect to the Company acquiring or disposing assets, a public announcement and report shall be made within 2 days counting inclusively from the date of occurrence of the event.

III. Procedures for public announcement and report

- (I) The Company shall publicly announce and report relevant information on the FSC designated website.
- (II) The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.
- (III) When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.
- (IV) The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.
- (V) Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:
 1. Change, termination, or rescission of a contract signed in regard to the original transaction.
 2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
 3. Change to the originally publicly announced and reported information.

Article 16 The control procedures of the Company on subsidiaries shall be handled according to the following:

- I. A subsidiary of the Company shall establish its “Procedures for Acquisition and Disposal of Assets” according to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies.”
- II. Where a subsidiary of the Company is not a public company, when its acquisition or disposal of assets reaches the announcement and report standards specified in Paragraph 1 of Article 15, the Company shall also handle the public announcement and report on behalf of the subsidiary.

- III. In the public announcement and report standards of a subsidiary of the Company, the “reaching 20 percent of paid-in capital of the company or 10 percent of total asset of the company” shall be based on the paid-capital and total asset of the Company.

Article 17 Penalties

Where an employee of the Company handling acquisition or disposal of assets violates the regulations of these Procedures, it shall be reported for evaluation according to the Personnel Management Regulations and the Employee Handbook of the Company in order to impose penalties according to the severity of such violation.

Article 18 Implementation and Amendment

The “Procedures for Acquisition or Disposal of Assets” of the Company shall be implemented upon approval from the board of directors, and are subject to review by supervisors and acknowledgment during shareholder meeting. The same procedures apply to subsequent amendments of these Procedures. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director’s dissenting opinion to all supervisors. In addition, if the Company has established independent directors, when the “Procedures for Acquisition or Disposal of Assets” is submitted to the board of directors for discussion, the opinion of each independent director’s shall be considered sufficiently. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the meeting minutes of the board of directors meeting.

Article 19 Amendment Date

These Procedures were stipulated on June 20, 2003.

The 1st amendment of these Procedures was made on June 14, 2006.

The 2nd amendment of these Procedures was made on June 21, 2007.

The 3rd amendment of these Procedures was made on June 13, 2012.

The 4th amendment of these Procedures was made on June 12, 2014.

The 5th amendment of these Procedures was made on June 15, 2016.

The 6th amendment of these Procedures was made on June 15, 2017.

The 7th amendment of these Procedures was made on June 25, 2019.

CREATIVE SENSOR INC.

Rules of Procedure for Shareholders Meetings (Original Provisions)

- I. Unless otherwise specified by law or Articles of Incorporation, shareholder meetings of the Company shall proceed according to the following rules.
- II. The Company shall get ready sign-in book to enable the participating shareholders to sign. A participating shareholder may, as well, present his or her sign-in card instead of signing to prove presence. The number of shares represented by the participating shareholders shall be calculated based on the sign-in book or the submitted sign-in cards, added with the number of shares with voting rights that are exercised in writing or in electronic means.
- III. The presence and voting in a shareholders' meeting shall be duly calculated based on the number of shares so represented.
- IV. The venue for a shareholders meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.
- V. Shareholder meetings that are convened by the board of directors shall be chaired by the Chairman. If the Chairman is unable to perform duty due to leave of absence or any reasons, the Chairman will appoint one of the directors to act on their behalf. If no one is appointed, the remaining directors shall appoint one among themselves to perform the Chairman's duties on behalf.

For shareholder meetings that are convened by any authorized party other than the board of directors, the convener shall chair the meeting. If there are two or more conveners at the same time, one shall be appointed among themselves to chair the meeting.
- VI. The Company may appoint the retained Attorney(s)-at-Law, Certified Public Accountant(s) or relevant personnel to participate in a shareholders' meeting. The staff serving on the shareholders' meeting shall wear identity certificates or arm-bands.
- VII. The Company's shareholder meetings must be recorded in video or audio, and kept for at least one (1) year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.
- VIII. The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour. If attending shareholders represent more than one-third but less than half of outstanding shares after two postponements, the attending shareholders may reach a tentative resolution according to Paragraph 1, Article 175 of the Company Act. When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.
- IX. If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.

The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the board of directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions).

After the meeting is adjourned, shareholders cannot nominate another chairman or seek another venue for continuation of the meeting.

- X. Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

While a shareholder is speaking, other shareholders cannot speak simultaneously or interfere in any way unless agreed by the chairperson and the person speaking. Any violators shall be restrained by the chairperson with comments disregarded.

- XI. Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes.

If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

- XII. Where an institutional shareholder may be appointed as a proxy to attend the shareholders' meeting, such institutional shareholder may appoint only one representative to the meeting.

When an institutional shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.

- XIII. After a present shareholder completes speech, the chairperson may respond either in person or through a relevant person designated.

- XIV. The chairperson may announce to discontinue further discussions if the topic is considered to have been sufficiently discussed to proceed with the vote.

- XV. Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of this Corporation. Voting results shall be made known on-site immediately and recorded in writing.

- XVI. When a meeting is in progress, the chair may announce a break based on time considerations.

- XVII. Unless otherwise provided for in the Company Act and the Articles of Incorporation, the decision of an issue shall be resolved by a majority vote in the meeting which is attended by shareholders who represent a majority of the total issued shares.

An agenda is considered passed if the chairperson receives no objection from any attending shareholders. This voting method shall carry the same effect as the conventional ballot method.

Shareholders may appoint proxies to attend shareholder meetings on their behalf. With the exception of trust enterprises and certain share administration agencies approved by the competent authority, a proxy may not represent more than 3% of total voting rights in aggregate when representing two or more shareholders during the meeting. Voting rights that exceed this threshold shall be excluded from calculation. When a shareholder is an

interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

- XVIII. When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.
- XIX. The chair may direct the proctors (or security personnel) to help maintain order at the meeting place. When proctors (or security personnel) help maintain order at the meeting place, they shall wear an armband bearing the word "Proctor."
- XX. These Rules, and any amendments hereto, shall be implemented after adoption by shareholders meetings.
- XXI. The above rules were passed during the annual general meeting dated June 12, 2002.
The 1st amendment of these Rules was made on June 13, 2012.

CREATIVE SENSOR INC.

Directors' and supervisors' shareholding position

- I. Paid-up capital of the Company: NTD 1,270,550,000
Current outstanding shares: 127,055,000 shares
- II. Minimum shareholding required from all directors: 8,000,000 shares.
- III. Minimum shareholding required from all supervisors: 800,000 shares.
- IV. Directors' and supervisors' actual shareholding position are as follows:

Date of information: 2020/04/13

Title	Name	Date when elected	Number of shares held when elected		Shareholding position as at the book closure date	
			Number of shares held	Ratio	Number of shares held	Ratio
Chairman	TECO Image Systems Co., Ltd. Representative: Yu-Ren Huang	June 27, 2018	21,928,260	17.26%	21,928,260	17.26%
Director	TECO Image Systems Co., Ltd. Representative: Chi-Chang Yang	June 27, 2018	21,928,260	17.26%	21,928,260	17.26%
Director	TECO Electric & Machinery Co., Ltd. Representative: Chao-Chih Lien	June 27, 2018	2,137,044	1.68%	2,137,044	1.68%
Director	KROM Electronics Co., Ltd. Representative: Ying-Sheng Hsieh	June 27, 2018	100,000	0.08%	100,000	0.08%
Director	Tong-An Investment Co., Ltd. Representative: Chiang Hsu	June 27, 2018	7,913,310	6.23%	7,913,310	6.23%
Independent Director	Hsiu-Ming Wang	June 27, 2018	0	0%	0	0%
Independent Director	James Wang	June 27, 2018	0	0%	0	0%
Total directors' shareholding			32,078,614	25.25%	32,078,614	25.25%
Supervisor	GUANG YUAN Co., Ltd. Representative: Hui-Mei Wu	June 27, 2018	789,530	0.62%	789,530	0.62%
Supervisor	Min-Yu Chang	June 27, 2018	13,000	0.01%	13,000	0.01%
Supervisor	Hung-Ming Lin	June 27, 2018	0	0%	0	0%
Total supervisors' shareholding			802,530	0.63%	802,530	0.63%

Note: The Company has two independent directors; therefore, the required shareholding percentage was reduced to 80% according to Article 2 of "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies."