

Stock Code: 8249

Taiwan Stock Exchange Market Observation Post System

<http://mops.twse.com.tw>

Corporate Website

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

Creative Sensor Inc.

2021 Annual Report

Printed on: May 3, 2022

I. Name, title, phone number, and email address of the spokesperson and the acting spokesperson

Name of Spokesperson:

Chi-Chang Yang

Title: Vice Chairman

TEL.: (02)8912-1289

Email: spokesperson@csi-sensor.com.tw

Name of Acting Spokesperson:

Chien-Chung Hung

Title: Manager

TEL.: (02)8912-1289

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

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

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

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

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

Accounting firm: PwC Taiwan

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

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

TEL.: (02)2729-6666

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

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

Table of Contents

ONE. LETTER TO SHAREHOLDERS	5
TWO. COMPANY PROFILE	8
I. ESTABLISHMENT DATE	8
II. CORPORATE MILESTONES	8
THREE. CORPORATE GOVERNANCE REPORT	10
I. ORGANIZATION SYSTEM	12
II. INFORMATION CONCERNING THE DIRECTORS, SUPERVISORS, PRESIDENTS, VICE PRESIDENTS, ASSISTANT VICE PRESIDENTS, AND DEPARTMENT AND BRANCH MANAGERS	12
III. STATUS OF CORPORATE GOVERNANCE	32
IV. INFORMATION OF INDEPENDENT AUDITORS FEE	82
V. INFORMATION ON CHANGE OF CPAS	82
VI. THE AUDITING FIRM OR ITS AFFILIATES AT WHICH THE COMPANY’S CHAIRMAN, PRESIDENT, OR MANAGERS RESPONSIBLE FOR FINANCIAL OR ACCOUNTING MATTERS WAS AN EMPLOYEE OVER THE PAST YEAR, HIS/HER NAME, POSITION AND EMPLOYMENT PERIOD SHALL BE DISCLOSED	82
VII. CHANGE OF SHARES TRANSFERRED AND PLEDGED FOR DIRECTORS, SUPERVISORS, MANAGERS AND ANY SHAREHOLDER WHO HOLDS MORE THAN 10% OF THE COMPANY’S SHARES DURING THE MOST RECENT YEAR UNTIL THE DATE ON WHICH THE ANNUAL REPORT WAS PRINTED	82
VIII. RELATIONSHIP INFORMATION, IF ANY OF THE 10 LARGEST SHAREHOLDERS IS A RELATED PARTY, OR IS THE SPOUSE OR A RELATIVE WITHIN THE SECOND DEGREE OF KINSHIP WITH ANOTHER	84
IX. THE TOTAL NUMBER OF SHARES AND TOTAL EQUITY STAKE HELD IN THE SAME INVESTEE BY THE COMPANY, ITS DIRECTORS AND SUPERVISORS, MANAGERIAL OFFICERS, AND ANY COMPANIES CONTROLLED EITHER DIRECTLY OR INDIRECTLY BY THE COMPANY ..	89
FOUR. FUNDRAISING STATUS	90
I. CORPORATE CAPITAL AND SHARES	90
II. ISSUANCE OF CORPORATE BONDS	90

III. ISSUANCE OF PREFERRED SHARES	98
IV. ISSUANCE OF OVERSEAS DEPOSITORY RECEIPTS.....	98
V. ISSUANCE OF EMPLOYEE STOCK OPTION CERTIFICATES.....	98
VI. INFORMATION ABOUT NEW RESTRICTED EMPLOYEE SHARES.....	98
VII. ISSUANCE OF NEW SHARES IN CONNECTION WITH MERGERS OR ACQUISITIONS OF, OR SUCCESSION TO SHARES OF OTHER COMPANIES.....	98
VIII. IMPLEMENTATION OF CAPITAL UTILIZATION PLAN.....	98

FIVE. OPERATION OVERVIEW 99

I. BUSINESS ACTIVITIES	99
II. MARKET AND PRODUCTION/SALES OVERVIEW	102
III. NUMBER OF EMPLOYEES IN THE LAST TWO YEARS AND THE EMPLOYEE INFORMATION OF THE GROUP UP TO THE PUBLICATION DATE OF THE ANNUAL REPORT	110
IV. INFORMATION ON ENVIRONMENTAL PROTECTION EXPENDITURES	110
V. LABOR-MANAGEMENT RELATIONSHIP	112
VI. CYBER SECURITY MANAGEMENT	115
VII. IMPORTANT CONTRACTS.....	119

SIX. FINANCIAL INFORMATION 120

I. CONDENSED BALANCE SHEET AND COMPREHENSIVE INCOME STATEMENT FOR THE MOST RECENT FIVE YEARS	120
II. FINANCIAL ANALYSIS FOR THE MOST RECENT FIVE YEARS	124
III. AUDIT COMMITTEE'S REVIEW REPORT OF THE FINANCIAL STATEMENTS IN THE MOST RECENT YEAR.....	129
IV. FINANCIAL STATEMENTS OF THE MOST RECENT YEAR	130
V. COMPANY'S STANDALONE FINANCIAL STATEMENTS OF THE MOST RECENT YEAR AUDITED BY AUDITORS	130
VI. SUMMARY OF ANY FINANCIAL DIFFICULTY OF THE COMPANY OR ITS AFFILIATES IN THE MOST RECENT YEAR AND UP TO THE PRINTING DATE OF THE ANNUAL REPORT. IN CASE OF ANY	

FINANCIAL DIFFICULTY, THE IMPACT OF SUCH DIFFICULTY ON THE COMPANY SHALL BE EXPLAINED.....	130
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SEVEN. REVIEW AND ANALYSIS OF FINANCIAL STATUS AND OPERATIONAL RESULTS AND RISKS 131

I. FINANCIAL STATUS.....	131
II. FINANCIAL PERFORMANCE.....	131
III. CASH FLOW	132
IV. IMPACT OF SIGNIFICANT CAPITAL EXPENDITURES IN THE MOST RECENT YEAR ON THE FINANCIAL AND OPERATING CONDITIONS OF THE COMPANY: THERE WERE NO SIGNIFICANT CAPITAL EXPENDITURES IN THE MOST RECENT YEAR.....	133
V. INVESTMENT POLICY FOR THE MOST RECENT YEAR, MAIN REASONS FOR PROFITS/LOSSES GENERATED, IMPROVEMENT PLANS, AND INVESTMENT PLANS FOR THE NEXT YEAR.....	133
VI. RISK ANALYSIS AND ASSESSMENT MADE IN THE MOST RECENT YEAR AND UP TO THE PRINTING DATE OF THE ANNUAL REPORT	133
VII. OTHER IMPORTANT MATTERS.....	137

EIGHT. SPECIAL DISCLOSURE..... 138

I. AFFILIATED ENTERPRISE INFORMATION	138
II. ANY PRIVATE PLACEMENT OF SECURITIES WITHIN THE LATEST FISCAL YEAR AND AS OF THE DATE OF THE ANNUAL REPORT	140
III. ANY SHARE OWNERSHIP AND DISPOSAL OF SHARES OF THE COMPANY BY SUBSIDIARIES WITHIN THE LATEST FISCAL YEAR AND AS OF THE DATE OF THE ANNUAL REPORT.....	142
IV. ADDITIONAL INFORMATION REQUIRED TO BE DISCLOSED.	142
V. EVENTS WITH MAJOR IMPACTS ON SHAREHOLDER EQUITY OR SHARE VALUE IN THE MOST RECENT YEAR AS OF THE PRINTING DATE OF THE ANNUAL REPORT.	142

ONE. LETTER TO SHAREHOLDERS

I. 2021 Operational Overview

The COVID-19 pandemic continued in the first half of 2021 and its impact could be felt in economic activities and lifestyles across the globe. Working from home and online courses have become the new normal and the market demand for low-level consumer multifunction printer (MFPs) continued to grow, and exceeded the demand in the same period in the first half of 2020. In the second half of 2021, the impact of the pandemic on the supply chain exacerbated as port congestion and disruption of land transportation unbalanced the supply and demand of commodities and caused shortages of chips, which in turn caused fluctuations in the supply of materials in the supply chain. End users could only quickly adjust production and sales to respond to changes in the supply chain and the sales market. The impact was particularly prominent in the fourth quarter. Creative Sensor was affected by the aforementioned factors which increased both the overall shipment volume and revenue. However, the changes caused by the pandemic to the supply chain have exacerbated and increased pressure on cost control. The results of the implementation Creative Sensor's 2021 business plan attained growth compared to the same period in the previous year.

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

Unit: NTD thousands

Item \ Year	2021	2020	Growth rate
Operating revenue	3,951,319	3,399,884	+16.2%
Gross profit	523,269	463,509	+12.9%
Earnings per share	1.50	1.50	0.0%

(II) Revenue, profit, and loss:

2021 revenues amounted to NTD 3.95 billion, up 16.2% from the NTD 3.4 billion in 2020. The gross profit in 2021 was NTD 523 million, an increase of 12.9% from NTD 463 million in 2020. The revenue grew as a result of the increase in shipments. However, the rising cost of labor and raw materials reduced the growth rate of the gross profit and the earnings per share after tax was NTD 1.5, which was the same as last year.

2021 R&D results:

1. Completed the standardization of components, modularization of design, and institutionalization of the procedures for the CISM project to enhance resource integration, effectively shorten development time, and reduce cost.

2. Completed the independent design of light source with zero-reflection housing, introduced new high-depth-of-field optical modules for development and design, and completed the verification of model samples to improve product competitiveness.
3. Launched and completed the development, design, and evaluation of next-generation thin CISM modules. The new products will provide customers with more options and increase competitiveness.
4. Introduction of 3-mil wiring design to reduce PCB area, increase the usage rate of panels, and thereby reduce cost.
5. Completed the IR temperature measurement algorithm, AI disease prevention application, and image texture enhancement algorithm.
6. The patent application for "Contact Image Sensor, Light Guide Module and Manufacturing Method Thereof" received a utility model patent in Taiwan and its invention patent is currently evaluated in the United States and Taiwan.

II. 2022 Outlook

The global economic growth reached 5.5% in 2021 due to increased vaccination as well as fiscal and monetary policies and stimulus programs around the world. Looking ahead to 2022, the uncertainties of the pandemic and geopolitical struggles will continue to affect the global economy. We will continue to pay attention to the impact of these changes on the industry as well as on plant management, supply chain bottlenecks, new production base planning, automation and production technology innovation, and continued cost control to maintain profitability.

Therefore, the Company's operational priorities for 2022 are as follows. The management team must maintain existing customer relationships and strengthen supply chain relationships to ensure a stable supply of materials. The factories must continue to reduce staff turnover to increase production and strengthen quality control to reduce defect rates. They must enhance the flexibility and response to changes of automated production, promote process optimization, and improve product yields to ensure profitability. In addition, the Company shall actively invest in new product research and development and focus on "security monitoring applications" and "industrial inspection applications". We will use modular design and incorporate AI image processing to create product differentiation and increase product competitiveness.

The following will be the focuses of the Company's operations in 2022:

1. Actively expand partners to ensure stable supply in response to destabilized market supply due to the severe fluctuations in prices of raw materials. Maintain long-term strategic inventories of wafer ICs to mitigate the impact of sudden shortages.
2. Reduce the turnover rate of factory personnel, increase the flexibility and change ratio of automated production, ensure factory efficiency and yield rate, and control costs and expenses to increase the profit.

3. Complete the production certification of light source with zero-reflection housing and start production. Adopt conceptual design of high-depth-of-field optical modules and continue the vertical integration plan for CISM to continue to reduce the cost.
4. Continue the development of new linear optical sensors and the design and process validation of high-depth-of-field CISM modules to enter mass production.
5. Leverage collaboration with strategic partners to develop pressuring-sensing module algorithms and AOI sensor equipment.
6. Plan a second production site to increase the self-production rate of components and establish fully automatic smart production lines to control cost and ensure quality and production capacity.

Yu-Jen Huang, Chairman

Two. Company Profile

I. Establishment Date: June 15, 1998

II. Corporate Milestones

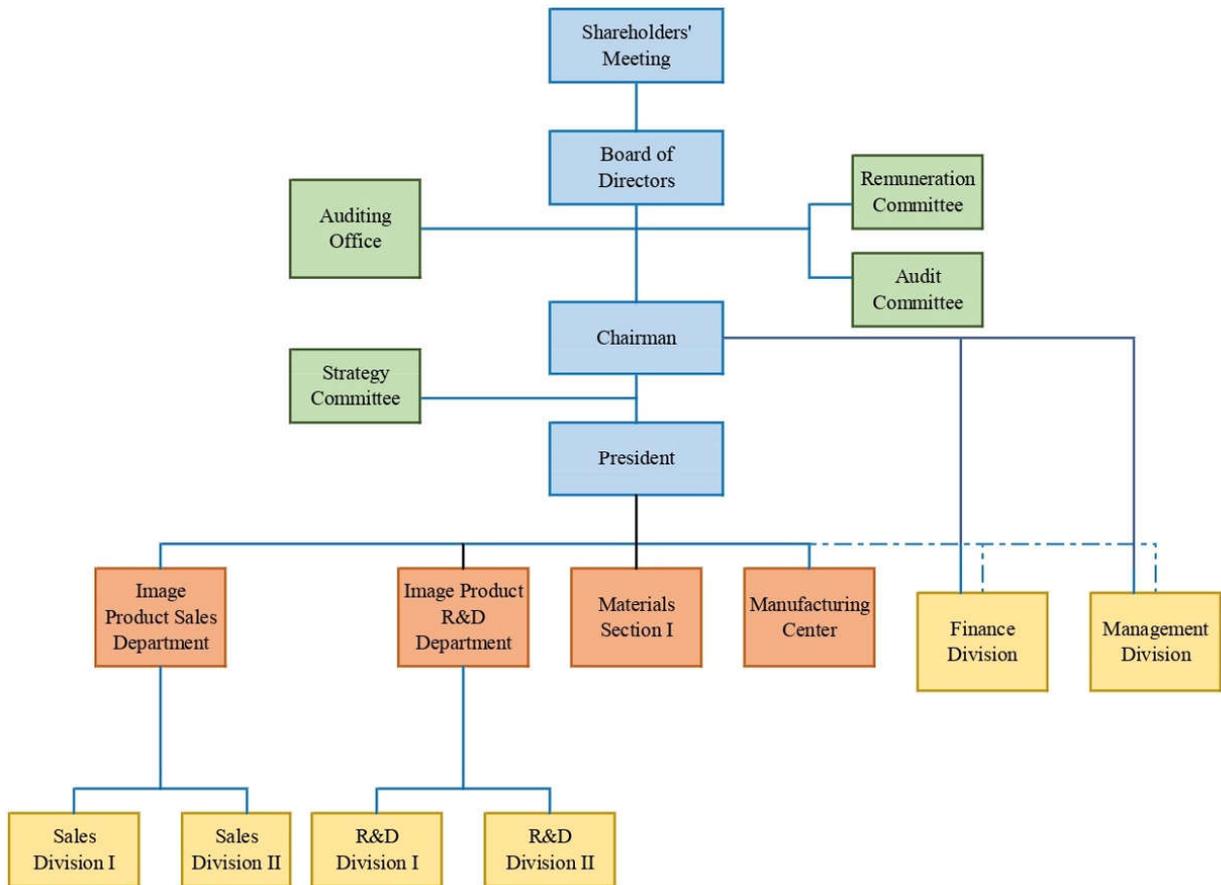
- 1998 - The Company was founded in Wenshan District, Taipei City. The registered capital was NTD 40 million and the paid-in capital was NTD 10 million.
- 1999 - The Company moved to Xizhi City, Taipei County.
- The cash capital increase was NTD 50 million and the paid-in capital was NTD 60 million.
- 2000 - The cash capital increase was NTD 300 million and the paid-in capital reached NTD 360 million.
- The Company then carried out supplemental public issuance.
- The Company moved to Xindian City, Taipei County.
- The Company obtained the ISO9001 certificate.
- 2001 - The Company entered into the “Development Project of New Leading Products” agreement with the Industrial Development Bureau, Ministry of Economic Affairs.
- 2002 - The Company finished a complete strategic alliance arrangement in the CIS industry with global leading manufacturers and customers.
- The English name of the Company was changed to “CREATIVE SENSOR INC.”
- The cash capital increase was NTD 140 million and the paid-in capital reached NTD 500 million.
- A subsidiary was founded in Wuxi, China to support the Company's marketing strategy and lower production cost.
- The cash capital increase was NTD 200 million and the paid-in capital reached NTD 700 million.
- 2003 - The Company developed a 2400 DPI High Resolution Chromatic CIS. It was the first developed and mass-produced leading model of 2400 DPI in the market.
- 2004 - Inauguration of Wuxi 2nd factory in China.
- The Company obtained the ISO14001 certificate.
- 2005 - The Company received approval from the Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan for listing as a public company.
- The first domestic unsecured convertible corporate bonds amounting to NTD 200 million were issued.
- The Company invested and founded a subsidiary in the USA.
- 2006 - The Company obtained the qualification of business operation headquarters.
- The Company obtained the TS16949 quality system certificate in the automobile industry.

- Successful mass production of the world's first liquid lens.
- 2007 - The Company invested in and founded the NanChang Creative Sensor Technology Co., Ltd.
The Company obtained the technology research and development project from the Ministry of Economic Affairs (research and development project of autofocus liquid lens module).
- 2008 - Opening of NanChang Creative Sensor Technology Co., Ltd.
- 2009 - Wuxi Creative Sensor Technology Co., Ltd. passed the high-tech enterprise certification.
- 2010 - Part of the ELCC new packaging process for sensors entered the mass production stage.
- 2012 - NanChang Creative Sensor Technology Co., Ltd. passed the high-tech enterprise certification.
- 2013 - The Company received the 2012 best quality award for suppliers from Brother.
- 2014 - The Company received the 2013 remarkable supplier award from Epson.
- The Company moved to Neihu District, Taipei City.
- 2015 - The company received the 2015 remarkable quality and process supplier award from HP.
- 2016 - The Company received the 2016 quality advancement supplier award from HP.
- The Company received the 2016 quality advancement award from Samsung.
- The Company received the 2016 remarkable supplier award from Brother.
- The Company received the 2016 remarkable supplier award from Epson.
- 2017 - The Company successfully developed infrared thermal imaging ceramic packaging technology.
The Company successfully developed independent sensor light sources and it entered mass production.
- 2018 - Successfully developed 660mm automatic optical inspection module.
- 2019 - Successfully integrated thermal imaging driving ASIC and sensor, developed thermal imaging module2020
- 2020 - Received the appreciation award from HP for supplier's assistance during the pandemic period
- 2021 - Successfully developed the AI for temperature measurement software used for crowd disease prevention including face/mask identification.

Three. Corporate Governance Report

I. Organization System

(I) Organization structure



(II) Responsibilities of Main Departments:

Department	Responsibilities and Duties
Auditing Office	Review and evaluate the Company's internal control system, establish and revise internal audit system, and periodically execute audits on various company's internal management system operations and prepare reports.
President's Office	Plan and establish company's vision, business policies, and medium and long-term development strategies.
Image Product Sales Department	<ol style="list-style-type: none"> 1. Responsible for the promotion of optoelectronic product business development, customer development and maintenance, collect and analyze market information as well as product development and design. 2. Establish company's marketing strategies according to the company's strategy direction, market information, and customer demands. 3. Management of customer information, quotations and orders, sales report and control of RMA progress. 4. Shipping notice issuance, sales return customer contact, and follow-up. 5. Development of testing system and established a repair system. 6. Collection of information of product market trends and technologies etc. as well as analysis and responsive strategies.
Image Product R&D Department	<ol style="list-style-type: none"> 1. Responsible for the research and development as well as business development of new products. 2. Development, design and specification establishment of new products. 3. Implementation and introduction of new technologies and new suppliers, and planning for reduction of production costs.
Manufacturing Center	<ol style="list-style-type: none"> 1. Production goal management, production operation process evaluation planning and execution. 2. Manufacturing process technical evaluation, planning and design, coordination and resolution of various manufacturing process issues. 3. Establishment and management of quality activities, factory equipment maintenance, occupational safety, and environmental protection.
Finance Division	<ol style="list-style-type: none"> 1. Manage financial, accounting, cost, stock affairs, investments and board of directors related affairs of the entire company. 2. Responsible for the investment analysis, budget management, operation performance analysis and strategy recommendations, business planning.
Management Division	<ol style="list-style-type: none"> 1. Manage human resources, general administration, asset management, legal and information management affairs etc. for the entire company. 2. Provide necessary support and service to all departments to improve operational performance.

II. Information Concerning the Directors, Supervisors, Presidents, Vice Presidents, Assistant Vice Presidents, and Department and Branch Managers

(I) Directors

1. Information of Directors April 12, 2022

Title	Nationality or Place of Registration	Name	Gender Age	Date of Election (Appointment)	Term (years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shares Held in the Name of Other Persons		Education and Selected Past Positions	Other Current Positions within the Company and in Other Companies	Executives, Directors or Supervisors who are Spouses or Within Two Degrees of Kinship			Remarks
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Chairman	Republic of China	TECO Image Systems Co., Ltd.		July 9, 2021	3	June 20, 2003	21,928,260	17.26%	28,906,260	19.39%	0	0	0	0	Chairman and president of TECO Image Systems Co., Ltd. CEO of TECO Group, IT Business Unit M.E.E. of Columbia University	(Note 1)	None	None	None	
	Japan	Representative: Yu-Jen Huang	Male 51-60 years old	July 9, 2021	3	June 20, 2003	0	0.00%	0	0.00%	0	0	0	0			None	None	None	
Vice Chairman	Republic of China	TECO Image Systems Co., Ltd.		July 9, 2021	3	June 20, 2003	21,928,260	17.26%	28,906,260	19.39%	0	0	0	0	Sales Director of Sunplus Technology Co., Ltd. MBA of Keio University		None	None	None	
	Republic of China	Representative: Chi-Chang Yang	Male 51-60 years old	July 9, 2021	3	October 22, 2019	0	0.00%	69,863	0.047%	0	0	0	0			None	None	None	
Director	Republic of China	Koryo Electronics Co., Ltd.		July 9, 2021	3	June 14, 2006	3,787,000	2.98%	5,701,000	3.82%	0	0	0	0	Vice Chairman of Koryo Electronics Co., Ltd. Master of Regional Economics, Jinan University Guangzhou		None	None	None	
	Republic of China	Representative: En-Kuo Wang	Male 51-60 years old	July 9, 2021	3	September 29, 2020	0	0.00%	0	0.00%	0	0	0	0		None	None	None		
Director	Republic of China	Koryo Electronics Co., Ltd.		July 9, 2021	3	June 13, 2012	3,787,000	2.98%	5,701,000	3.82%	0	0	0	0	Partner, Cheng & Ku	None	None	None		

	Republic of China	Representative: Mu-Yao Ku	Male 51-60 years old	July 9, 2021	3	July 9, 2021	0	0.00%	0	0.00%	0	0	0	0	0	Law Firm Master of Intellectual Property Law, Franklin Pierce Law Center (U.S.A.)	None	None	None	
Independent Director	Republic of China	Hsiu-Ming Wang	Male 61-65 years old	July 9, 2021	3	June 16, 2009	0	0.00%	0	0.00%	0	0	0	0	0	Chairman of Ming Shing Creativity Management Consultant Co., Ltd. MBA, University of Leicester	None	None	None	
Independent Director	Republic of China	Shih-Ing Huang	Female 41-50 years old	July 9, 2021	3	July 9, 2021	0	0.00%	0	0.00%	0	0	0	0	0	Independent Director, Uni Pharma Co., Ltd. Independent Director, M31 Technology Corporation PhD in Financial Management, Guangzhou Jinan University	None	None	None	
Independent Director	Republic of China	En-Hsin Hsiao	Male 61-65 years old	July 9, 2021	3	July 9, 2021	0	0.00%	0	0.00%	0	0	0	0	0	Chairman, Tong Seng Applied Materials Inc. M.E.E. of Texas State University	None	None	None	

Note 1: Other current positions within the Company and in other companies thereof

Title	Name	Other Current Positions within the Company and in Other Companies	
Chairman	Yu-Jen Huang	Chairman:	Creative Sensor Inc.; TECO Image Systems Co., Ltd.; TECO Pro-Systems (JiangXi) Co., Ltd.
		Director:	Independent Director of Genetics Generation Advancement Corp.; Wuxi Creative Sensor Technology Co., Ltd.; NanChang Creative Sensor Technology Co., Ltd.; Creative Sensor (USA) Co.; Creative Sensor Co., Ltd. (HK); Creative Sensor Inc. (BVI)
Vice Chairman	Chi-Chang Yang	Chairman:	Sun Semiconductor Corporation
		Director:	NanChang Creative Sensor Technology Co., Ltd.; Wuxi Creative Sensor Technology Co., Ltd.; Creative Sensor (USA) Co.
Director	En-Kuo Wang	Chairman:	NanChang Creative Sensor Technology Co., Ltd.; Chu Xi Investment Co., Ltd.; You Jin Management Consulting Co., Ltd.; Xin Ben Investment Co., Ltd.
		Director:	Vice Chairman of TECO Image Systems Co., Ltd.; Wuxi Creative Sensor Technology Co., Ltd.; ProMOS Technologies Inc.
		Supervisor:	Fu Guo Online Streaming Co., Ltd.
Director	Mu-Yao Ku	Director:	Independent Director of Lotus Pharmaceutical Co., Ltd., Hua VI Venture Capital Corporation; You Jin Management Consulting Co., Ltd.; Chu Xi Investment Co., Ltd.
		Supervisor:	Shanghai Koryo Electronics Co., Ltd.; Lien Chen Limited; Ecwin Green Energy Technology Co., Ltd.
		Others:	Partner, Cheng & Ku Law Firm
Independent Director	Hsiu-Ming Wang	Chairman:	Ming Shing Creativity Management Consultant Co., Ltd.
		Director:	FIT Holding Co., Ltd.; Independent Director of King Yuan Electronics Co., Ltd.
		Supervisor:	Kuo Kuang Power Co., Ltd.
		Others:	Director, Taiwan Electrical and Electronic Manufacturers' Association
Independent Director	Shih-Ing Huang	Director:	Independent Director, Uni Pharma Co., Ltd.; Independent Director, M31 Technology Corporation; Independent Director, Alliance Material Co., Ltd.
Independent Director	En-Hsin Hsiao	Chairman:	Chairman, Tong Seng Applied Materials Inc.
		Director:	Independent Director, Lien Chang Electronic Enterprise Co., Ltd., Independent Director, Koryo Electronics Co., Ltd.; Independent Director, Genesis Photonics Inc.

2. Names of 10 largest institutional shareholders and shareholding percentage

Major shareholders of institutional shareholders

April 12, 2022

Institutional Shareholder	Major Shareholders of Institutional Shareholders
TECO Image Systems Co., Ltd.	Creative Sensor Inc. (29.69%); Tien Da Investment Co., Ltd. (9.75%); An-Fu International Investment Co., Ltd. (9.41%), Koryo Electronics Co., Ltd. (8.95%); Tong-An Investment Co., Ltd. (7.28%), TECO International Investment Co., Ltd. (5.67%); Guang Yuan Industrial Co., Ltd. (4.24%); Employee Stock Ownership Trust Asset Account of TECO Image Systems Co., Ltd. managed by CTBC Bank in trust (1.58%); An-Tai International Investment Co., Ltd. (1.13%), Chin-Sheng Chiao (0.71%)
Koryo Electronics Co., Ltd.	TECO Image Systems Co., Ltd. (19.29%); Creative Sensor Inc. (13.53%); Multilite International Co., Ltd. (11.59%); Chuan-Fu Lu (10.95%); Haidebo Capital Co., Ltd. (7.89%); Hui-Mei Chiu (4.42%); Tse-Hang Yang (3.45%); Joyce Worldwide Ltd. (2.91%); Lin-Ho-Hui Huang (2.22%); Chin-Ho Ku (1.82%)

Major shareholders of the major shareholders who are juristic persons

April 12, 2022

Name of Juristic Person	Major Shareholders of the Juristic Person
Tien Da Investment Co., Ltd.	Creative Sensor Inc. (29.85%); Koryo Electronics Co., Ltd. (27.27%); TECO Image Systems Co., Ltd. (25.17%); Lien Chang Electronic Enterprise Co., Ltd. (9.79%); Multilite International Co., Ltd. (6.99%); Victron Technology Co., Ltd. (0.92%)
An-Fu International Investment Co., Ltd.	Yuban International Investment Co., Ltd. (35%); Tung-Kuang Investment Co., Ltd. (31%); An-Shin Food Services Co., Ltd. (30%); Guang Yuan Industrial Co., Ltd. (4%)
Tong-An Investment Co., Ltd.	TECO Electric & Machinery Co., Ltd. (99.6%); An-Tai International Investment Co., Ltd. (0.2%); TECO International Investment Co., Ltd. (0.2%)

Name of Juristic Person	Major Shareholders of the Juristic Person
TECO International Investment Co., Ltd.	TECO Electric & Machinery Co., Ltd. (100%)
Guang Yuan Industrial Co., Ltd.	Tung-Kuang Investment Co., Ltd. (33.86%); Ho-Hui Huang Lin (51.58%); Hong Kong Mingye Investment Co., Ltd. (10%); Tong Ho Global Investment Co., Ltd. (0.74%); Others (3.82%)
An-Tai International Investment Co., Ltd.	TECO Electric & Machinery Co., Ltd. (100%)
Multilite International Co., Ltd.	Guang Yuan Industrial Co., Ltd. (22.28%); Joyce Investment Corp. (18.38%); Joyce Worldwide Ltd. (15.19%); Mao-Hsiung Huang (10.04%); Tung Kuang Investment Co., Ltd. (9.88%); Hsin-Pei Lin (5.11%); Li-Chun Chang (3.80%); Ho-Hui Huang Lin (3.74%); Li-Yu Chang (3.74%); Ping-Yen Chang (2.27%)
Joyce Investment Corp.	Ming Zheng Investment Co., Ltd. (75.75%), Kai Yue Industrial Co., Ltd. (17.25%); Others (7%)

3. Disclosure of information on the professional qualifications of Directors and independence of Independent Directors

Name / Qualifications	Professional Qualifications and Experience (Note 1)	Compliance with Independence Criteria (Note 2)	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Yu-Jen Huang, Chairman	1. Refer to "Information of Directors" on page 6 for the professional qualifications and experience of Directors. 2. No Director meets conditions specified in Article 30 of the Company Act.	Not applicable	1
Chi-Chang Yang, Vice Chairman			0
En-Kuo Wang, Director			0
Mu-Yao Ku, Director			1
Hsiu-Ming Wang, Independent Director	1. Refer to "Information of Directors" on page 6 for the professional qualifications and experience of Directors. 2. No Director meets conditions specified in Article 30 of the Company Act.	All Independent Directors meet the criteria specified below: 1. Compliance with related regulations in Article 14-2 of the Securities and Exchange Act and "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" promulgated by the Financial Supervisory Commission 2. They (or with shares held in the name of others), their spouses, or underage children do not hold shares of the Company 3. They did not provide business, legal, financial, or accounting services provided for the Company or its affiliates or receive compensation for such services in the last two years	1
Shih-Ing Huang, Independent Director			3
En-Hsin Hsiao, Independent Director			3

Note 1: A person who is under any of the following circumstances shall not act as a managerial officer of a company. If he has been appointed as such, he shall be dismissed ipso facto:

1. Having committed an offence as specified in the Statute for Prevention of Organizational Crimes and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or five years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
2. Having committed the offence in terms of fraud, breach of trust or misappropriation and subsequently convicted with imprisonment for a term of more than one year, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
3. Having committed the offense as specified in the Anti-corruption Act and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
4. Having been adjudicated bankrupt or adjudicated of the commencement of liquidation process by a court, and having not been reinstated to his rights and privileges;
5. Having been dishonored for unlawful use of credit instruments, and the term of such sanction has not expired yet; or
6. Having no or only limited disposing capacity.
7. Having been adjudicated of the commencement of assistantship and such assistantship having not been revoked yet.

Note 2:

1. Not a government agency, juristic person, or its representative as specified in Article 27 of the Company Act.
2. Does not serve as an independent director in more than three other public companies.
3. During the two years before being elected or during the term of office, an independent director may not have been or be any of the following:
 - (1) An employee of the Company or any of its affiliates.
 - (2) A director or supervisor of the company or any of its affiliates.
 - (3) A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
 - (4) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph (1) or any of the persons in subparagraphs (2) or (3).
 - (5) A director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company, or that ranks among the top five in

shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27 of the Company Act.

- (6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company.
- (7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution.
- (8) A director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Company.
- (9) A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NTD 500,000, or a spouse thereof; provided, this restriction does not apply to a member of the Company's Remuneration Committee.

4. Diversity and independence of the Board of Directors

The Company established the "Corporate Governance Best Practice Principles", which state that the composition of the Board of Directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as company officers not exceed one-third of the total number of the board members, and that an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:

I. Basic requirements and values: Gender, age, nationality, and culture.

II. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience. The Company's goal is to ensure that Independent Directors account for at least one third of all Directors, Directors who are also managers of the Company should not exceed one third of all Directors, and no more than two Directors of the Company have a spousal or familial relationship within the second degree of kinship with any other Director. The Company's seven Directors come from diverse backgrounds, including different industries, academic, and legal professional backgrounds, including one female Director. Among the seven Directors, three are Independent Directors who account for more than one third of all Directors. In addition, Directors do not have spousal or familial relationships within the second degree of kinship with any other Director. Therefore, the Board of Directors of the Company retains its independence. The implementation status of the diversity policy for board members is shown in the table below:

Title	Chairman	Vice Chairman	Director	Director	Independent Director	Independent Director	Independent Director
Name	Yu-Jen Huang	Chi-Chang Yang	En-Kuo Wang	Mu-Yao Ku	Hsiu-Ming Wang	En-Hsin Hsiao	Shih-Ing Huang
Gender	Male	Male	Male	Male	Male	Male	Female
Nationality	Japan	Republic of China	Republic of China	Republic of China	Republic of China	Republic of China	Republic of China
Age	51-60	51-60	51-60	51-60	61-65	61-65	41-50
Concurrent role as company employee	v	v					
Professional knowledge and skills							
Business	v	v	v	v	v	v	v
Technology	v	v			v	v	
Financial/accounting							v
Law				v			
Marketing	v	v	v		v	v	
Information security			v	v			v
Skills and experience							
Leadership abilities	v	v	v	v	v	v	v
Decision-making abilities	v	v	v	v	v	v	v
International market perspective	v	v	v	v	v	v	v
Industry knowledge	v	v			v	v	
Crisis management abilities	v	v	v	v	v	v	v
Business management abilities	v	v	v	v	v	v	v
Accounting and financial analysis abilities	v					v	v
Ability to make sound business judgments	v	v	v	v	v	v	v
Environmental sustainability	v	v	v	v	v	v	v
Social engagement	v	v	v	v	v	v	v

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

April 12, 2022

Title	Nationality	Name	Gender	Date of Election (Appointment)	Shareholding		Spouse & Minor Shareholding		Shares Held in the Name of Other Persons		Education and Selected Past Positions	Other Current Positions in Other Companies	Managers who are Spouses or Relatives Within the Second Degree of Kinship			Remarks
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Title	Name	Relationship	
Acting President	Republic of China	Chi-Chang Yang	Male	November 9, 2015	69,863	0.05%	0	0	0	0	Sales Director of Sunplus Technology Co., Ltd. MBA of Keio University	(Note 4)	None	None	None	
Assistant Vice President	Republic of China	Hung-Chi Chen	Male	February 15, 2017	82,531	0.06%	0	0	0	0	President, NanChang Creative Sensor Technology Co., Ltd. Department of Electronic Engineering, Hwa Hsia University of Technology	(Note 4)	None	None	None	
Assistant Vice President	Republic of China	Chi-Wen Chen	Male	March 18, 2020	0	0	0	0	0	0	Assistant Vice President, Foxlink Co., Ltd. American Graduate School of International Management	None	None	None	None	
Assistant Vice President	Republic of China	Shao-Yang Wu	Male	December 30, 2020	0	0	0	0	0	0	Chief Operating Officer of Asia Air Precision Technology Ltd. Department of Mechanical Engineering, National Central University	None	None	None	None	
Director	Republic of China	Chun-Mei Yen	Female	July 6, 2018	30,964	0.02%	0	0	0	0	Deputy Director, TECO Image Systems Co., Ltd. Department of Accounting, Fu-Jen Catholic University	None	None	None	None	
Deputy Director	Republic of China	Hsueh-Ling Wang (Note 1)	Female	December 30, 2020	0	0	0	0	0	0	Deputy Director of Lien Chang Electronic Enterprise Co., Ltd. Department of Industrial Engineering, Vanung College of Technology	None	None	None	None	

Senior Manager	Republic of China	Chien-Chung Hung (Note 2)	Male	November 9, 2021	0	0	0	0	0	0	Paonan Biotech Co., Ltd. Department of Accounting, Fu-Jen Catholic University	None	None	None	None	
Corporate Governance Officer	Republic of China	Chiao-Pei Mai (Note 3)	Female	November 9, 2021	0	0	5,000	0.003%	0	0	Senior Management Specialist, Taiwan Mobile Master of International Business, National Taiwan University	None	None	None	None	

Note 1: Hsueh-Ling Wang was reassigned from her position as Deputy Director to Special Assistant on July 9, 2021 and resigned on July 30, 2021.

Note 2: Chien-Chung Hung was appointed as Financial Manager on November 9, 2021.

Note 3: Chiao-Pei Mai was appointed as Corporate Governance Officer on November 9, 2021.

Note 4: Other current positions within the Company and in other companies

Title	Name	Other Current Positions within the Company and in Other Companies	
Acting President	Chi-Chang Yang	Director:	Wuxi Creative Sensor Technology Co., Ltd.; NanChang Creative Sensor Technology Co., Ltd.; Creative Sensor (USA) Co.
Assistant Vice President	Hung-Chi Chen	Director:	NanChang Creative Sensor Technology Co., Ltd.
		President:	Wuxi Creative Sensor Technology Co., Ltd.; NanChang Creative Sensor Technology Co., Ltd.

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

1. Remuneration of Directors and Independent Directors

Unit: NTD thousands

No.	Title	Name	Remuneration to Directors								Sum of A, B, C, and D as percentage of net income (%)		Remuneration in the capacity as employees								Sum of A, B, C, D, E, F and G as percentage of net income (%)		Compensation from investees or parent company other than subsidiaries received
			Remuneration (A)		Pension (B)		Remuneration to Directors (C)		For professional practice (D)				Salary, bonuses and special allowances (E)		Pension (F)		Employee compensation (G)						
			The Company	All companies in the Financial Report	The Company	All companies in the Financial Report	The Company	All companies in the Financial Report	The Company	All companies in the Financial Report	The Company	All companies in the Financial Report	The Company	All companies in the Financial Report	The Company	All companies in the Financial Report	Cash	Stock	Cash	Stock	The Company	All companies in the Financial Report	
1	Chairman	TECO Image Systems Co., Ltd.	568	568	0	0	5,490	5,490	745	780	6,803	6,838	12,899	12,899	0	0	2,491	2,491	0	0	22,193	22,228	8,650
2		Representative: Yu-Jen Huang																					
3	Vice Chairman	TECO Image Systems Co., Ltd.																					
		Representative: Chi-Chang Yang																					
4	Director	TECO Electric & Machinery Co., Ltd.																					
5		Representative: Chao-Chih Lien																					
6	Director	KROM Electronics Co., Ltd.																					
7		Representative: En-Kuo Wang																					
		Representative: Chien-Min Wang (Note 1)																					

Breakdown of remuneration

Breakdown of Remuneration to Directors	Name of Director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All companies in the Financial Report	The Company	All investees included in the financial statements
Under NTD 1,000,000	2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 14, 15, 16	2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 14, 15, 16	4, 5, 6, 7, 8, 9, 10, 11, 12, 14, 15, 16	4, 5, 6, 7, 8, 9, 10, 11, 12, 14, 15, 16
NTD 1,000,000 (inclusive) to NTD 2,000,000 (exclusive)	1, 13	1, 13	1, 13	1, 13
NTD 2,000,000 (inclusive) to NTD 3,500,000 (exclusive)	—	—	3	3
NTD 3,500,000 (inclusive) to NTD 5,000,000 (exclusive)	—	—	—	—
NTD 5,000,000 (inclusive) to NTD 10,000,000 (exclusive)	—	—	2	2
NTD 10,000,000 (inclusive) to NTD 15,000,000 (exclusive)	—	—	—	—
NTD 15,000,000 (inclusive) to NTD 30,000,000 (exclusive)	—	—	—	—
NTD 30,000,000 (inclusive) to NTD 50,000,000 (exclusive)	—	—	—	—
NTD 50,000,000 (inclusive) to NTD 100,000,000 (exclusive)	—	—	—	—
Over NTD 100,000,000	—	—	—	—
Total	16	16	16	16

* Expressed by each Director No.

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

2. Remuneration to Supervisors

Unit: NTD thousands

No.	Title	Name	Remuneration to Supervisors						Sum of A, B and C and its percentage of net income (%)		Compensation from investees or parent company other than subsidiaries received
			Remuneration (A)		Compensation (B)		For professional practice (C)		The Company	All companies in the Financial Report	
			The Company	All companies in the Financial Report	The Company	All companies in the Financial Report	The Company	All companies in the Financial Report			
1	Supervisor	Guang Yuan Industrial Co., Ltd.	0	.	781	781	75	75	856 0.48%	856 0.48%	None
2	Supervisor	Representative: Hui-Mei Wu									
3	Supervisor	Representative: Chiu-Chen Lin									
4	Supervisor	Min-Yu Chang									

Note 1: The terms of the Company's 8th-term Directors and Supervisors was set to expire on June 26, 2021, but the expiry was postponed due to the pandemic to the election of the Directors in the general shareholders' meeting and the establishment of the Audit Committee on July 9, 2021. As a result, the period for the calculation of remuneration to Supervisors was January 1, 2021 to July 8, 2021.

Breakdown of remuneration

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

* Expressed by each Supervisor No.

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

3. Remuneration to Presidents and Vice Presidents

Unit: NTD thousands

No.	Title	Name	Salary (A)		Pension (B) (Note 1)		Bonuses and special allowances (C)		Employee compensation (D)				Sum of A, B, C, and D as percentage of net income (%)		Quantity of shares entitled under employee stock option		Quantity of new restricted employee shares		Compensation from investees or parent company other than subsidiaries received
			The Company	All companies in the Financial Report	The Company	All companies in the Financial Report	The Company	All companies in the Financial Report	The Company		All companies in the Financial Report		The Company	All companies in the Financial Report	The Company	All companies in the Financial Report	The Company	All companies in the Financial Report	
									Cash dividends	Stock dividends	Cash dividends	Stock dividends							
1	Chairman and Chief Strategist	Yu-Jen Huang (Note 1)	4,065	4,065	0	0	8,834	8,834	2,491	0	2,491	0	15,390 8.71%	15,390 8.71%	0	0	0	0	Yes
2	Vice Chairman and Acting President	Chi-Chang Yang																	

Note 1: Yu-Jen Huang started serving concurrently as the Chief Strategist on April 26, 2022.

Breakdown of remuneration

Breakdown of Remuneration to Presidents and Vice Presidents	Names of Presidents and Vice Presidents	
	The Company	All companies in the Financial Report
Under NTD 1,000,000	—	—
NTD 1,000,000 (exclusive) to NTD 2,000,000 (exclusive)	—	—
NTD 2,000,000 (exclusive) to NTD 3,500,000 (exclusive)	—	—
NTD 3,500,000 (exclusive) to NTD 5,000,000 (exclusive)	—	—
NTD 5,000,000 (exclusive) to NTD 10,000,000 (exclusive)	1.2	1.2
NTD 10,000,000 (exclusive) to NTD 15,000,000 (exclusive)	—	—
NTD 15,000,000 (exclusive) to NTD 30,000,000 (exclusive)	—	—
NTD 30,000,000 (exclusive) to NTD 50,000,000 (exclusive)	—	—
NTD 50,000,000 (exclusive) to NTD 100,000,000 (exclusive)	—	—
Over NTD 100,000,000	—	—
Total	1.2	1.2

* Expressed by each managerial officer No.

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

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

Unit:NTD thousands

	Title	Name	Stock dividends	Cash dividends	Total	Total amount as percentage of net income after tax (%)
Managerial officer	Vice Chairman and Acting President	Chi-Chang Yang	0	6,854 (Estimated)	6,854 (Estimated)	3.88%
	Chairman and Chief Strategist	Yu-Jen Huang (Note 2)				
	Assistant Vice President	Chi-Wen Chen				
	Assistant Vice President	Hung-Chi Chen				
	Assistant Vice President	Shao-Yang Wu				
	Director	Chun-Mei Yen				
	Deputy Director	Hsueh-Ling Wang (Note 3)				
	Senior Manager	Chien-Chung Hung (Note 4)				
	Corporate Governance Officer	Chiao-Pei Mai (Note 5)				

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

Note 2: Yu-Jen Huang started serving concurrently as the Chief Strategist on April 26, 2022.

Note 3: Hsueh-Ling Wang was reassigned from her position as Deputy Director to Special Assistant on July 9, 2021 and resigned on July 30, 2021.

Note 4: Chien-Chung Hung was appointed as Financial Manager on November 9, 2021.

Note 5: Chiao-Pei Mai was appointed as Corporate Governance Officer on November 9, 2021.

(IV) Specify and compare the remuneration to Directors, Supervisors, Presidents, and Vice Presidents of the Company paid by the Company and companies included in the consolidated financial statements in proportion to the net income after tax referred to in the individual financial statements or consolidated financial statements in the past two (2)

years, and specify the policies, standards, combinations, procedure of decision-making of remuneration and their relation to business performance and future risk.

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

Title	The remuneration to Directors, Supervisors, Presidents, and Vice Presidents of the Company paid by the Company and companies included in the standalone financial statements in proportion to the net income after tax referred to in the individual financial statements in 2020.	The remuneration to Directors, Supervisors, Presidents, and Vice Presidents of the Company paid by the Company and companies included in the standalone financial statements in proportion to the net income after tax referred to in the individual financial statements in 2021.
Director	14.18%	13.02%
Supervisor		
President		
Vice President		

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

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

III. Status of Corporate Governance

(I) Operation of the Board of Directors

In 2021, the Board of Directors convened 17 meetings (12 meetings of the 9th Board of Directors and 5 meetings of the 8th Board of Directors). The attendance of Directors is summarized as follows:

Title	Name	Actual attendance (B)	Attendances by proxy	Actual attendance rate (B/A) (%)	Remarks
9th Board of Directors (term: July 9, 2021 to July 8, 2024)					
Chairman	TECO Image Systems Co., Ltd. Representative: Yu-Jen Huang	12	0	100	Re-elected
Vice Chairman	TECO Image Systems Co., Ltd. Representative: Chi-Chang Yang	11	1	92%	Re-elected
Director	Koryo Electronics Co., Ltd. Representative: En-Kuo Wang	12	0	100	(Newly appointed on July 9, 2021)
Director	Koryo Electronics Co., Ltd. Representative: Mu-Yao Ku	12	0	100	(Newly appointed on July 9, 2021)
Independent Director	Hsiu-Ming Wang	12	0	100	Re-elected
Independent Director	Shih-Ing Huang	12	0	100	(Newly appointed on July 9, 2021)
Independent Director	En-Hsin Hsiao	12	0	100	(Newly appointed on July 9, 2021)
8th Board of Directors					
Chairman	TECO Image Systems Co., Ltd. Representative: Yu-Jen Huang	5	0	100	
Vice Chairman	TECO Image Systems Co., Ltd. Representative: Chi-Chang Yang	5	0	100	
Director	TECO Electric & Machinery Co., Ltd. Representative: Chao-Chih Lien	3	2	60	Term ended on July 8, 2021
Director	Tong-An Investment Co., Ltd. Representative: Chiang Hsu	1	1	33	Dismissed due to reassignment by institutional director on May 10, 2021 (Attendance required for 3 meetings)

Director	Tong-An Investment Co., Ltd. Representative: Hsin-Ta Yu (Note 1)	2	0	100	Newly appointed due to reassignment by institutional director on May 10, 2021 (Attendance required for 2 meetings) Term ended on July 8, 2021
Director	KROM Electronics Co., Ltd. Representative: En-Kuo Wang	4	0	100	Dismissed due to reassignment by institutional director on June 4, 2021 (Attendance required for 4 meetings)
Director	KROM Electronics Co., Ltd. Representative: Chien-Min Wang (Note 2)	1	0	100	Newly appointed due to reassignment by institutional director on June 4, 2021 (Attendance required for 1 meetings) Term ended on July 8, 2021
Independent Director	Hsiu-Ming Wang	5	5	100	
Independent Director	Wei Wang	0	0	0	Resigned on May 25, 2021 (Attendance required for 4 meetings)

Other items to be stated:

I. Board of Directors meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, opinions of all Independent Directors and the Company's resolution of said opinions:

(I) The circumstances referred to in Article 14-3 of the Securities and Exchange Act: None applied to the 8th Board of Directors. The Company has established the Audit Committee starting from the 9th Board of Directors. Therefore, the requirements in Article 14-3 of the Securities and Exchange Act do not apply. Please refer to the Operations of the Audit Committee in the Annual Report for detailed information.

(II) Any other resolution(s) passed but with Independent Directors voicing opposing or

qualified opinions on the record or in writing: None.

II. Directors recusing himself/herself due to a conflict of interest:

1. 18th meeting of the 8th Board of Directors (March 3, 2021)

Name of Director: Chairman Yu-Jen Huang

Proposal content: The Company's increase in investment in TECO Electric & Machinery Co., Ltd.

Reason for recusal of conflict of interest and voting participation status: Chairman Yu-Jen

Huang left the meeting temporarily without participation in the discussion and voting of this proposal due to recusal of conflict of interest. Resolution: Except for Chairman Yu-Jen Huang who recused himself due to conflict of interest. The proposal was approved

as proposed by the rest of the attending Directors.

2. 18th meeting of the 8th Board of Directors (March 3, 2021)

Names of Director: Director En-Kuo Wang

Proposal content: The Company's increase in investment in Koryo Electronics Co., Ltd.

Reason for recusal of conflict of interest and voting participation status: Director En-Kuo

Wang left the meeting temporarily without participation in the discussion and voting of this proposal due to recusal of conflict of interest. Resolution: Except for Director En-Kuo

Wang who recused himself due to conflict of interest. The proposal was approved as proposed by the rest of the attending Directors.

3. 21st meeting of the 8th Board of Directors (June 21, 2021)

Names of Director: Directors Chao-Chih Lien and Hsin-Ta Yu

Proposal content: Postponed date, location, and other relevant matters regarding the Company's 2021 general shareholders' meeting.

Reason for recusal of conflict of interest and voting participation status: The juristic persons represented by the Directors Chao-Chih Lien and Hsin-Ta Yu have a conflict of interest with the investment in TECO Electric & Machinery Co., Ltd. to be ratified in the shareholders' meeting, and were required to recuse themselves due to conflict of interest.

They therefore did not participate in the discussions and voting of this proposal.

Resolution: Except for the Directors Chao-Chih Lien and Hsin-Ta Yu who recused themselves due to conflict of interest and the Director Chien-Min Wang who objected, all other Directors in attendance agreed to convene the 2021 general shareholders' meeting on July 9, 2021.

4. 1st meeting of the 9th Board of Directors (July 9, 2021)

Names of Directors: Independent Director Hsiu-Ming Wang, Independent Director Shih-Ing Huang, Independent Director En-Hsin Hsiao

Proposal content: Proposal for the appointment of the members of the Company's 5th Remuneration Committee.

Reason for recusal of conflict of interest and voting participation status: Independent Director Hsiu-Ming Wang, Independent Director Shih-Ing Huang, and Independent

Director En-Hsin Hsiao are the Company's nominees for members of the 5th

Remuneration Committee and recused themselves from voting due to conflict of interest.

Resolution:

Except for the Independent Director Hsiu-Ming Wang, Independent Director Shih-Ing

Huang, and Independent Director En-Hsin Hsiao who recused themselves due to conflict of interest, the proposal was passed as proposed by all other Directors in attendance.

III. The company listed on TWSE/TPEX shall disclose the evaluation cycle and duration, scope of evaluation, methodology, and evaluation contents of the evaluation of the Board of Directors: The Company's Board of Directors passed the "Regulations for Performance Evaluation of the Board of Directors" on December 16, 2019 and has executed the performance evaluation of the Board of Directors, individual Directors, and functional committees since 2020. Refer to the Board of Directors Evaluation Execution Status for details of the 2021 evaluation.

IV. Measures undertaken during the current year and most recent year to strengthen the functions of the Board of Directors (such as the establishment of an audit committee and improvement of information transparency, etc.) and assessment of their implementation:

1. Although each Director has attained the required number of hours of training, they can attend courses outside the scope of their professional competencies in the future.
2. The Company shall enhance the participation of the Board of Directors in the Company's operations. Due to the timing of the meetings, Directors may be unable to attend due to other commitments. In the future, the Company may increase the attendance rate of Director by advanced coordination or video conferencing.
3. The Company established the Audit Committee in the board meeting on July 9, 2021 to take charge of supervisors' duties specified in the Securities and Exchange Act, Company Act, and other laws. Except for duties specified in Article 14-4, Paragraph 4 of the Securities and Exchange Act, such duties shall be exercised by the Audit Committee. The provisions of Article 14-4, Paragraph 4 of the Securities and Exchange Act regarding the actions of supervisors or their roles as representatives of the Company in the Company Act shall apply mutatis mutandis to the Independent Director members of the Committee.

(II) Board of Directors Evaluation Execution Status

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Executed once a year	January 1, 2021 - December 31, 2021	Performance Evaluation of Board of Directors, Individual Board Members and Functional Committees	“Board of Directors Performance Self-Evaluation Questionnaire” for Internal Self-evaluation of Board of Directors	The “Board of Directors Performance Self-Evaluation Questionnaire” measurement items include the five aspects of participation level in the Company’s operation, an increase in decision making quality of the Board of Directors, composition and structure of the Board of Directors, election and continuing education of directors, and internal control.

< 2021 Board of Directors Performance Evaluation Result >

(1) Board of Directors as a whole:

Scope of Assessment	Number	Score
A. Level of participation in the Company's operations	12	24.1
B. Improvement of the quality of the Board of Directors’ decision making	12	24.8
C. Composition and structure of the Board of Directors	7	15.0
D. Election and continuing education of Directors	7	13.7
E. Internal control	7	14.5
Total	45	92.2

(2) Individual Board Members:

Scope of Assessment	Number	Score
A. Knowledge of the goals and mission of the Company	3	12.4
B. Awareness of the duties of a Director	3	12.4
C. Level of participation in the Company's operations	8	32.5
D. Management of internal relationship and communication	3	12.4
E. Director's professionalism and continuing education	3	12.2
F. Internal control	3	12.3
Total	23	94.3

(3) Functional committees:

Scope of Assessment	Number	Score
A. Level of participation in the Company's operations	4	16.4
B. Knowledge of the duties of the functional committee	7	27.5
C. Improvement of the quality of the functional committee's decision making	7	27.8
D. Composition of the functional committee and election of its members	3	11.9
E. Internal control	3	11.4
Total	24	95.0

(II) Operations of the Audit Committee or attendance of Supervisors in board meetings

1. The Company set up the Audit Committee on July 9, 2021 and the Committee convened 5 meetings (A) in 2021. The attendance of the Supervisors was is summarized as follows:

Title	Name	Actual attendance (B)	Actual attendance rate (%) (B/A)	Remarks
Supervisor	Guang Yuan Industrial Co., Ltd. Representative: Hui-Mei Wu	3	100	Dismissed due to reassignment by institutional director on May 7, 2021 (Attendance required for 3 meetings)
Supervisor	Guang Yuan Industrial Co., Ltd. Representative: Chiu-Chen Lin	2	100	Newly appointed due to reassignment by institutional director on May 7, 2021 (Attendance required for 2 meetings) Term ended on July 8, 2021
Supervisor	Min-Yu Chang	5	100	Term ended on July 8, 2021

Other items to be stated:

I. Structure and responsibilities of Supervisors:

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

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

1. The chief auditor submitted an audit report to the Supervisors in the month after the completion of the audit of items and attended the regular Board of Directors' meeting to report the auditing matters. No Supervisor expressed dissent.

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

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

2. Information on the operation status of the Audit Committee:

(1) The main function of the Audit Committee is to supervise the following matters:

- Fair presentation of the financial reports of the Company.
- Evaluation of the appointment (dismissal) of the CPA and his/her independence and performance.
- Effective implementation of the internal control system of the Company.
- Compliance with relevant laws and regulations by the Company.

- Management of the existing or potential risks of the Company.

(2) The powers of the Committee are as follows:

- Adoption or amendment of internal control systems in accordance with Article 14-1 of the Securities and Exchange Act.
- Evaluation of the effectiveness of internal control systems.
- Adoption or amendment, pursuant to Article 36-1 of the Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.
- Matters involving the personal interest of Directors.
- Transactions of major assets or derivatives.
- Major monetary loans, endorsements, or provision of guarantee.
- Offering, issuance, or private placement of equity-type securities.
- Appointment, dismissal, and compensation of CPAs.
- Appointment and dismissal of finance, accounting, and internal audit managers.
- Financial reports audited and certified by the CPA and signed or sealed by the Chairman, managerial officer, and accounting manager.
- Other material items required by the Company or the competent authority.

(3) The Audit Committee of the Company has 3 members.

(4) Term of office: July 9, 2021 till the expiry of the term of the Board of Directors that appointed the members of the Committee. The Audit Committee convened 10 meetings (A) in the most recent year as of the publication date of the Annual Report. The qualifications and attendance of members are as follows:

Title	Name	Actual attendance (B)	Attendances by proxy	Actual attendance rate (B/A) (%)	Remarks
Convener/ Independent Director	Shih-Ing Huang	10	0	100	(Newly appointed on July 9, 2021)
Independent Director	Hsiu-Ming Wang	10	0	100	(Newly appointed on July 9, 2021)
Independent Director	En-Hsin Hsiao	10	0	100	(Newly appointed on July 9, 2021)

Other items to be stated:

I. The date of the meeting of the Audit Committee, the term, contents of the proposals, objections, qualified opinions, and important recommendations of Independent Directors, resolutions of the Audit Committee, and the Company's handling of the resolutions of the Audit Committee shall be specified under any of the following circumstances in the operations of the Audit Committee.

(I) Items listed in Article 14-5 of the Securities and Exchange Act.

Audit Committee Date and Term	Proposal Content	Audit Committee Resolution	The Company's response to the opinions of the Audit Committee
July 29, 2021 1st term 1st meeting	Cash capital increase with private placement of common shares.	Passed as proposed by all members of the Committee in attendance.	Passed as proposed by all members of the Board of Directors in attendance on July 29, 2021, and passed as proposed in the first special shareholders' meeting in 2021.
August 9, 2021 1st term 2nd meeting	Proposal for the evaluation of the necessity and reasonableness of the private placement of securities by the securities underwriter.	Passed as proposed by all members of the Committee in attendance.	Passed as proposed by all members of the Board of Directors in attendance on August 9, 2021.
August 5, 2021 1st term 3rd meeting	1. Passed the Company's Investment Project A. 2. Passed the Company's Investment Project B.	Passed as proposed by all members of the Committee in attendance.	Passed as proposed by all members of the Board of Directors in attendance on August 5, 2021.
August 20, 2021 1st term 4th meeting	Passed the Company's Investment Project.	Passed as proposed by all members of the Committee in attendance.	Passed as proposed by all members of the Board of Directors in attendance on August 20, 2021.
September 23, 2021 1st term 5th meeting	The setting of the price of the Company's first issuance of common shares by private placement in 2021.	Passed as proposed by all members of the Committee in attendance.	Passed as proposed by all members of the Board of Directors in attendance on September 23, 2021.
November 9, 2021 1st term 6th meeting	1. The Company's 2022 audit plan 2. Appointment of senior executives	Passed as proposed by all members of the Committee in attendance.	Passed as proposed by all members of the Board of Directors in attendance on November 9, 2021.
December 27, 2021 1st term 7th meeting	1. The Company's 2022 budget. 2. The Company's 2022 bank financing contract. 3. Evaluation of the independence and competence of the Company's certifying CPAs.	Passed as proposed by all members of the Committee in attendance.	Passed as proposed by all members of the Board of Directors in attendance on December 27, 2021.

	4. Proposal for the Company's appointment of the CPA firm for 2022 and its remuneration.		
March 17, 2022 1st term 9th meeting	1. The Company's 2021 business report and financial statements.	Passed as proposed by all members of the Committee in attendance.	Passed as proposed by all members of the Board of Directors in attendance on March 17, 2022.
	2. The Company's 2021 earnings distribution.		
	3. The Company's 2021 "Statement on Internal Control System".		
	4. The Company's replacement of the certifying CPA for financial statements.		
April 26, 2022 1st term 10th meeting	1. Amendment of the Company's 2021 earnings distribution.	The Committee recommended that the distributed amount per share should be no higher than the distribution of cash dividends for 2021 and the amendment was passed as proposed by all members of the Committee in attendance.	Passed as proposed by all members of the Board of Directors in attendance on April 26, 2022.
	2. Amendment of the Company's "Procedures for Acquisition or Disposal of Assets"	Passed as proposed by all members of the Committee in attendance.	

(II) Except for the aforementioned matters, other resolutions which were not approved by the Audit Committee but passed in a resolution by more than two thirds of all Directors: None.

II. For the recusal of Independent Directors to motions due to conflicts of interests, the name of the Independent Director, content of the motion, reason for recusal, and participation of the resolution shall be listed: No such circumstances.

III. Communications between the Independent Directors, the Company's chief internal auditor and CPAs (information should include the material items, methods and results of audits of corporate finance or operations, etc.).

1. The chief auditor submitted an audit report to the Independent Directors in the month after the completion of the audit of items and attended the regular Audit Committee meeting to report the auditing matters. No Independent Director expressed dissent.
2. Communication between Independent Directors and the Company's chief internal auditor is as follows:

Audit Committee Date and Term	Communication Item	Communication Results
July 29, 2021 1st term 1st meeting	Audit report.	Acknowledged by all Independent Directors in attendance
November 9, 2021 1st term 6th meeting	Audit report.	Acknowledged by all Independent Directors in attendance
	2022 audit plan.	Reviewed and passed by all Independent Directors, and submitted to the Board of Directors for resolution
December 27, 2021 1st term 7th meeting	Audit report.	Acknowledged by all Independent Directors in attendance
March 17, 2022 1st term 9th meeting	Audit report.	Acknowledged by all Independent Directors in attendance
	2021 "Statement of Internal Control System".	Reviewed and passed by all Independent Directors, and submitted to the Board of Directors for resolution
April 26, 2022 1st term 10th meeting	Audit report.	Acknowledged by all Independent Directors in attendance

Note: The Company organized an election of all Directors in the shareholders' meeting on July 9, 2021 and the 9th Board of Directors appointed the members of the first Audit Committee on July 9, 2021.

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

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

<p>(IV) Has the Company established internal regulations to prohibit Company insiders from using information not available to the market to trade securities?</p>	<p>✓</p>		<p>of any abnormality or improper transfer of benefits between affiliated companies in sales and purchasing transactions, acquisition and disposal of assets, endorsements and guarantees, and loans.</p> <p>(IV) We have established the “Management Procedures for Prevention of Insider Trading” and “Code of Ethical Conduct for Directors and Managers” to prohibit Company insiders from using information not available to the market to trade securities. They also serve as the basis for the handling and disclosing mechanism of our important information to prevent the occurrence of insider trading.</p>	
<p>III. Composition and responsibilities of Board of Directors</p> <p>(I) Has the Company formulated a policy of diversity for the formation of the Board of Directors and implemented it thoroughly?</p>	<p>✓</p>		<p>(I) The Group has specified the board member composition diversity policy in the “Corporate Governance Best-Practice Principles,” and the Company elects directors with the knowledge, skills, and qualifications necessary for execution of duties according to the professional background and field. All board members are elites from the industry and academic sectors such that in addition to sufficient experience in corporate governance and industrial technologies, they also have expertise in finance, financial affairs, and accounting. Board members attend board meetings and perform supervision and understand the execution of operational plans. Please refer to "Diversity and independence of the Board of Directors" on page 14 for the Company's</p>	<p>In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies</p>

			specific management targets and implementation status.	
(II) Is the Company, in addition to establishing the remuneration committee and audit committee, pursuant to laws, willing to voluntarily establish any other functional committees?		✓	(II) The Group has established the Remuneration Committee, and established the Audit Committee after the election of the Directors in the shareholders' meeting in 2021. The Company shall establish other functional committees based on future requirements.	
(III) Has the Company established guidelines for evaluating the performance of the Board of Directors and conducted regular performance evaluations every year? Does the Company submit results of evaluations to the Board of Directors and use results as the basis for the salary, remuneration, nomination and reappointment of individual Directors?		✓	(III) To improve the function and operation efficiency of the Board of Directors, the Board of Directors passed the "Regulations for Performance Evaluation of Board of Directors" on December 16, 2019, specifying that the performance evaluation must be completed before the end of the first quarter of the following year. The performance evaluation report of the Board of Directors, individual Directors, and functional committees for 2021 was reported to the 13th meeting of the 9th Board of Directors. Refer to "Board of Directors Evaluation Execution Status" for details.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
(IV) Does the Company assess the CPAs for their independence on a regular basis?		✓	(IV) The Company evaluates the independence and competence of the CPAs regularly every year, examining whether they are shareholders or have received	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies

			<p>a salary from the Company to ensure they are not our stakeholders. We also ensure that they are not involved in any lawsuit. The financial and accounting department of the Company conducts the preliminary review on the independence and competence of the CPAs, and it is then reported to the Board of Directors for approval. CPAs are replaced periodically based on the adjustments of the accounting firm. Refer to Appendix 1 for the 2021 evaluation procedures.</p>	
<p>IV. Does the TWSE/TPEX listed company set up designated (concurrent) corporate governance units or personnel responsible for related matters (including but not limited to providing information required for Directors and Supervisors to perform their duties, handling matters related to Board of Directors' and shareholders' meetings, dealing with company and change registration, and making minutes of the Board of Directors' and shareholders' meetings, etc.)?</p>	✓		<p>The Group resolved in the 11th meeting of the 9th Board of Directors on November 9, 2021 to appoint Chiao-Pei Mai as the Corporate Governance Officer to take charge of related corporate governance affairs. The main responsibilities include handling matters related to Board of Directors' meetings and shareholders' meetings according to the laws, preparing meeting minutes of the Board of Directors' meetings and shareholders' meetings, assisting assumption of office and continuing education of Directors, providing documents necessary for Directors to perform duties, assisting Directors in legal compliance, and enhancing the functions of the Board of Directors.</p>	<p>In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies</p>

<p>V. Does the Company establish channels for communication with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), design special web pages for the stakeholders on the website, and appropriately respond to important CSR issues of interest to the stakeholders?</p>	<p>✓</p>		<p>The Group has appointed a spokesperson, acting spokesperson, and shareholder service personnel. We also publish contact information on our website to communicate directly with stakeholders, providing them knowledge on our operational status. The “Stakeholder” page was set up on the Company's website.</p>	<p>In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies</p>
<p>VI. Does the Company commission a professional registrar to deal with the affairs of shareholders’ meetings?</p>	<p>✓</p>		<p>The Group entrusted the professional stock affairs to the Stock Affairs Agency Department of Yuanta Securities Co., Ltd. (Tel: (02) 2586-5859, Address: B1, No. 210, Sec. 3, Chengde Rd., Datung Dist., Taipei City) to handle various stock affairs on behalf of the Company.</p>	<p>In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies</p>
<p>VII. Information disclosure (I) Has the Company built a website to disclose the financial and corporate governance information of the Company?</p>	<p>✓</p>		<p>(I) The Group has set up a website to disclose financial and corporate governance information. URL of the Company's website: http://www.csi-sensor.com.tw</p>	<p>(I) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies</p>
<p>(II) Does the Company use other information disclosure methods (e.g., English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, and the broadcasting of investor conferences via the company website)? (III) Does the Company publish and report its annual financial report within two months after the end of a fiscal</p>	<p>✓</p>	<p>✓</p>	<p>(II) The Group has established an English website (http://www.csi-sensor.com.tw/index.php/en). We also designated personnel responsible for collecting and announcing all kinds of information and implement the spokesperson system. (III) The Group publicly announces and reports the annual financial statements (within three months), the first, second, and third quarter financial statements (within 45 days) and the business status of each month (before the 10th of each month) according to the time</p>	<p>(II) In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies (III) There are minor deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” but the Company meets the requirements in the Securities and Exchange Act.</p>

<p>year, and publish and report its financial reports for the first, second, and third quarters as well as its operating status for each month ahead of schedule before the specified deadline?</p>			<p>limits specified in Article 36 of the Securities and Exchange Act. Presently, the Group is temporarily unable to publicly announce and report the annual financial report within two months after each fiscal year. The 2021 financial statements have been publicly announced and reported on March 25, 2022.</p>	
<p>VIII. Does the Company have additional important information that is helpful to understand the operation of the corporate governance (including but not limited to the interests and care of employees, investor relationships, supplier relationships, rights of stakeholders, continuing education of Directors and Supervisors, implementation of risk management policies and risk assessment standards, implementation of customer policies, and liability insurance coverage for Directors and Supervisors)?</p>	<p>✓</p>		<p>(1) Employee interests and care of employees: We have always treated our employees sincerely. We have developed positive relationships with our employees through all kinds of employee welfare measures and training courses. Please refer to the “Relations Between Laborers and Employer” of this annual report for details.</p> <p>(2) Investor Relations: The Company set up the investor relations page on its website to provide access to information of the Group to investors. We also have set up a spokesperson mailbox to process shareholders’ suggestions.</p> <p>(3) Supplier relations: The Company always maintains a good relationship with suppliers.</p> <p>(4) Rights of stakeholders: Stakeholders can communicate with the Company and provide advice to protect their legal rights.</p> <p>(5) Continuing Education for Directors and Supervisors: The Directors and Supervisors have taken continuing education courses in accordance with the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE and TPEX Listed Companies” (Note).</p>	<p>In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies</p>

		<p>(6) Implementation status of risk management policies and risk assessment standards: Please refer to the “Risk Assessment Evaluation” description of this annual report for details.</p> <p>(7) Implementation of customer policies: We always maintain stable and good relationships with our customers to create profits for the Company.</p> <p>(8) Liability insurance coverage for Directors and Supervisors: The Company has bought liability insurance for all Directors and Supervisors.</p>	
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IX. Please specify the status of the improvement made, based on the corporate governance assessment report released by the Corporate Governance Center of TWSE in the most recent year, and the priority corrective actions and measures for any issues that are yet to be rectified. (Not required, if the Company is not included in the companies to be evaluated.)

In 2021, the status of improvements already made by the Company was as follows: (1) The Company organized the election of Directors to enhance the diversity of board members and appointed 2 new Independent Directors. (2) The Company established the Audit Committee and disclosed the key work items and implementation status of the Audit Committee on the Company's website. (3) The Company appointed the Corporate Governance Officer to take charge of related corporate governance affairs.

Note: 1. Directors and Supervisors' Continuing Education in 2021

Title	Name	Course date	Organizing agency	Course name	Course hours
Chairman	Yu-Jen Huang	December 13, 2021	Taiwan Digital Governance Association	ESG Development Trends and Digital Response Strategies	3
		December 21, 2021	Taiwan Corporate Governance Association	Responsibilities of Directors and Supervisors in the Securities and Exchange Act and Case Analyses of False Financial Statements; Analysis of the Scope of Coverage of Liability Insurance for Directors, Supervisors and Key Officers	3
Vice Chairman	Chi-Chang Yang	September 1, 2021	Financial Supervisory Commission	13th Taipei Corporate Governance Forum (2nd Session)	3
		December 21, 2021	Taiwan Corporate Governance Association	Responsibilities of Directors and Supervisors in the Securities and Exchange Act and Case Analyses of False Financial Statements; Analysis of the Scope of Coverage of Liability Insurance for Directors, Supervisors and Key Officers	3
Director	En-Kuo Wang	September 1, 2021	Financial Supervisory Commission	13th Taipei Corporate Governance Forum (1st Session)	3
		September 1, 2021	Financial Supervisory Commission	13th Taipei Corporate Governance Forum (2nd Session)	3
		December 13, 2021	Taiwan Digital Governance Association	ESG Development Trends and Digital Response Strategies	3
Director	Mu-Yao Ku	August 31, 2021	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulations - Company Material Information Disclosure and Responsibilities of Directors and Major Shareholders	3
		August 31, 2021	Taiwan Corporate Governance Association	Trends and Analysis of Recent Changes to the Company Act	3
		December 13, 2021	Taiwan Digital Governance Association	ESG Development Trends and Digital Response Strategies	3

Independent Director	Shih-Ing Huang	August 26, 2021	Securities and Futures Institute	Discussions on Insider Trading Cases	3
		September 1, 2021	Financial Supervisory Commission	13th Taipei Corporate Governance Forum (1st Session)	3
Independent Director	Hsiu-Ming Wang	September 1, 2021	Financial Supervisory Commission	13th Taipei Corporate Governance Forum (2nd Session)	3
		December 15, 2021	Greater China Financial and Economic Development Association	Merger and Acquisition in Taiwan and Development of Investment Holding Companies	3
Independent Director	En-Hsin Hsiao	September 1, 2021	Financial Supervisory Commission	13th Taipei Corporate Governance Forum (1st Session)	3
		September 1, 2021	Financial Supervisory Commission	13th Taipei Corporate Governance Forum (2nd Session)	3

2. Continuing education of managerial officers

Title	Name	Course date	Organizing agency	Course name	Course hours
Shareholder Services Officer	Chien-I Lai	December 13, 2021	Taiwan Digital Governance Association	ESG Development Trends and Digital Response Strategies	3
		December 21, 2021	KGI Insurance Brokers	Corporate Governance Course -Scope of Coverage of Liability Insurance for Directors, Supervisors and Key Officers Case Analyses of False Financial Statements Responsibilities of Directors and Supervisors in the Securities and Exchange Act	3
Director	Chun-Mei Yen	December 13, 2021	Taiwan Digital Governance Association	ESG Development Trends and Digital Response Strategies	3
		December 21, 2021	KGI Insurance Brokers	Corporate Governance Course -Scope of Coverage of Liability Insurance for Directors, Supervisors and Key Officers Case Analyses of False Financial Statements Responsibilities of Directors and Supervisors in the Securities and Exchange Act	3
Senior Manager	Chien-Chung Hung	December 13, 2021	Taiwan Digital Governance Association	ESG Development Trends and Digital Response Strategies	3
		December 21, 2021	KGI Insurance Brokers	Corporate Governance Course -Scope of Coverage of Liability Insurance for Directors, Supervisors and Key Officers Case Analyses of False Financial Statements Responsibilities of Directors and Supervisors in the Securities and Exchange Act	3

Corporate Governance Officer	Chiao-Pei Mai	December 21, 2021	KGI Insurance Brokers	Corporate Governance Course -Scope of Coverage of Liability Insurance for Directors, Supervisors and Key Officers Case Analyses of False Financial Statements - Yu-Chu Lin, Attorney at Law Responsibilities of Directors and Supervisors in the Securities and Exchange Act	3
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Appendix 1: Report on the Evaluation of the independence and competence of the Company's certifying CPAs

According to the regulations in the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", the Company is required to evaluate the independence and competence of CPAs periodically (once every year). The Company thus evaluated the independence and competence of CPAs Shu-Chiung Chang and Chun-Yao Lin of PwC Taiwan and did not discover any matter that may affect the independence and competence of the certifying CPAs.

Evaluation of the independence and competence of the Company's certifying CPAs are as follows:

I. Independence evaluation					
Item No.	Evaluation content	Yes	No	Not applicable	Remarks
01	Does the CPA, or the spouse or a minor child thereof, have an investment relationship with the Company?	V			
02	The CPA, or the spouse or a minor child thereof, does not engage in financing or guarantee related to the Company.	V			
03	The CPA or members of the audit service team do not have shareholding or investment relationship with the Company.	V			Verified by the Company and the shareholder stock affairs service provider in December 2021.
04	The CPA or members of the audit service team do not serve as the Company's Director, Supervisor, managerial officer, or positions that may have significant impact on the audit.	V			The Company obtained the Independence Statement issued by the certifying CPAs of PwC Taiwan and the results are specified therein.
05	The CPA or members of the audit service team do not act as an intermediary for the stocks or other securities issued by the Company.	V			
06	The CPA or members of the audit service team do not serve as a defense counsel of the Company or represents the Company in mediating conflicts with third parties.	V			
07	The CPA or members of the audit service team do not have familial relationships with the Company's Director, Supervisor, managerial officer, or personnel in positions that may have significant impact on the audit.	V			
08	No CPA in the same CPA firm that has resigned within the past year has served as	V			

	the Company's Director, Supervisor, managerial officer, or other positions that may have significant impact on the audit.				
09	The CPA or members of the audit service team have not received gifts of significant value or special preferential treatment from the Company, its managerial officers, or major shareholders.	V			
10	The CPA has not engaged in routine work at the Company or received fixed salary from the Company.	V			
11	The CPA has recused him/herself and declined to provide service if he/she has a direct or significant indirect relationship with or interest in a matter he/she is appointed to perform that may affect his/her fairness and independence.			V	There have been no cases where the CPA has a direct or significant indirect relationship with or interest in a matter he/she is appointed to perform that may affect his/her fairness and independence.
12	The CPA has not provided auditing services to the Company for a duration of more than seven consecutive years.	V			The current certifying CPA Shu-Chiung Chang had provided auditing services for seven years as of 2021 Q4. She was replaced by the CPA Po-Chuan Lin starting from 2022 Q1. CPA Chun-Yao Lin is providing services for the third year this year and no such conditions occurred.
I. Independence evaluation					
Item No.	Evaluation content	Yes	No	Not applicable	Remarks
13	Members of the audit service team, other CPAs of the firm, shareholders of the firm, the firm, and the affiliate enterprises or joint CPA firms of the firm have also maintained independence from the Company.	V			
14	The Company has obtained the formal written independence report produced by the certifying CPA firm.	V			PwC Taiwan issued the Independence Statement on November 22, 2021.
15	The CPA maintains a fair and objective attitude when providing professional services and prevents bias or conflicts of interest from affecting his/her professional	V			

	judgment.				
16	The CPA's firm does not have business collaboration relationships with the Company's Group.	V			
17	The CPA's firm does not have litigation relationships with the Company's Group?	V			
II. Competence evaluation					
Item No.	Evaluation content	Yes	No	Not applicable	Remarks
01	The CPA has not been disciplined by the CPA Discipline Committee in the last two years. The CPA firm is not currently involved or has been involved in significant litigation in the last two years.	V			
02	The CPA has the expertise to provide professional advice and training services to the firm and provides information on regulatory updates in a timely manner.	V			The CPA has the expertise to provide consultation and training services to the firm.
03	The CPA has the experience and expertise in the relevant industry sector to perform his or her duties.	V			The CPA has several years of audit experience and expertise in the relevant industry sector.
04	The CPA firm has sufficient scale, resources, and regional coverage to process corporate audit services and meet the auditing requirements of the Company.	V			PwC Taiwan is one of the top four accounting firms in China. It has an excellent reputation and currently has no significant litigation.
05	The CPA firm has created specific quality control procedures to ensure the quality of financial reports.	V			PwC Taiwan implements strict quality control policies to ensure quality.
06	The CPA firm and its personnel have performed their confidentiality obligations with respect to the Company's confidential information, particularly personal information.	V			The firm and its personnel have fulfilled their confidentiality obligations and there have been no related disputes.
Overall evaluation conclusion: Based on the aforementioned evaluation results, there has been no incident that affected the independence and competence of the Company's certifying CPAs.					

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

1. Information about members of the Remuneration Committee

(1) Members of the 4th Remuneration Committee

Title	Criteria Name	Professional qualifications and experience	Compliance with Independence Criteria	Number of positions as a Remuneration Committee Member in other public listed companies
Independent Director (Convener)	Hsiu-Ming Wang	Please refer to "Disclosure of information on the professional qualifications of Directors and independence of Independent Directors" on page 14.	All members meet the criteria specified below: 1. Complied (Note 2) with related requirements. 2. They (or with shares held in the name of others), their spouses, or underage children do not hold shares of the Company. 3. They did not provide business, legal, financial, or accounting services provided for the Company or its affiliates or receive compensation for such services in the last two years.	2
Independent Director	Wei Wang (Note 1)	Professional experience in business, law, finance, accounting or other areas relevant to the business of the Company		0
Other	I-Feng Chen	Professional experience in business, law, finance, accounting or other areas relevant to the business of the Company		0

Note 1: The Independent Director Wei Wang resigned on May 25, 2021.

Note 2: The members meet the following conditions during the two years prior to being elected and during the terms of office.

- (1) Not an employee of the Company or its affiliates.
- (2) Not a director or supervisor of the Company or an affiliate.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders.
- (4) Not a managerial officer listed in the preceding Subparagraph (1) or a spouse, relative within second degree of kinship or direct blood relative within third degree of kinship of personnel listed in the preceding Subparagraphs (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, or of a corporate shareholder that ranks among the top five in shareholdings, or of a proxy appointed according to Paragraph 1 or Paragraph 2 of Article 27 of the

Company Act.

- (6) Not a director, supervisor, or employee of other company not controlled by the same parties holding a majority of the number seats of directors of the Company or a majority of shares with voting rights.
- (7) Not a director (managing director), supervisor (managing supervisor), or employee of other company or institution being the same person holding the position of Chairman, President or equivalent position in the company or a spouse thereof.
- (8) Not a director, supervisor, manager, nor a shareholder holding more than 5% of the outstanding shares, of a certain company or organization that has a financial or business relationship with the company.
- (9) Not a professional providing business, legal, financial, accounting, or consulting services to the company or an affiliate, nor an owner, partner, director (managing director), supervisor (managing director), or manager, or the spouse of any of the foregoing, of a sole proprietorship, partnership, company, or organization providing such services to the company or its affiliates or cumulative remuneration amount obtained in the last two years not exceeding NTD 500,000.
- (10) It's not a person of the conditions specified in any of the subparagraphs of Article 30 of the Company Act.

(2) Members of the 5th Remuneration Committee

Criteria		Professional qualifications and experience	Compliance with Independence Criteria	Number of positions as a Remuneration Committee Member in other public listed companies
Title	Name			
Independent Director (Convener)	Hsiu-Ming Wang	Please refer to "Disclosure of information on the professional qualifications of Directors and independence of Independent Directors" on page 14.		2
Independent Director	Shih-Ing Huang			3
Independent Director	En-Hsin Hsiao			2
Other	I-Feng Chen (Note 1)	Professional experience in business, law, finance, accounting or other areas relevant to the business of the Company	All members meet the criteria specified below: 1. Complied (Note 2) with related requirements. 2. They (or with shares held in the name of others), their spouses, or underage children do not hold shares of the Company. 3. They did not provide business, legal, financial, or accounting services provided for the Company or its affiliates or receive compensation for such services in the last two years.	0

Note 1: The Independent I-Feng Chen resigned on July 21, 2021.

2. Information on the operation status of the Remuneration Committee

I. The Company's 4th Remuneration Committee consists of 3 members.

II. The term of the current members: From July 6, 2018 to the expiration date of the term of office of the appointee in such term of board of directors (July 8, 2021). The Remuneration Committee of **this term** convened 1 meeting (A) in 2021 and the qualification of the members and their attendance status are described below:

Title	Name	Actual attendance (B)	Attendances by proxy	Actual attendance rate (%) (B/A) (Note)	Remarks
Convener	Hsiu-Ming Wang	1	0	100%	Re-elected
Committee Member	Wei Wang	0	1	0%	Re-elected
Committee Member	I-Feng Chen	1	0	100%	Re-elected

Other items to be stated:

- I. If the Board of directors does not adopt or revise the Remuneration Committee's proposals, date, period, motion contents, and resolution decisions of the board meeting as well as the method in which the Company handles the Remuneration Committee's opinions shall be disclosed in detail (e.g., if the salary rate passed by the Board of Directors is superior to that proposed by the remuneration committee, the differences and reasons shall be explained): None.
- II. If the members of the Remuneration Committee have any dissenting opinion or qualified opinions on the resolutions of the Remuneration Committee, where such opinions are documented or issued through written statements, the date and session of the meeting of the Remuneration Committee, resolutions, all the members' opinions and handling of these opinions should be stated: None.

III. The Company's 5th Remuneration Committee consists of 3 members.

IV. The term of the current members: From July 9, 2021 to the expiration date of the term of office of the appointee in such term of board of directors. The Remuneration Committee of this term convened 5 meetings (A) in 2021 as of the printing date of the Annual Report and the qualification of the members and their attendance status are described below:

Title	Name	Actual attendance (B)	Attendances by proxy	Actual attendance rate (%) (B/A) (Note)	Remarks
Convener	Hsiu-Ming Wang	5	0	100%	Re-elected
Committee Member	Shih-Ing Huang	5	0	100%	Newly elected
Committee Member	En-Hsin Hsiao	5	0	100%	Newly elected

Committee Member	I-Feng Chen	0	0	0%	Resigned on July 21, 2021 (Attendance required for 0 meetings)
<p>Other items to be stated:</p> <p>一、 If the Board of directors does not adopt or revise the Remuneration Committee's proposals, date, period, motion contents, and resolution decisions of the board meeting as well as the method in which the Company handles the Remuneration Committee's opinions shall be disclosed in detail (e.g., if the salary rate passed by the Board of Directors is superior to that proposed by the remuneration committee, the differences and reasons shall be explained): None.</p> <p>二、 If the members of the Remuneration Committee have any dissenting opinion or qualified opinions on the resolutions of the Remuneration Committee, where such opinions are documented or issued through written statements, the date and session of the meeting of the Remuneration Committee, resolutions, all the members' opinions and handling of these opinions should be stated: None.</p>					

Note: The Company's 5th Board of Directors approved the establishment of the 1st Remuneration Committee on December 21, 2011. The Company organized an election of all Directors and Supervisors in the shareholders' meeting on June 13, 2012, and the newly appointed 6th Board of Directors appointed the 2nd Remuneration Committee on June 13, 2012. 2 meetings were held each year from 2012 to 2014, including 1 meeting of the 1st Remuneration Committee and 5 meetings of the 2nd Remuneration Committee. The Company organized an election of all Directors and Supervisors in the shareholders' meeting on June 24, 2015 and the 7th Board of Directors appointed the members of the third Audit Committee on August 11, 2015. Note: The Company organized an election of all Directors in the shareholders' meeting on July 27, 2018 and the 8th Board of Directors appointed the members of the 4th Remuneration Committee on August 11, 2018. Note: The Company organized an election of all Directors in the shareholders' meeting on July 9, 2021 and the 9th-term Board of Directors appointed the members of the first Audit Committee on July 9, 2021.

Remuneration Committee	Committee Member in Attendance	Proposal Content and Subsequent Handling	Resolution	Response to the Opinions of the Remuneration Committee
4th term 6th meeting March 18, 2021	Hsiu-Ming Wang, Convener Wei Wang, Committee Member I-Feng Chen, Committee Member	1. Amendment of the Company's "Regulations Governing Allocation of Remuneration to Directors/Supervisors" and "Remuneration Committee Charter". 2. The Company's 2020 remuneration distribution proposal for Directors and employees.	Proposal approved by all members of the Committee.	Submitted to the Board of Directors' meeting and approved by all attending Directors
5th term 1st	Hsiu-Ming	The establishment of	Proposal	Submitted to the

Remuneration Committee	Committee Member in Attendance	Proposal Content and Subsequent Handling	Resolution	Response to the Opinions of the Remuneration Committee
meeting July 21, 2021	Wang, Convener Shih-Ing Huang, Committee Member En-Hsin Hsiao, Committee Member	the Company's "Regulations on Buyback of Shares for Transfer to Employees" was filed for discussion.	approved by all members of the Committee.	Board of Directors' meeting and approved by all attending Directors
5th term 2nd meeting August 9, 2021	Hsiu-Ming Wang, Convener Shih-Ing Huang, Committee Member En-Hsin Hsiao, Committee Member	1. The amendment of the Company's "Regulations on Buyback of Shares for Transfer to Employees" was filed for discussion. 2. The establishment of the Company's "Special Provisions for Employee Incentives" was filed for discussion.	Proposal 1: Proposal approved by all members of the Committee. Proposal 2: Discussed by all members of the Committee in attendance and consulted the Attorney Sung for legal opinions. After adjusting the wording in Article 3 and Article 4 of the regulations, the proposal was approved by all members of the Committee in attendance and filed for discussion in the board meeting.	Submitted to the Board of Directors' meeting and approved by all attending Directors
5th term 3rd meeting November 9, 2021	Hsiu-Ming Wang, Convener Shih-Ing Huang, Committee Member En-Hsin Hsiao, Committee Member	The second amendment of the Company's "Regulations on Buyback of Shares for Transfer to Employees" was filed for discussion.	Proposal approved by all members of the Committee.	Submitted to the Board of Directors' meeting and approved by all attending Directors
5th term 4th meeting March 17, 2022	Hsiu-Ming Wang, Convener Shih-Ing Huang,	The Company's 2021 remuneration distribution proposal for Directors and employees was filed	Proposal approved by all members of the Committee.	Submitted to the Board of Directors' meeting and approved by all attending Directors

Remuneration Committee	Committee Member in Attendance	Proposal Content and Subsequent Handling	Resolution	Response to the Opinions of the Remuneration Committee
	Committee Member En-Hsin Hsiao, Committee Member	for discussion.		
5th term 5th meeting April 26, 2022	Hsiu-Ming Wang, Convener Shih-Ing Huang, Committee Member En-Hsin Hsiao, Committee Member	The recommendation of the salary and remuneration for the Company's Chief Strategist was filed for discussion.	Proposal approved by all members of the Committee.	Submitted to the Board of Directors' meeting and approved by all attending Directors

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

Implementation Item	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
I. Has the Company set up a governance structure for sustainable development, established an exclusively (or concurrently) dedicated unit to implement sustainable development, and have senior executives appointed by the Board of Directors to be in charge of corporate social responsibility and to report the implementation status to the Board of Directors?		✓	I. The Group has not yet set up a dedicated unit to implement sustainable development. For now, each department promotes sustainable development within the scope of its functions.	Setup depending on the operation status and scale of the Company
II. Does the Company implement the risk assessment of environmental, social, and corporate governance issues related to corporate operation and establish relevant risk management policies or strategies based on the principle of materiality?		✓	II. Currently, the Group has only established the environmental analysis and risk control procedures to perform the analysis of the Company’s operational environmental internal and external factors, and the identification of risks and opportunities.	Setup depending on the operation status and scale of the Company
III. Environmental issues (I) Has the Company established environmental policies suitable for characteristics of the industry?	✓		(I) The Group does not have any production activity in Taiwan. The production activity of oversea subsidiaries in China have passed all the inspections conducted by the environmental agencies and no air, water, waste, poison, noise and other hazardous elements that damage the environment are produced. The department that is responsible for the matters related to environmental management regularly reviews on whether the Company complies with	In compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies

Implementation Item	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
<p>(II) Is the Company committed to improving the efficiency of the use of resources and using recycled materials which have a low impact on the environment?</p> <p>(III) Does the company assess the potential risks and opportunities of climate change for its current and future operations and undertake response measures with respect to climate change?</p> <p>(IV) Has the Company analyzed the statistics of greenhouse gas emission, water usage and waste total weight over the past years, and has the Company established policies for energy saving, carbon reduction, greenhouse emission reduction, reduction of water usage or other waste management?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>related environmental regulations.</p> <p>(II) The Group endeavors to promote the efficient use of available resources. We also sort, recycle, and reduce waste to increase the environmental awareness for protecting the Earth.</p> <p>(III) The Group's air conditioner system has a timer setting, and the subsidiaries overseas set up the operating regulations based on temperature. We also encourage employees to save energy and reduce carbon emissions by turning off lights when leaving and recycling waste.</p> <p>(IV) The Group currently has not analyzed the statistics of greenhouse gas emission, water consumption and waste total weight. However, the air conditioners of the Group have the timer settings for shutdown and we also encourage employees to avoid using disposable tableware or other disposable items that generate waste.</p>	<p>Setup depending on the operation status and scale of the Company</p>
<p>IV. Social issues</p> <p>(I) Does the Company develop management policies in accordance with relevant regulations and international human rights conventions?</p>	<p>✓</p>		<p>(I) The Group follows related labor laws and handles the rights of employees according to the laws and the Company's policies to ensure their legal rights and that the employment policies have no differentiated treatment. We have clear communication channels between</p>	<p>In compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies</p>

Implementation Item	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
(II) Has the Company established and implemented reasonable employee welfare measures (including remuneration, leave and other welfare etc.), and has the Company appropriately reflected the operation performance or outcome in the remuneration of employees?	✓		<p>employers and employees for us to actively understand and fulfill the reasonable needs of our employees. An Employee Welfare Committee was established in accordance with the laws to handle matters related to employee benefits on a regular basis.</p> <p>(II) The Company has established the work rules and relevant personnel management regulations to specifically regulate the remuneration, working hours, leave, pension payment, labor and health insurance payment, occupational disaster compensation etc. for employees in compliance with the labor law. In addition, the Company also established the Employee Welfare Committee to handle welfare affairs. The Company pays close attention to the diversity in the workplace. Female employees account for approximately 43% of the employees and 17% of senior executives. The performance bonus system of the Company is linked to the contribution of an individual to the Company and to the overall business operation in order to provide reasonable incentives and rewards.</p>	
(III) Does the Company provide a safe and healthy work environment for its employees? Does the Company regularly	✓		<p>(III) The Group established the “Safety and Health Work Rules” and other regulations and operating procedures.</p>	

Implementation Item	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
provide its employees with safety and health education?			We commission external contractors to implement monthly labor safety and health inspections, biannual drinking water inspection, and annual lighting, fire control and carbon dioxide detection, and thorough sterilization of the working environment regularly to provide a safe and healthy working environment for employees. We also organize staff health checkups and educational training on labor safety and health every year.	
(IV) Has the Company established effective career development training plans for employees?	✓		(IV) The Group organizes supervisor training and courses that help improve their core and professional ability. Related course information is announced on the real time electronic bulletin board for employees to make suitable plans for their career development.	
(V) Has the Company complied with laws and international standards with regards to the customer health and safety of products and services, customer privacy, marketing and labeling of products and services, and has the Company established policies and reporting procedure related to consumer right and benefit protection?	✓		(V) The Group has fully introduced the EU Restriction of Hazardous Substances in Electrical and Electronic Equipment (RoHS). All of our products comply with the RoHS regulations, ISO14001 and related REACH regulations. Moreover, our suppliers have also established regulations in line with the RoHS and dedicated themselves to promoting corporate social responsibility with us. The Group's website provides information on our products	

Implementation Item	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
(VI) Has the company established supplier management policy, requested suppliers to comply with relevant regulations with regards to the issues of the environmental protection, occupational safety and health or labor rights etc. and the implementation status thereof?	✓		and service, and we have also designated personnel and an email account serving as channels for receiving customer complaints. (VI) All suppliers of the Group follow the corporate social responsibility policies and we request improvement if any supplier creates a significant impact on the environment and society. We request them to improve and to assign the Electronic Industry Citizenship Coalition (EICC) team to perform periodic evaluations of suppliers.	
V. Has the company stipulated standards or guidelines according to internationally accepted reporting standards or guidelines, prepared sustainability report, and other reports for disclosing non-financial information of the Company? Has the Company obtained assurance from a third-party verification unit for the aforementioned reports?		✓	V. The Group has not yet prepared a sustainability report and will proceed depending on the operation status and scale of the Company.	Setup depending on the operation status and scale of the Company
VI. If the Company has established sustainable development principles based on the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” please describe any discrepancy between the principles and their implementation: None.				
VII. Other information material to the understanding of sustainable development practices: 1. Environmental protection: The Group has obtained ISO14001 environmental management system certification. Our environment policies are: (1) Following and complying with environmental laws and other requirements. (2) Promoting recycling and reuse of resources, and endeavoring to reduce industrial waste to prevent pollution. (3) Reducing the use of hazardous materials, being thorough on pollution control and management, and endeavoring on the design and manufacturing of green products. (4) Preventing accidents and disasters and enhancing disaster prevention drill. Moreover, we take measures such as waste recycling and reduction and conservation of water and electricity to increase the environmental awareness for protecting the Earth.				

Implementation Item	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
				<p>2. Community participation, society contribution, and social service and welfare: The Group made donations to sponsor the Chinese National Association of Industry and Commerce and Yixuan Women and Children's Care Association in 2021.</p> <p>3. Consumers' rights: We have designated personnel to provide product consulting and assistance for each customer to maintain a stable and positive relationship with the customers.</p> <p>4. Human rights: We established the “Measures of Prevention, Correction and Punishment of Sexual Harassment” to defend gender equality and human dignity, and reported it to the competent authority for reference.</p> <p>5. Safety and health: The Group established the “Safety and Health Work Rules” and other regulations and operating procedures. We commission external contractors to implement monthly labor safety and health inspections, biannual drinking water inspection, and annual lighting, fire control and carbon dioxide detection, and thorough sterilization of the working environment regularly to provide a safe and healthy working environment for employees. We also organize staff health checkups and educational training on labor safety and health every year.</p>
<p>VIII. If the Company's corporate social responsibility reports have met the assurance standards of relevant certification institutions, they should be stated below: The overseas subsidiary of the Group, NanChang Creative Sensor Technology Co., Ltd., has passed the ISO9001 quality certification and ISO14001 environmental certification.</p>				

(VI) Deviations from “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons

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

Evaluation Item	Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
aforementioned plan reviewed periodically before amendment?			Company’s overseas subsidiaries also established the same and performed employees’ educational training and promotion periodically to enable the employees to understand the Company’s determination, policy and preventive program for ethical management, and the consequence of unethical conduct.	
<p>II. Implementation of ethical management</p> <p>(I) Has the Company assessed a trading counterpart’s ethical management record, and expressly states the ethical management clause in the contract to be signed with the trading counterpart?</p> <p>(II) Has the Company established a dedicated unit for promoting the corporate ethical management under the Board of Directors and reporting its ethical management policy and plan for preventing unethical conducts as well as the supervision of implementation status to the Board of Directors periodically (at least once annually)?</p>	<p>✓</p> <p>✓</p>		<p>(I) The Group regularly checks the financial and credit positions of the customers to avoid trading with anyone with unethical conduct record, and also set forth the ethical conduct-related provisions in its business contracts.</p> <p>(II) The Group appointed its Auditing Office to act as the unit dedicated to promoting ethical corporate management, which shall be responsible for reporting the status thereof to the Board of Directors periodically, and also urged its HR Section to handle the amendments, execution, interpretation and advice about ethical management rules.</p>	In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies

Evaluation Item	Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
(III) Has the Company established policies to prevent conflicts of interests, provided adequate communication channels, and implemented such policies and communication channels?	✓		(III) The employment agreement between the Group and its employees included non-competition provisions. The overseas subsidiaries also set up the conflict of interest reporting system under which the employees may declare the conflict of interest independently. Meanwhile, the Directors recuse themselves from any motions proposed at a board meeting if they have a conflict with their own interest or the interest of the juristic persons they represent pursuant to laws for preventing conflicts of interest. The Group also set up the mailbox for workers and the “employee complaint management system” to provide the employees with appropriate channels to state their opinions.	
(IV) Has the Company implemented effective accounting system and internal control system for the purpose of maintaining ethical operation? Has the internal audit unit established relevant audit plan according to the assessment result of unethical conduct risk and audit the status of compliance with the prevention against unethical conduct plan, or	✓		(IV) In order to ensure the fulfillment of ethical management, the Group established an effective accounting system and internal control system, and had its internal audit officers audit the compliance with the accounting system and internal control system	

Evaluation Item	Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
<p>entrust CPA to perform audit?</p> <p>(V) Has the Company organized internal/external education training program for ethical management periodically?</p>	✓		<p>periodically, and report the status thereof to the Board of Directors on a quarterly basis.</p> <p>(V) The Group organizes relevant programs periodically to help employees understand the ideas and regulations regarding ethical corporate management.</p>	
<p>III. Status of the Company’s complaint system</p> <p>(I) Has the Company defined a specific complaints and rewards system, and established some convenient complaint channel, and assigned competent dedicated personnel to deal with the situation?</p> <p>(II) Has the Company established any investigation standard operation procedures for accepting reported misconducts, subsequent measures and relevant confidentiality measures required to be performed after the completion of the investigation?</p>	✓		<p>(I) The Group has established the “Operating Procedure for Handling the Complaints Against Illegal and Unethical or Dishonest Conduct”. We also set up the complaint mailbox and hotline, delegated the dedicated personnel by different issues, and had its HR unit render reward or punishment based on the investigation results.</p> <p>(II) The Group maintains the confidentiality of all complaints, and specifies the non-disclosure obligation in the non-disclosure agreement signed with employees.</p>	<p>In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</p>
<p>(III) Has the Company adopted any measures to prevent the complainants from abuse after filing complaints?</p>	✓		<p>(III) The Company adopted strict measures to maintain the confidentiality of the</p>	

Evaluation Item	Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary	
			complainant’s information and prevent the complainant from abuse or unfair treatment.	
IV. Enhancing information disclosure (I) Has the Company has disclosed the Ethical Management Principles it established and the effect of implementation thereof on its website and Market Observation Post System?	✓		The Group set up its official website to disclose the Group’s business overview, product information, and financial information. The Company’s information is promptly and publicly disclosed on the MOPS for the Company to engage in business activities in a fair and transparent manner.	The Company shall process the disclosure based on actual needs or regulatory requirements.
V. If the Company has established ethical management principles based on “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies,” please describe any discrepancy between the principles and their implementation: None.				
VI. Other information material to the understanding of ethical management operation (e.g., discussion of an amendment to the ethical management best practice principles defined by the Company): The Group assigns Directors and Supervisors to attend training programs related to ethical management and corporate governance, and the competitive actions which the Directors Supervisors and managerial officers were engaged in were already reported to and approved by shareholders’ meetings and Board of Directors meetings.				

(VII) If the Company has established the corporate governance principles and relevant regulations, the inquiry method thereof shall be disclosed: Please refer to the Company’s website at www.csi-sensor.com.tw and the Market Observation Post System website at mops.twse.com.tw.

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

(IX) Operation Status of the Internal Control System
1. Statement on Internal Control System

Creative Sensor Inc.
Statement on Internal Control System

Date: March 17, 2022

We make the following statement based on the result of the self-inspection of the internal control system in 2021:

- I. We acknowledge that the Board of Directors and managers are responsible for the establishment, operation and maintenance of the internal control system. We have established such a system to provide reasonable assurance for achievement of the objectives concerning the effectiveness and efficiency of operations (including profits, performance and protection of asset security), reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws.
- II. Any internal control system has its inherent limitations. No matter how well an internal control system is designed, it can only provide reasonable assurance for the achievement of the above three objectives. Moreover, the effectiveness of an internal control system may vary as a result of changes in the environment and circumstances. However, our internal control system has a self-monitoring mechanism, and we take corrective actions immediately once a nonconformity is identified.
- III. We judge the design and operation of the internal control system for their effectiveness with reference to the items to be judged for the effectiveness of the internal control system specified in the “Regulations Governing Establishment of Internal Control Systems by Public Companies” (hereinafter referred to as the “Regulations”). The internal control systems are divided into the following five constituent elements in the management control process in terms of the items to be judged pursuant to the “Regulations”: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communications; and 5. monitoring activities. Each constituent element contains a number of items. Refer to the provisions of the above-mentioned “Regulations.”
- IV. We have adopted the judgment items of the internal control system to assess its design and operation for their effectiveness.
- V. Based on the results of the above-mentioned assessment, we confirm that our internal control system on December 31, 2021 (including monitoring and management of subsidiaries) was effective in terms of its design and operation with respect to understanding the effectiveness and efficiency of operations, the reliability, timeliness, transparency, and regulatory compliance of reporting, and the compliance with applicable laws, regulations, and bylaws in order to reasonably ensure that these objectives are achieved.
- VI. The Statement will be the major part of our annual reports and prospectuses, and will be open to the public. If there is any misrepresentation, nondisclosure or other illegality in the contents open to the public referred to above, legal responsibility specified in Articles 20, 32, 171 and 174 of the Securities and Exchange Act shall apply.
- VII. The Statement was approved at the Board of Directors’ meeting on March 17, 2022. None of the 7 Directors present at the meeting expressed any dissent and all of them approve the contents of the Statement as stated herein.

Creative Sensor Inc.

Chairman: Yu-Jen Huang (signature and seal)

Vice Chairman and Acting President: Chi-Chang Yang (signature and seal)

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

(X) Punishment(s) of the Company or its internal personnel in accordance with law in the most recent year and up to the date of the publication of this annual report; for punishment results that may have material impact on the shareholders' equity or securities price, it is necessary to describe the content of the punishment, the Company's punishment against its internal personnel violating internal control system regulations, main deficiencies, and improvements: No such occurrences.

(XI) Major Resolutions Made by Shareholders' Meetings and Board Meetings in 2021 and Up to the Printing Date of Annual Report

1. Important resolutions made by the general shareholders' meeting and execution thereof

Date	Resolution	Implementation Status
July 9, 2021	Acknowledged 2020 business report and financial statement.	Proposal recognized as proposed according to the voting result.
	Acknowledged 2020 earnings appropriation	1. Proposal recognized as proposed according to the voting result. 2. The cash dividend to be allocated was NTD 1.3 per share. The ex-dividend date was set as August 5, 2021, and the cash dividend to be allocated on August 25, 2021.
	Acknowledgment of the investment in TECO Electric & Machinery Co., Ltd.	Proposal recognized as proposed according to the voting result.
	Approved the proposal for amendment to the "Articles of Incorporation" of the Company	Proposal approved as proposed according to the voting result.
	Approved the proposal for amendment to the "Procedures for Acquisition or Disposal of Assets" of the Company	Proposal approved as proposed according to the voting result.
	Approved the proposal for amendment to the "Rules Governing the Election of Directors and Supervisors" of the Company	Proposal approved as proposed according to the voting result.
	Approved the proposal for amendment to the "Procedures for Making Endorsements and Guarantees" of the Company	Proposal approved as proposed according to the voting result.
	Approved the proposal for amendment to the "Procedure for Extending Loans to Others" of the Company	Proposal approved as proposed according to the voting result.

Election of the 9th-term Directors of the Company	Election of seven 9th-term Directors (including 3 Independent Directors). The changes regarding the newly appointed Directors were approved by the Department of Commerce, Ministry of Economic Affairs on August 9, 2021.
Approved the resolution to remove the non-compete clause for new Directors.	Proposal approved as proposed according to the voting result.
Special motions: The 2021 general shareholders' meeting of Creative Sensor Inc. is requested to approve and recognize the arrangements made by Creative Sensor Technology and Yuanta Securities Co., Ltd. (hereinafter referred to as Yuanta Securities) regarding the solicitation of proxy letters for the shareholders' meeting of TECO Electric & Machinery Co., Ltd., (hereinafter referred to as TECO) including the signing of commissioning contracts and agreements and payment of fees.	Proposal approved as proposed according to the voting result.
Special motions: The 2021 general shareholders' meeting of Creative Sensor Inc. is requested to authorize the Chairman and use the shares of TECO Electric & Machinery Co., Ltd. (hereinafter referred to as TECO) held by Creative Sensor Technology and solicited shares to support a candidate for directorship (independent director) who can help TECO improve business operations, instead of confining the use of the shares to support the representative of institutional director of Creative Sensor Technology, and without requiring the election of the Company's institutional director representative as a necessary condition.	Proposal approved as proposed according to the voting result.
Special motions: The shareholders' meeting is requested to render a resolution to request the Financial Supervisory Commission and the Securities and Futures Bureau of the Financial	Proposal approved as proposed according to the voting result.

	Supervisory Commission to immediately suspend the public tender offer Yu Rui Co., Ltd. for the shares of Creative Sensor Inc., and request the Fair Trade Commission to immediately prohibit the cause of the merger and instruct the Board of Directors of Creative Sensor Inc. to process related matters in accordance with the resolution of the shareholders' meeting.	
	Special motions: Proposal for adjournment.	Proposal approved as proposed according to the voting result.

2. Important resolutions made by the special shareholders' meeting and execution thereof

Date	Resolution	Implementation Status
September 17, 2021	Cash capital increase with private placement of common shares.	Proposal approved as proposed according to the voting result.

2. Major Resolutions Made by the Board of Directors in 2021 and Up to the Printing Date of Annual Report

Date	Important Resolutions	Dissent and qualified opinion by Independent Directors
8th Board of Directors 17th meeting (February 17, 2021)	1. Approved the election of the 9th-term Directors (including Independent Directors) of the Company. 2. Approved the organization of the 2021 general shareholders' meeting.	No comment No comment
8th Board of Directors 18th meeting (March 3, 2021)	1. Passed the Company's Investment Project A. 2. Passed the Company's Investment Project B.	No comment No comment
8th Board of Directors 19th meeting (March 18, 2021)	1. Approved the Company's 2020 business report and financial statements. 2. Approved the Company's 2020 remuneration distribution proposal for Directors, Supervisors, and employees. 3. Approved the 2020 earnings appropriation. 4. Approved the Company's 2020 "Statement on Internal Control System".	No comment No comment No comment No comment

Date	Important Resolutions	Dissent and qualified opinion by Independent Directors
	<ol style="list-style-type: none"> 5. Approved the amendment to the “Articles of Incorporation” of the Company. 6. Approved the amendment to the "Procedures for Acquisition or Disposal of Assets" of the Company. 7. Approved the renaming and amendment of the “Rules Governing the Election of Directors and Supervisors” of the Company. 8. Approved the amendment to the "Procedures for Making Endorsements and Guarantees" of the Company. 9. Approved the amendment to the "Procedure for Extending Loans to Others" of the Company. 10. Approved the renaming and amendment of the “Codes of Ethical Conduct for Directors and Managerial Officers” of the Company. 11. Approved the amendment to the Company's "Ethical Corporate Management Best Practice Principles" and the "Procedures for Ethical Management and Guidelines for Conduct". 12. Approved the list of Director candidates and reviewed the qualifications of the nominees. 13. Approved the resolution to remove the non-compete clause for the Company's new Directors. 14. Approved the new agenda of the 2021 general shareholders' meeting. 15. Approved the Company's external investment policy review. 	<p>No comment</p>
8th Board of Directors 20th meeting (May 10, 2021)	<ol style="list-style-type: none"> 1. Approved the amendment of the Company’s "Audit Committee Charter". 2. Approved the new agenda of the 2021 general shareholders' meeting. 	<p>No comment</p> <p>No comment</p>
8th Board of Directors 21st meeting (June 21, 2021)	<ol style="list-style-type: none"> 1. Approved matters regarding the postponed date, location, and other relevant matters regarding the Company's 2021 general shareholders' meeting. 	<p>No comment</p>
9th Board of Directors 1st meeting (July 9, 2021)	<ol style="list-style-type: none"> 1. Election of the 9th-term Chairman and Vice Chairman. 2. Approval of the appointment of the members of the Company's 5th Remuneration Committee. 3. Approved the establishment of the Company’s first Audit Committee. 	<p>No comment</p> <p>No comment</p> <p>No comment</p>
9th Board of Directors	<ol style="list-style-type: none"> 1. Approved the Company's selection of the members of the Public Tender Offer Review Committee. 	<p>No comment</p>

Date	Important Resolutions	Dissent and qualified opinion by Independent Directors
2nd meeting (July 9, 2021)	<ol style="list-style-type: none"> 2. Approved the Company's establishment of the Public Tender Offer Review Committee. 3. Approved the appointment of senior executives. 4. Special motion: The 2021 general shareholders' meeting of the Company is requested to approve and recognize the rights of the Chairman of the Company to determine matters with Yuanta Securities Co., Ltd. (hereinafter referred to as Yuanta Securities) regarding the solicitation of proxy letters for the shareholders' meeting of TECO Electric & Machinery Co., Ltd., (hereinafter referred to as TECO) including the signing of commissioning contracts and agreements and payment of fees. 5. Special motion: The 2021 general shareholders' meeting of Creative Sensor Inc. is requested to authorize the Chairman and use the shares of TECO Electric & Machinery Co., Ltd. (hereinafter referred to as TECO) held by the Company and solicited shares to support a candidate for directorship (independent director) who can help TECO improve business operations, instead of confining the use of the shares to support the representative of institutional director of the Company, and without requiring the election of the Company's institutional director representative as a necessary condition. 6. Special motion: The 2021 general shareholders' meeting is requested to render a resolution to request the Financial Supervisory Commission and the Securities and Futures Bureau of the Financial Supervisory Commission to immediately suspend the public tender offer of Yu Rui Co., Ltd. for the shares of Creative Sensor Inc., and request the Fair Trade Commission to immediately prohibit the cause of the merger and instruct the Board of Directors of Creative Sensor Inc. to process related matters in accordance with the resolution of the shareholders' meeting. 	<p>No comment</p> <p>No comment</p> <p>No comment</p> <p>No comment</p> <p>No comment</p>
9th Board of Directors 3rd meeting (July 15, 2021)	<ol style="list-style-type: none"> 1. Reviewed the public tender offer of Yu Rui Co., Ltd. for the Company's common shares. 2. Special motion: Approved the motion for the Company to issue an official letter to notify the Financial Supervisory Commission that the transfer of shares by Da Sheng Wu Venture Capital Co., Ltd. constituted a breach of trust under the Criminal Code, and requested the competent authority to take immediate appropriate actions. 3. Special motion: Approved the motion that with regard to 	<p>No comment</p> <p>No comment</p> <p>No comment</p>

Date	Important Resolutions	Dissent and qualified opinion by Independent Directors
	<p>the public tender offer of Yu Rui Co., Ltd. for the Company's shares, the Company shall issue an official letter to the Financial Supervisory Commission and request the competent authority to immediately require Yu Rui Co., Ltd. to stop the public tender offer procedures.</p> <p>4. Special motion: Approved the motion that the Company shall issue an official letter to the Financial Supervisory Commission and strongly request the competent authority to require Yu Rui Co., Ltd. to stop the public tender offer of the Company's shares.</p>	No comment
9th Board of Directors 4th meeting (July 21, 2021)	<p>1. Approved the establishment of the Company's "Regulations on Buyback of Shares for Transfer to Employees".</p> <p>2. Approved the buyback of the Company's shares.</p>	No comment No comment
9th Board of Directors 5th meeting (July 29, 2021)	<p>1. Approved the cash capital increase with private placement of common shares.</p> <p>2. Approved related matters for convening the Company's first special shareholders' meeting in 2021.</p>	No comment No comment
9th Board of Directors 6th meeting (August 9, 2021)	<p>1. Approved the amendment of the Company's "Regulations on Buyback of Shares for Transfer to Employees".</p> <p>2. Approved the amendment of the Company's "Regulations Governing Allocation of Remuneration to Directors/Supervisors".</p> <p>3. Approved the amendment of the Company's "Remuneration Committee Charter".</p> <p>4. Approved the amendment of the Company's "Rules of Procedure for Board of Directors' Meetings",</p> <p>5. Approved the amendment of the Company's "Regulations on Distribution of Retention Bonus".</p> <p>6. Approved the proposal for the evaluation of the necessity and reasonableness of the private placement of securities by the securities underwriter.</p>	No comment No comment No comment No comment No comment
9th Board of Directors 7th meeting (August 5, 2021)	<p>1. Passed the Company's Investment Project A.</p> <p>2. Passed the Company's Investment Project B.</p>	No comment No comment
9th Board of Directors 8th meeting (August 20,	<p>1. Passed the Company's Investment Project.</p>	No comment

Date	Important Resolutions	Dissent and qualified opinion by Independent Directors
2021)		
9th Board of Directors 9th meeting (September 3, 2021)	1. Approved the results of the latest progress for the public tender offer of Yu Rui Co., Ltd.	No comment
9th Board of Directors 10th meeting (September 23, 2021)	1. Approved the setting of the price of the Company's first issuance of common shares by private placement in 2021. 2. Approved the buyback of the Company's shares.	No comment No comment
9th Board of Directors 11th meeting (November 9, 2021)	1. Approved the Company's 2022 annual audit plan. 2. Approved the amendment of the Company's "Regulations on Buyback of Shares for Transfer to Employees". 3. Approved the appointment of senior executives.	No comment No comment No comment
9th Board of Directors 12th meeting (December 27, 2021)	1. Approved the amendment of the Company's "Rules of Procedure for Board of Directors' Meetings", 2. Approved the Company's 2022 budget. 3. Approved the Company's 2022 bank financing contract. 4. Approved the evaluation of the independence and competence of the Company's certifying CPAs. 5. Approved the proposal for the Company's appointment of the CPA firm for 2022 and its remuneration.	No comment No comment No comment No comment No comment
9th Board of Directors 13th meeting (March 17, 2022)	1. Approved the Company's 2021 business report and financial statements. 2. Approved the Company's 2021 remuneration distribution proposal for Directors, Supervisors, and employees. 3. Approved the 2021 earnings appropriation. 4. Approved the Company's 2021 "Statement on Internal Control System". 5. Approved the Company's replacement of the certifying CPA for financial statements. 6. Approved the organization of the 2022 general shareholders' meeting.	No comment No comment No comment No comment No comment No comment
9th Board of Directors 14th meeting (April 26, 2022)	1. Approved the amendment of the Company's 2021 earnings distribution. 2. Approved the amendment to the "Articles of Incorporation" of the Company. 3. Approved the amendment of the Company's "Rules of Procedure for Shareholders' Meetings". 4. Approved the amendment to the "Procedures for	No comment No comment No comment No comment

Date	Important Resolutions	Dissent and qualified opinion by Independent Directors
	Acquisition or Disposal of Assets" of the Company.	
	5. Approved the new agenda of the 2022 general shareholders' meeting.	No comment
	6. Approved the appointment of senior executives.	No comment

(XII) Recorded or written statements made by any director or supervisor which specified dissent to important resolutions passed by the board meetings in 2021 and up to the printing date of the annual report:

Date of the Board of Directors' Meeting/Session	June 21, 2021, 21st meeting of the 8th term
Proposal Content	Matters regarding the postponed date, location, and other relevant matters regarding the Company's 2021 general shareholders' meeting.
Board of Directors Resolution Result	Except for the Director Chien-Min Wang who objected, all other Directors in attendance agreed to convene the 2021 general shareholders' meeting at 3F, No. 397, Xingshan Road, Neihu District, Taipei City at 9 a.m. on July 9, 2021.
Comment and Handling	Director Chien-Min Wang: All recusals of Directors for the method of resolution are not compliant with laws. The individual who should recuse themselves should be given the opportunity to speak. This evidently goes against the Rules of Procedure for Board of Directors' Meetings. I hereby voice my objection to this proposal.

(XIII) Resignation or dismissal of the Chairman, President, head of accounting, head of finance, chief internal auditor, or head of R&D in 2021 and up to the printing date of the annual report:

Title	Name	Date of Job Assumption	Date of Dismissal	Reason of Resignation or Dismissal
Deputy Director	Hsueh-Ling Wang	December 30, 2020	July 9, 2021	Job duty adjustment
Chief Auditor	Chun-Chi Lin	August 19, 2009	November 9, 2021	Job duty adjustment

IV. Information of Independent Auditors Fee

Unit: NTD thousands

Accounting Firm Name	CPA Name	CPA Audit Period	Audit Fees	Non-Audit Fees	Total	Remarks
Pricewaterhouse Coopers Certified Public Accountants	Shu-Chiung Chang	January 1, 2021 to December 31, 2021	2,900	50	2,950	Non-audit fees refer to the salary information review table
	Chun-Yao Lin	January 1, 2021 to December 31, 2021				
Pricewaterhouse Coopers Certified Public Accountants	Yen-Tan Tsai	January 1, 2021 to December 31, 2021	0	520	520	Other non-audit fees refer to business income tax audit and certification
KPMG Taiwan	Wei-Chun Yeh	January 1, 2021 to December 31, 2021	0	370	370	Other non-audit fees mainly refer to transfer pricing and Group master file report
	Tsai-Huang Chen	January 1, 2021 to December 31, 2021				

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

- (I) Replacement of independent auditing firm and reduction in audit fees paid during the year of replacement compared with the previous year: No such occurrences.
- (II) The amount of the audit fees is reduced by more than 10% from the previous year: No such occurrences.

V. Information on Change of CPAs: No such occurrences.

VI. The Auditing Firm or Its Affiliates at Which the Company's Chairman, President, or Managers Responsible for Financial or Accounting Matters Was an Employee over the Past Year, His/Her Name, Position and Employment Period Shall Be Disclosed: No such occurrences.

VII. Change of Shares Transferred and Pledged for Directors, Supervisors, Managers and any Shareholder Who Holds More Than 10% of the Company's Shares During the Most Recent Year Until the Date on Which the Annual Report was Printed

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

Unit: shares

Title	Name	2021		2022 as of April 12	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Director	TECO Image Systems Co., Ltd. representative: Yu-Jen Huang	6,978,000	0	0	0
Director	TECO Image Systems Co., Ltd. representative: Chi-Chang Yang				
Major shareholder	TECO Image Systems Co., Ltd.				
Director	Koryo Electronics Co., Ltd. representative: En-Kuo Wang	1,914,000	0	0	0
Director	Koryo Electronics Co., Ltd. representative: Mu-Yao Ku				
Independent Director	Hsiu-Ming Wang	0	0	0	0
Independent Director	Shih-Ing Huang	0	0	0	0
Independent Director	En-Hsin Hsiao	0	0	0	0
Major shareholder	Universal Cement Corporation	13,000,000	0	0	0
Acting President	Chi-Chang Yang	69,399	0	0	0
Chief Strategist	Yu-Jen Huang	0	0	0	0
Assistant Vice President	Hung-Chi Chen	32,531	0	0	0
Assistant Vice President	Chi-Wen Chen	0	0	0	0
Assistant Vice President	Shao-Yang Wu	0	0	0	0
Director	Chun-Mei Yen	30,964	0	0	0
Deputy Director	Hsueh-Ling Wang (Note 1)	0	0	0	0
Senior Manager	Chien-Chung Hung (Note 2)	0	0	0	0
Corporate Governance Officer	Chiao-Pei Mai (Note 3)	0	0	0	0

Note 1: Hsueh-Ling Wang was reassigned from her position as Deputy Director to Special Assistant on July 9, 2021 and resigned on July 30, 2021.

Note 2: Chien-Chung Hung was appointed as Financial Manager on November 9, 2021.

Note 3: Chiao-Pei Mai was appointed as Corporate Governance Officer on November 9, 2021.

2. Information on transfer of equity from a director, supervisor, manager and major shareholder to a related party: None.

3. Information on pledge of equity created by a director, supervisor, manager and major shareholder for a related party: None.

VIII. Relationship Information, if Any of the 10 Largest Shareholders is a Related Party, or is the Spouse or a Relative Within the Second Degree of Kinship with Another

April 12, 2022

Unit:shares; %

NAME (NOTE 1)	SHAREHOLDINGS BY THE SHAREHOLDER		SPOUSE & MINOR SHAREHOLDING		SHARES HELD IN THE NAME OF OTHER PERSONS		DISCLOSURE OF INFORMATION ON RELATED PARTIES OR SPOUSE RELATIONSHIP OR RELATIONS WITHIN THE SECOND DEGREE OF KINSHIP, AMONG TOP TEN SHAREHOLDERS, INCLUDING THEIR NAMES AND RELATIONSHIPS		REMARKS
	NUMBER OF SHARES	SHAREHOLDING RATIO	NUMBER OF SHARES	SHAREHOLDING RATIO	NUMBER OF SHARES	SHAREHOLDING RATIO	NAME (OR INDIVIDUAL NAME)	RELATIONSHIP	
TECO IMAGE SYSTEMS CO., LTD. REPRESENTATIVE: YU-JEN HUANG	28,906,260	19.39%	0	0	0	0	CREATIVE SENSOR INC.	1. CHAIRMAN OF CREATIVE SENSOR INC. AND CHAIRMAN OF TECO IMAGE SYSTEMS CO., LTD. ARE THE SAME PERSON 2. CREATIVE SENSOR INC. IS A DIRECTOR OF TECO IMAGE SYSTEMS CO., LTD.	NONE
							KORYO ELECTRONICS CO., LTD.	KORYO ELECTRONICS CO., LTD. IS A DIRECTOR OF TECO IMAGE SYSTEMS CO., LTD.	
							TONG-AN INVESTMENT CO., LTD.	CHAIRMAN OF TONG-AN INVESTMENT CO., LTD. AND CHAIRMAN OF TECO IMAGE SYSTEMS CO., LTD. ARE FATHER AND SON	
							TECO INTERNATIONAL INVESTMENT CO., LTD.	1. CHAIRMAN OF TECO INTERNATIONAL INVESTMENT CO., LTD. AND CHAIRMAN OF TECO IMAGE SYSTEMS CO., LTD. ARE FATHER AND SON 2. TECO INTERNATIONAL INVESTMENT CO., LTD. IS A DIRECTOR OF TECO IMAGE SYSTEMS CO., LTD.	

UNIVERSAL CEMENT INVESTMENT CO., LTD. REPRESENTATIVE: PO-I HOU	13,273,000	8.90%	0	0	0	0	UNIVERSAL CEMENT INVESTMENT CO., LTD.	CHAIRMAN OF UNIVERSAL CEMENT CORPORATION AND CHAIRMAN OF UNIVERSAL CEMENT INVESTMENT CO., LTD. ARE THE SAME PERSON	NONE
TIEN DA INVESTMENT CO., LTD. REPRESENTATIVE: CHIEN-KUO YANG	12,318,000	8.26%	0	0	0	0	KORYO ELECTRONICS CO., LTD.	KORYO ELECTRONICS CO., LTD. IS A DIRECTOR OF TIEN DA INVESTMENT CO., LTD.	NONE
YU RUI CO., LTD. REPRESENTATIVE: KUAN-CHUN KUO	9,018,029	6.05%	0	0	0	0	TONG-AN INVESTMENT CO., LTD.	TONG-AN INVESTMENT CO., LTD. IS A DIRECTOR OF YU RUI CO., LTD.	NONE
UNIVERSAL CEMENT INVESTMENT CO., LTD. REPRESENTATIVE: PO-I HOU	9,000,000	6.03%	0	0	0	0	UNIVERSAL CEMENT CORPORATION	1. CHAIRMAN OF UNIVERSAL CEMENT CORPORATION AND CHAIRMAN OF UNIVERSAL CEMENT INVESTMENT CO., LTD. ARE THE SAME PERSON 2. UNIVERSAL CEMENT CORPORATION IS A DIRECTOR OF UNIVERSAL CEMENT INVESTMENT CO., LTD.	NONE
CREATIVE SENSOR INC. REPRESENTATIVE: YU-JEN HUANG	8,993,000	6.03%	0	0	0	0	TECO IMAGE SYSTEMS CO., LTD.	1. CHAIRMAN OF CREATIVE SENSOR INC. AND CHAIRMAN OF TECO IMAGE SYSTEMS CO., LTD. ARE THE SAME PERSON 2. CREATIVE SENSOR INC. IS A DIRECTOR OF TECO IMAGE SYSTEMS CO., LTD.	NONE

							TECO INTERNATIONAL INVESTMENT CO., LTD.	CHAIRMAN OF TECO INTERNATIONAL INVESTMENT CO., LTD. AND CHAIRMAN OF CREATIVE SENSOR INC. ARE FATHER AND SON	
							TECO ELECTRIC & MACHINERY CO., LTD.	1. TECO ELECTRIC & MACHINERY CO., LTD. IS A DIRECTOR OF TONG-AN INVESTMENT CO., LTD. 2. TECO ELECTRIC & MACHINERY CO., LTD. IS A DIRECTOR AND SUPERVISOR OF TECO INTERNATIONAL INVESTMENT CO., LTD.	
							KORYO ELECTRONICS CO., LTD.	KORYO ELECTRONICS CO., LTD. IS A DIRECTOR OF TECO IMAGE SYSTEMS CO., LTD. AND CREATIVE SENSOR INC.	
TONG-AN INVESTMENT CO., LTD. REPRESENTATIVE: MAO-HSIUNG HUANG	7,913,310	5.30%	0	0	0	0	TECO IMAGE SYSTEMS CO., LTD.	CHAIRMAN OF TECO IMAGE SYSTEMS CO., LTD. AND CHAIRMAN OF TONG-AN INVESTMENT CO., LTD. ARE FATHER AND SON	NONE
							TECO INTERNATIONAL INVESTMENT CO., LTD.	1. CHAIRMAN OF TECO INTERNATIONAL INVESTMENT CO., LTD. AND TONG-AN INVESTMENT CO., LTD. ARE THE SAME PERSON 2. TECO INTERNATIONAL INVESTMENT CO., LTD. IS A SUPERVISOR OF TONG-AN INVESTMENT CO., LTD.	

							TECO ELECTRIC & MACHINERY CO., LTD.	1. TONG-AN INVESTMENT CO., LTD. IS AN INVESTEE OF TECO ELECTRIC & MACHINERY CO., LTD. EVALUATED UNDER EQUITY METHOD 2. TECO ELECTRIC & MACHINERY CO., LTD. IS A DIRECTOR OF TONG-AN INVESTMENT CO., LTD.	
KORYO ELECTRONICS CO., LTD. REPRESENTATIVE: SHUN-JUNG LIAO	5,701,000	3.82%	0	0	0	0	TECO IMAGE SYSTEMS CO., LTD.	TECO IMAGE SYSTEMS CO., LTD. IS A DIRECTOR OF CREATIVE SENSOR INC.	NONE
							CREATIVE SENSOR INC.	CREATIVE SENSOR INC. IS A DIRECTOR OF TECO IMAGE SYSTEMS CO., LTD.	NONE
									NONE
TECO INTERNATIONAL INVESTMENT CO., LTD. REPRESENTATIVE: MAO-HSIUNG HUANG	5,309,447	3.56%	0	0	0	0	TECO IMAGE SYSTEMS CO., LTD.	CHAIRMAN OF TECO IMAGE SYSTEMS CO., LTD. AND CHAIRMAN OF TECO INTERNATIONAL INVESTMENT CO., LTD. ARE FATHER AND SON	NONE
							TONG-AN INVESTMENT CO., LTD.	CHAIRMAN OF TONG-AN INVESTMENT CO., LTD. AND TECO INTERNATIONAL INVESTMENT CO., LTD. ARE THE SAME PERSON	
							TECO ELECTRIC & MACHINERY CO., LTD.	1. TECO INTERNATIONAL INVESTMENT CO., LTD. IS AN INVESTEE OF TECO ELECTRIC & MACHINERY CO., LTD. EVALUATED UNDER EQUITY METHOD 2. TECO ELECTRIC & MACHINERY CO., LTD. IS A DIRECTOR AND SUPERVISOR OF TECO INTERNATIONAL INVESTMENT CO., LTD.	

TECO ELECTRIC & MACHINERY CO., LTD. REPRESENTATIVE: CHUN-CHIH CHIU	2,137,044	1.43%	0	0	0	0	TONG-AN INVESTMENT CO., LTD.	TONG-AN INVESTMENT CO., LTD. IS AN INVESTEE OF TECO ELECTRIC & MACHINERY CO., LTD. EVALUATED UNDER EQUITY METHOD	NONE
							TECO International Investment Co., Ltd.	TECO International Investment Co., Ltd. is an investee of TECO Electric & Machinery Co., Ltd. evaluated under equity method	
							Creative Sensor Inc.	Creative Sensor Inc. is a Director of Teco Electric & Machinery Co., Ltd.	

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

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

IX. The Total Number of Shares and Total Equity Stake Held in the Same Investee by the Company, Its Directors and Supervisors, Managerial Officers, and Any Companies Controlled Either Directly or Indirectly by the Company

March 31, 2022 / Unit: thousand shares

Investee	Investment by the Company		Investment by Directors, Supervisors, and managers or by directly or indirectly controlled enterprises		Total investments	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Creative Sensor Inc. (BVI)	15,415	100%	0	0	15,415	100%
Creative Sensor (USA) Co.	100	100%	0	0	100	100%
Creative Sensor Co., Ltd. (Hong Kong)	0	0	15,501	100%	15,501	100%
Wuxi Creative Sensor Technology Co., Ltd.	0	0	Investment certificate	100%	Investment certificate	100%
NanChang Creative Sensor Technology Co., Ltd.	0	0	Investment certificate	100%	Investment certificate	100%

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

Four. Fundraising Status

I. Corporate Capital and Shares

(I) Equity capital sources

April 12, 2022

Unit: NTD thousands; thousand shares

Year/ Month	Issue price (NTD)	Authorized capital		Paid-in capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Equity capital sources	Offset against the equity capital by property other than cash	Others
June 1998	10.0	4,000	40,000	1,000	10,000	Incorporation	None	—
May 1999	10.0	6,000	60,000	6,000	60,000	Capital increase in cash by NTD 50,000 thousand	None	—
June 2000	12.5	72,000	720,000	36,000	360,000	Capital increase in cash by NTD 300,000 thousand	None	Note 1
June 2001	12.5	72,000	720,000	50,000	500,000	Capital increase in cash by NTD 140,000 thousand	None	Note 2
November 2002	18.0	72,000	720,000	70,000	700,000	Capital increase in cash by NTD 200,000 thousand	None	Note 3
July 2004	10.0	112,900	1,129,000	78,239	782,390	Recapitalized from earnings by NTD 82,390 thousand	None	Note 4
June 2005	10.0	112,900	1,129,000	87,331	873,316	Recapitalized from earnings by NTD 90,926 thousand	None	Note 5
November 2005	43.0	112,900	1,129,000	98,968	989,686	Capital increase in cash by NTD 116,370 thousand	None	Note 6

March 2006	55.8	112,900	1,129,000	99,821	998,216	Conversion of domestic unsecured convertible corporate bonds into common stock totaling 853,030 shares	None	—
August 2006	10.0	160,000	1,600,000	123,027	1,230,277	Recapitalized from earnings by NTD 232,060 thousand	None	Note 7
January 2007	36.23	160,000	1,600,000	123,560	1,235,603	Conversion of domestic unsecured convertible corporate bonds into common stock totaling 532,690 shares	None	—
April 2007	36.23	160,000	1,600,000	126,663	1,266,627	Conversion of domestic unsecured convertible corporate bonds into common stock totaling 3,102,351 shares	None	—
July 2007	36.23	160,000	1,600,000	126,682	1,266,820	Conversion of domestic unsecured convertible corporate bonds into common stock totaling 19,320 shares	None	—
August 2008	10.0	160,000	1,600,000	130,000	1,300,000	Recapitalized from earnings by NTD 33,180 thousand	None	Note 8
February 2009	10.0	160,000	1,600,000	127,000	1,270,000	Annulment of treasury stock by NTD 30,000 thousand	None	Note 9

April 2010	30.1	160,000	1,600,000	127,035	1,270,350	Conversion of employee stock warrant to common stock totaling 35,000 shares	None	—
April 2011	28.94	160,000	1,600,000	127,055	1,270,550	Conversion of employee stock warrant to common stock totaling 20,000 shares	None	—
October 2021	23.49	160,000	1,600,000	149,055	1,490,550	Cash capital increase through private placement of 22,000 thousand shares	None	—

Note 1: Approval letter for issuance of new shares upon capital increase: Letter by Securities and Futures Commission, Ministry of Finance under (2000) Tai-Tsai-Cheng (1) No. 520523 dated June 23, 2000.

Note 2: Approval letter for issuance of new shares upon capital increase: Letter by Securities and Futures Commission, Ministry of Finance under (2002) Tai-Tsai-Cheng (1) No. 111551 dated March 25, 2002.

Note 3: Approval letter for issuance of new shares upon capital increase: Letter by Securities and Futures Commission, Ministry of Finance under (2002) Tai-Tsai-Cheng (1) No. 0910161006 dated November 14, 2002.

Note 4: Approval letter for issuance of new shares upon recapitalization from earnings: Letter by Securities and Futures Commission, Ministry of Finance under (2004) Tai-Tsai-Cheng (1) No. 0930127004 dated June 17, 2004.

Note 5: Approval letter for issuance of new shares upon recapitalization from earnings: Letter by Financial Supervisory Commission, Executive Yuan under Chin-Kuan-Cheng-Yi No. 0940122245 dated June 2, 2005.

Note 6: Approval letter for issuance of new shares upon capital increase: Letter by Financial Supervisory Commission, Executive Yuan under Chin-Kuan-Cheng-Yi No. 0940149562 dated November 25, 2005.

Note 7: Approval letter for issuance of new shares upon recapitalization from earnings: Letter by Financial Supervisory Commission, Executive Yuan under Chin-Kuan-Cheng-Yi-Zi No. 0950127763 dated June 30, 2006.

Note 8: Approval letter for issuance of new shares upon recapitalization from earnings: Letter by Financial Supervisory Commission, Executive Yuan under Chin-Kuan-Cheng-Yi-Zi No. 0970033055 dated July 2, 2008.

Note 9: Approval letter for annulment of treasury stock: Letter by Financial Supervisory Commission, Executive Yuan under Chin-Kuan-Cheng-Yi-Zi No. 0970069736 dated December 19, 2008.

April 12, 2022
Unit: thousand shares

Types of shares	Authorized capital stock			Remarks
	Outstanding shares (Note 1)	Unissued Shares (Note 2)	Total	
Common stock	127,055	10,945	160,000	Listed stocks
	22,000			Private placement of stocks

Note 1: Listed stocks.

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

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

(II) Shareholder structure

April 12, 2022

Shareholder structure Quantity	Government agencies	Financial institutions	Other institutions	Foreign institutions and foreigners	Individuals	Total
Number of people	0	0	166	56	30,615	33,025
Number of shares held	0	0	105,244,131	4,253,538	39,557,331	149,055,000
Shareholding ratio	0.00%	0.00%	70.61%	2.85%	26.54%	100%

(III) Distribution of equity

April 12, 2022

Unit: shares

Shareholding category	Number of shareholders	Number of shares held	Shareholding ratio (%)
1 to 999	23,841	330,954	0.22
1,000 to 5,000	5,393	10,998,077	7.38
5,001 to 10,000	872	6,477,891	4.35
10,001 to 15,000	276	3,315,130	2.22
15,001 to 20,000	147	2,691,977	1.81
20,001 to 30,000	118	2,907,347	1.95
30,001 to 40,000	56	1,953,535	1.31
40,001 to 50,000	33	1,520,671	1.02
50,001 to 100,000	49	3,585,738	2.40
100,001 to 200,000	22	3,140,010	2.11
200,001 to 400,000	13	3,636,740	2.44
400,001 to 600,000	2	1,089,000	0.73
600,001 to 800,000	3	2,183,840	1.47
800,001 to 1,000,000	1	898,000	0.60
Over 1,000,001	11	104,326,090	69.99
Total	30,837	149,055,000	100.00

Note: The Company has not issued preferred shares.

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

April 12, 2022

Major shareholder	Shares	Number of shares held	Shareholding ratio
TECO Image Systems Co., Ltd.		28,906,260	19.39%
Universal Cement Corporation		13,273,000	8.90%
Tien Da Investment Co., Ltd.		12,318,000	8.26%
Yu Rui Co., Ltd.		9,018,029	6.05%
Universal Cement Investment Co., Ltd.		9,000,000	6.03%
Creative Sensor Inc.		8,993,000	6.03%
Tong-An Investment Co., Ltd.		7,913,310	5.30%
Koryo Electronics Co., Ltd.		5,701,000	3.82%
TECO International Investment Co., Ltd.		5,309,447	3.56%
TECO Electric & Machinery Co., Ltd.		2,137,044	1.43%

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

Unit: NTD; thousand shares

Item	Year		2020	2021	Up to March 31, 2022 for the current year (Note 8)
Market price per share (Note 1)	Highest		24.35	33.35	25.30
	Lowest		14.85	18.50	22.00
	Average		18.55	24.84	23.57
Net worth per share (Note 2)	Before distribution		26.32	28.35	28.96
	After distribution		25.02	27.05	—
Earnings per share	Weighted average number of shares		127,055	117,948	111,156
	Earnings per share (Note 3)	Before adjustment	1.50	1.50	0.22
		After adjustment	—	—	—
Dividends per share	Cash dividends		1.3	1.3	—
	Stock dividends	Before adjustment	—	—	—
		After adjustment	—	—	—
	Accumulated unpaid dividends (Note 4)		—	—	—
ROI analysis	P/E ratio (Note 5)		12.37	16.56	—
	P/D ratio (Note 6)		14.27	19.11	—
	Cash dividend yield (Note 7)		7.01%	5.23%	—

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

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

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

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

Note 5: $P/E \text{ ratio} = \text{Average closing price per share for the year} / \text{Earnings per share}$.

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

Note 7: $\text{Cash dividend yield} = \text{Cash dividend per share} / \text{Average closing price per share for the current year}$.

Note 8: The consolidated financial statements of 2022 Q1 have already been reviewed and audited by the CPAs.

(VI) Dividend Policy and execution thereof

1. The stock dividend policy defined under the Articles of Incorporation:
Earnings concluded at the end of a year shall be allocated in the priority listed below:
 - I. Payment of tax.
 - II. Covering of loss.
 - III. 10% provision for statutory reserve, unless the balance of statutory reserve has accumulated to the same amount as the Company's paid-up capital.
 - IV. Provision or reversal of special reserve according to the authority's rules.
 - V. The remainder from Subparagraphs (1) to (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 the shareholders' meeting.

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

2. The allocation of stock dividend proposed by the shareholders' meeting (not yet approved by the shareholders' meeting).

The motion for allocation of 2021 earnings has been resolved and approved by the Board of Directors meeting on April 26, 2022. The stock dividend to be allocated to shareholders amounted to NTD 182,080,600. That is, the cash dividend to be allocated to shareholders was NTD 1.3 per share.

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

(VIII) Remuneration to employees, Directors, and Supervisors:

1. Percentage or scope of the remuneration to employees, Directors, and Supervisors referred to in the Articles of Incorporation:

Profits concluded by the Company in a financial year are subject to employee remuneration of 5% to 15%, and director and supervisor remuneration of no more than 5%. In addition, according to the "Regulations for Issuance of Remuneration of Directors and Supervisors," the evaluation items specified in these Regulations include: participation level in the Company's operation, contribution value and level of responsibility fulfillment, and the remuneration is issued based on the determination of the domestic and external standards. In addition, the Company also timely review the director and supervisor remuneration system depending upon the actual operation condition and relevant laws at all times. When the Company has accumulated losses from the previous year, if there is a profit in the current year, it is necessary to make up the losses first before the profit is appropriated as the remuneration of employees as well as the remuneration of directors and supervisors. Appropriation may then be made according to the percentages specified.

2. The basis for estimating the amount of remuneration to employees, directors and supervisors, for calculating the number of shares to be distributed as remuneration to

employees, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: The discrepancy between the actual distributed amount and the estimated figure, if any, will be treated as the changes in accounting estimates and stated as the income of 2022.

3. The motion for allocation of remuneration passed by the Board of Directors:

(1) The remuneration to employees, Directors and Supervisors in cash or in the form of stock. If there is any discrepancy between the amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed:

The Company's Board of Directors approved the 2021 allocation of remuneration to Directors, Supervisors and employees in a resolution on March 17, 2022. As a result, the remuneration to be allocated to Directors and Supervisors totaled NTD 6,270,968, and the remuneration to employees totaled NTD 18,812,905. All remuneration shall be allocated in cash and are expected to be reported at the shareholders' meeting on June 10, 2022.

(2) The amount of remuneration to any employee allocated in the form of stock, and the size of that amount as a percentage of the sum of the net income after tax stated in the individual or separate financial reports for the current period and total employee remuneration: No stock dividend was allocated.

4. The actual allocation of remuneration to employees, directors and supervisors for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual allocation and the recognized remuneration to employees, directors or supervisors, please also specify the discrepancy, cause, and how it is treated:

Unit: NTD

Item	Recipients	Amount for distribution approved in the Board of Directors' resolution	Actual distributed amount	Disbursement method
Employee remuneration	The Company's employees	24,727,740	24,727,740	Cash
Remuneration to Directors and Supervisors	The Company's Directors and Supervisors	8,242,580	8,242,580	
Total		32,970,320	32,970,320	

(IX) The Company's buyback of the Company's shares:

Related information on the buyback of the Company's shares as of December 31, 2021 and implementation status:

Period and sequence of buyback	3rd buyback	4th buyback
Objective of share buyback	Transfer of shares to employees	Transfer of shares to employees

Buyback period	July 22, 2021 to September 19, 2021	September 24, 2021 to November 22, 2021
Price range of share buyback	NTD 24 to NTD 38	NTD 24 to NTD 34
Stock buyback type and quantities	Common shares; 6,225,000 shares	Common shares; 2,768,000 shares
Number of shares bought back	NTD 186,666,350	NTD 72,889,164
Ratio of the number of shares bought back and expected number of shares to be bought back (%)	95.77%	86.5%
Number of retired and transferred shares	0 shares	0 shares
Cumulative number of shares of the Company	6,225,000 shares	8,993,000 shares
Percentage of cumulative number of shares of the Company of the total issued shares (%)	4.18%	6.03%

II. Issuance of Corporate Bonds: None.

III. Issuance of Preferred Shares: None.

IV. Issuance of Overseas Depository Receipts: None.

V. Issuance of Employee Stock Option Certificates: None.

VI. Information About New Restricted Employee Shares: None.

VII. Issuance of New Shares in Connection with Mergers or Acquisitions of, or Succession to
Shares of Other Companies: None.

VIII. Implementation of Capital Utilization Plan: None.

Five. Operation Overview

I. Business Activities

(I) Business scope

1. Main content of business operated by the Company

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

2. Operating revenue breakdown

Unit: NTD thousands

Item	2020		2021	
	Revenue	Revenue	Revenue	Operating revenue percentage (%)
Image sensors	3,399,884	100	3,951,319	100
Total	3,399,884	100	3,951,319	100

3. Current products of the Company

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

4. New products planned for development

With regard to the CIS main application products and market demand, the Group has developed a complete series of products to satisfy the demands of various types of scanning input devices (such as MFP scanner, printers etc.). In response to the

post-pandemic market, the focus of the research and development works for 2022 is as follows:

- A. New generation of CISM light source design.
- B. CISM design with high depth of field.
- C. CISM design with cost optimization.
- D. Ultra-high speed A4/A3 digital CISM design.
- E. Improvement of automatic production process.
- F. Infrared imaging QVGA and VGA core module.

(II) Industry Overview:

1. Current state and development of the industry:

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



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

Unit: million pcs

Year/Product	2019	2020	2021
Multi-function printer	72.2	74.9	73.3

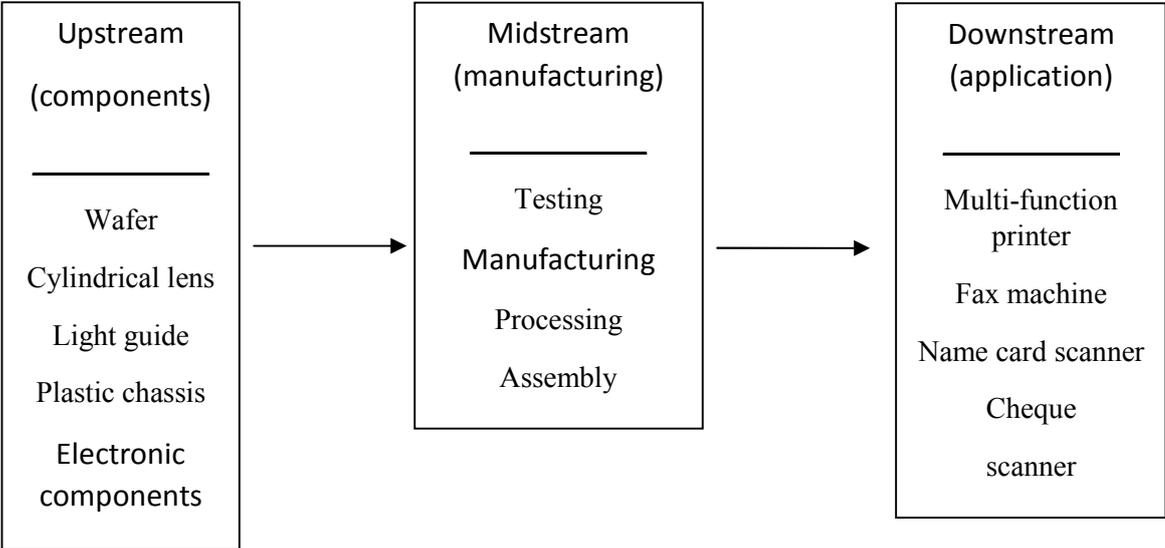
Source of data: IDC

As the modular design of CISM is advantageous to the application assembly of system operators, over the past years of development, products with scanning functions for personal and SOHO commercial purposes and CISM use have become mainstream

products in the market. The main products of the Group are used for scanners, fax machines, and MFP for use. The demand for related products in the post-pandemic era has undergone qualitative changes as demand for consumer models increased while demand for commercial models slowly recover.

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

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



3. Development trends of products and competition status:

(1) Product development trend

CISM is an essential component for MFP, and the key development relies on low cost, low power consumption, light weight, and compactness, which form the niche of the Group's product development. Through cooperative development of new products with customers, the Group aims to create solutions with ultra-high speed, high precision, and high depth of field. Creative Sensor's team has gained customers' trust in terms of research and development, price, quality, and services.

(2) Industry and market competition

Despite a lower demand for working/learning from home compared to 2021 in the post-pandemic era, the demand based on the hybrid working/learning from home model will continue to support the MFP market. Overall, the demand has increased by 5 to 10% compared to the demand before the pandemic. The semiconductor shortage is expected to persist until 2023. Market competition will be focused on supply chain management and cost control. The Group currently maintains its leading position in the market.

Through complete automated production line, the Group can minimize cost and enhance quality to cope with the continuous increase of production labor cost of the Group.

(III) Technology and Research and Development Overview

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

1. For 2021 and up to March 31 of this year, the consolidated research and development expenses invested were NTD 81,557 thousand and NTD 16,454 thousand, respectively.
2. Technology or product developed successfully:
 - (1) Annual mass production models of main Taiwanese, Japanese, and U.S. customers.
 - (2) Completion of development of high speed A4 CIMS and start of mass production.
 - (3) A4 CISM with introduction of self-developed components and mass production.
 - (4) Completion of development of new testing machine.
 - (5) Development of 5th generation of slim type CISM.
 - (6) Completion of the AI facial recognition + mask detection software development.

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

1. Short-term business development plan:
 - (1) Adopt long-term strategic material preparation to respond to short and medium-term material shortage risks in the supply chain.
 - (2) Increase production efficiency and expand production capacity to meet growing demand.
 - (3) Develop and design image input module with high field of depth in order to strengthen the competitiveness in the high-end MFP market.
 - (4) Expand the market penetration rate for A3 CISM in the high-end printers of Japanese customers in order to replace the original A3 CCDM products.
2. Long-term business development plan:
 - (1) Increase vertical integration ratio by implementing the internal introduction of plastic formation and increasing gross margin.
 - (2) Develop a new generation of linear scanning light source, and further reduce cost and improve lighting efficacy.
 - (3) Develop far-infrared imaging temperature sensing module in order to enter the body temperature monitoring of the epidemic market application.
 - (4) Market development of other optical input/output devices.

II. Market and Production/Sales Overview

(I) Market Analysis

1. Sales region of main products

The sales region of the products of the Group mainly consists of information technology and consumer electronic operators in Asia, the U.S., and Europe. Most current customers are well-known international OEM or system operators.

2. Market share

CISM Market share

Unit: %

Year	2019	2020	2021
Creative Sensor global market share	51.7%	46.5%	53.7%

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

3. Market future supply and demand status and growth

(1) Supply side:

The impact of the pandemic on consumer electronics persists and the increase in the demand of electric vehicles and 5G applications for wafer production capacity is expected to affect the global IC supply chain till 2023. The frequent delays of the deliveries will affect the stability of supply. In the short term, the bottlenecks in the CISM production capacity will continue to prevent the supply side from fully meeting demand, and would thus sustain profitability in the industry.

(2) Demand side:

The hybrid working/learning from home model in the post-pandemic era has resulted in reduced demand for consumer MFPs, it remains higher than the demand before the pandemic. However, international economic conditions have become relative unstable. In addition to changes brought forth by the pandemic, the Russo-Ukrainian War and global monetary policies will have direct impact on regional economic growth and may cause supply side fluctuations.

4. Competitive niche

(1) Rigorous quality requirements and advanced manufacturing process technology:

As all customers of the Company are major international brands, customers have high requirements for product quality, and the Company continues to implement quality improvement plans to attain improvements. The Company has obtained ISO 90001 and ISO 14001 international quality system certifications. Our factory further implements the overall cleanroom ESD protective environment upgrade, and gradually introduced complete automation to production lines as well as precise and reliable production lines to manufacture high-quality products. With regard to product quality design, the Company is also able to satisfy different customer demands and provide greater design integration capacity in the industry. Consequently, the Company's overall product quality standard is higher than the standards of the industry.

(2) Excellent supplier integration capability:

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

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

The R&D team of the Group has extensive experience in the research and development of CISM. The team is equipped with independent design capabilities and has obtained numerous patents. The team also engages in joint research and development with suppliers to develop important raw materials. Consequently, the quality of the R&D technology and technical innovation capacity of the Group now lead competitors in the same industry.

(4) Expansion of product applications:

The Group applies the know-how in CISM production technologies accumulated over many years for the development of relevant technologies and upstream and downstream products. In addition to the current products, we have focused on the development of far-infrared product technologies and successfully developed IR modules that satisfy epidemic prevention, industrial testing, and monitoring markets. We will continue to promote the applications to end customers to increase the contributions of related products.

5. Favorable and unfavorable factors for development prospects and response strategies:

Item	Favorable factors	Unfavorable factors	Response strategy
I. Industry prospects	MFP remains mainstream products for office/home applications, and the demand is stable. In addition, the CIS industry is still an oligopoly market with high barriers to entry. With limited domestic and foreign competing operators in the market, the medium and long-term market demand remains high.	MFP devices have matured and growth has started to slow. As a result, the growth of the Company's revenue from such products have gradually fallen. The COVID-19 pandemic has affected the production capacity in the global supply chain, which created direct impact on the revenue.	(1) Develop products with higher speed and higher resolution for applications in high-end ink jet and laser MFP, thereby expanding the product penetration rate and maintaining continuous revenue growth. (2) Engage in cooperative research and development of important raw materials with domestic suppliers to reduce the cost. (3) Utilize the COB packaging and imaging technology and capability and expand into the industries of AOI linear sensor camera module and infrared thermal imaging sensor to expand the niche in business operations and develop new applications.
II. Position in the industry	The Group currently ranks first in the world in terms of the market share of color contact image sensors. The Group has superior production scale competitiveness and cost control capabilities.	Both the upstream and downstream sections of the industry are oligopoly markets with lower price control capabilities. Price competition occurs as competing operators seek business opportunities in the market.	(1) Enhance the development of high-end products and low-price module products and increase the added value and market share to increase the differentiation from the operators in the industry. (2) Continue to improve manufacturing process and engage in development of high-performance and low-cost raw materials with suppliers to reduce production cost.
III. Primary raw material supply status	The Group has created long-term strategic alliances with primary raw material suppliers, and is able to control the quality and quantity of raw materials and components supplied.	Parts of the products of the primary raw material suppliers are sourced from oligopoly markets with lower price flexibility.	(1) Engage in cooperative research and development of important raw materials with suppliers to reduce the cost. (2) Continue to maintain excellent business relationship with suppliers and obtain stable supply sources.

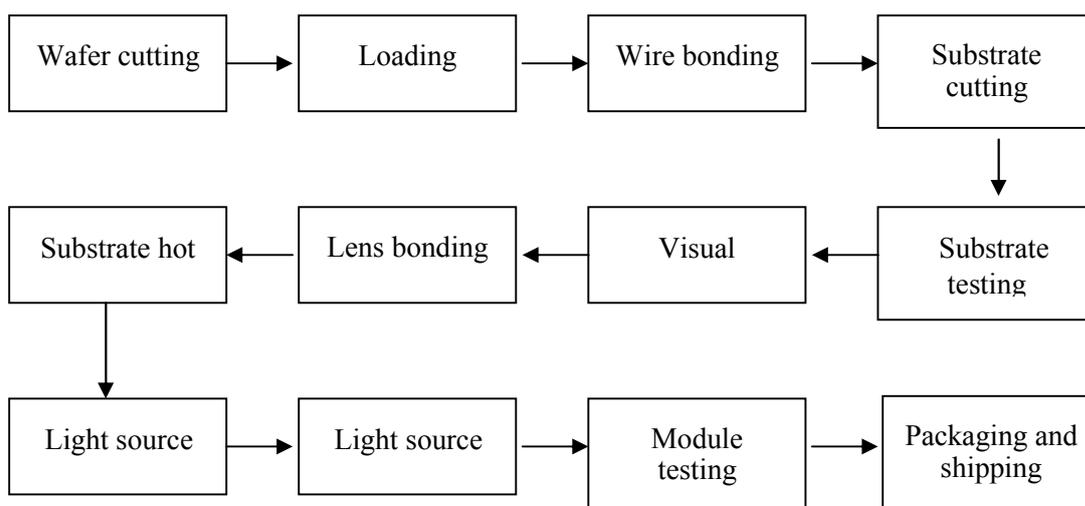
Item	Favorable factors	Unfavorable factors	Response strategy
IV. Sales status of main products	The product quality and delivery of the Group have long been recognized by the customers, and the Group continues to maintain the leading position in the market share for color CIS. In addition, the Group continues to develop new customers and engages in joint development of new products with customers. As a result, the sales quantity will continue to increase.	(1) Downstream product market with distinctive high and low seasons, affecting the production capacity planning. (2) Customer concentration is high.	(1) Actively expand business, attract new customers and new orders to increase customer diversification. (2) Obtain stable long-term orders to facilitate appropriate adjustments of the production capacity and reduce the obvious gap between operating costs during the high and low seasons.
V. Financial status	The Group has maintained stable profit for a long period of time. In addition, the management values the importance of accounts receivable and control of inventory; therefore, the operating activities indicate cash inflow status and a sound financial structure. The Group has sufficient funding and no financial concerns.	Products are devoid of diversity and the industry has matured as growth in both the revenue and profit fell and weakened profitability.	Develop new business to stimulate future business profits. The Group has sufficient funding to meet requirements for future capital expenditures.

(II) Key purpose and manufacturing process of main products

1. Key purpose of main products:

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

2. Manufacturing process



(III) Primary raw material supply status

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

In response to the aforementioned tight raw material supply, in the short term, the Company will continue to coordinate the production capacity jointly with customers and raw material suppliers to adopt the principle of preventing production interruption. For long-term plans, the Company's solution is to increase the number of suppliers.

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

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

Unit: NTD thousands

Item	2020				2021				2022 Q1			
	Name	Amount	Annual net purchase percentage (%)	Relationship with the issuer	Name	Amount	Annual net purchase percentage (%)	Relationship with the issuer	Name	Amount	Net purchase percentage up to the previous quarter of the current year (%)	Relationship with the issuer
1	Company A	451,322	17.89%	None	Company A	459,122	15.63%	None	Company C	146,477	21.60%	None
2	Company B	426,928	16.92%	None	Company B	449,386	15.30%	None	Company B	100,602	14.84%	None
3	Company C	352,769	13.98%	Note	Company C	431,116	14.67%	Note	Company A	62,697	9.25%	Note
	Other	1,291,560	51.21%	--	Other	1,598,298	54.40%	--	Other	368,321	54.31%	
	Net purchase amount	2,522,579	100.00%		Net purchase amount	2,937,922	100.00%		Net purchase amount	678,097	100.00%	

Note: It refers to the main management of the Group. After the election of the Board of Directors on July 9, 2021, the Company is no longer a related party of the Group.

Reason of increase/decrease: In the last two years, there were no major changes in the incoming material supplier ranking of the Company. However, we must actively seek new suppliers to diversify supply risks and stabilize supply sources without affecting the quality of raw materials.

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

Unit: NTD thousands

Item	2020				2021				2022 Q1			
	Name	Amount	Annual net sales percentage (%)	Relationship with the issuer	Name	Amount	Annual net sales percentage (%)	Relationship with the issuer	Name	Amount	Net sales percentage up to the previous quarter of the current year (%)	Relationship with the issuer
1	Company Alpha	726,057	21.36%	None	Company Alpha	818,708	20.72%	None	Company Alpha	191,379	21.56%	None
2	Company Beta	475,824	14.00%	"	Company Beta	485,946	12.30%	"	Company Beta	0	0%	"
3	Company Gamma	265,401	7.81%	"	Company Gamma	367,084	9.29%	"	Company Gamma	113,821	12.82%	"
	Others	1,932,602	56.83%	--	Others	2,279,581	57.69%	--	Others	582,448	65.62%	--
	Net sales amount	3,399,884	100.00%		Net sales amount	3,951,319	100.00%		Net sales amount	887,648	100.00%	

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

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

Unit: NTD millions; 1,000 pcs

Year Production Quantity and Value Mai Products	2020			2021		
	Production Capacity	Production Quantity	Production Value	Production Capacity	Production Quantity	Production Value
Image sensors	37,400	26,922	3,374	36,960	32,233	4,080
Total	37,400	26,922	3,374	36,960	32,233	4,080

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

Unit: NTD millions; 1,000 pcs

Year Sales Quantity Amount Main Products	2020				2021			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Image sensors	1	8	27,125	3,392	0	1	31,220	3,950
Total	1	8	27,125	3,392	0	1	31,220	3,950

III. Number of Employees in the Last Two Years and the Employee Information of the Group up to the Publication Date of the Annual Report

Year		2020	2021	2022 as of March 31
Number of employees	Indirect labor	353	323	341
	Direct labor	745	652	958
	Total	1098	975	1124
Average age		33.90	34.25	35.0
Average years of service		3.75	4.05	3.95
Education background distribution ratio (%)	PhD	0%	0%	0%
	Master	5%	5%	5%
	College	31%	33%	32%
	Senior High School	30%	31%	30%
	Below Senior High School	34%	31%	33%

IV. Information on Environmental Protection Expenditures

Total amount of losses suffered by the Company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in

environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken, and please explain the future response measures (including improvement measures) and possible expenses (including possible loss, penalty and estimated compensation amount due to failure in adopting response measures; if reasonable estimation cannot be made, the fact for such failure in providing reasonable estimation shall be explained): The Group is in the component manufacturing industry and does not produce waste gas, wastewater, and noise pollution in the manufacturing process. Consequently, there have been no losses due to environmental pollution in the last two years. It does not expect to incur major capital expenditures in environmental protection in the future.

V. Labor-Management Relationship

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

1. Employee welfare measures implementation status thereof:

- A. Starting from the job onboard date of employees of the Company, employees enjoy the labor insurance and national health insurance. Employees of overseas subsidiaries enjoy the local insurance system starting from the onboard date.
- B. According to the employee stock subscription regulations of the Company, during the capital increase by cash, 10% to 15% of stocks are reserved for employees' subscription according to the regulations, and the employee bonus sharing system is implemented.
- C. The Company has established the Employee Welfare Committee, which handles and manages the operations of all welfare measures. Presently, all of the labor criterion of leave applications, working hours etc. are handled according to the Labor Standards Act, and various welfare measures are planned.
- D. Current employee welfare measures are as follows:
 - ① Three-holiday bonuses, gift vouchers.
 - ② Year-end bonus, performance bonus.
 - ③ Organization of year-end party activity.
 - ④ Organization of employees' domestic and overseas travel activities.
 - ⑤ Employee marriage, funeral monetary gifts.
 - ⑥ Subsidies to children education.
 - ⑦ Apply for labor, health insurance and group insurance enrollment for employees.
 - ⑧ Provide stock subscription opportunity for employees during capital increase by cash.

2. Employees continuing education, training system, and implementation status

- A. With regard to the employee educational training, employee educational training is implemented according to the Company's training related regulations of "Educational Training Implementation Regulations," "Internal Educational Training Implementation Regulations," "External Training Implementation Regulations," "Language Proficiency Examination Subsidy Regulations," "On-Job Continuing Education Subsidy Regulations" etc. We actively provide employees various learning and development opportunities and environment to cultivate outstanding talents with international vision and active learning.
- B. 2021 educational training hours statistics: In 2021, programs of supervisor training, internal and external courses for core ability and professional ability improvement were organized, and there was a total of 67 people participating in the training, and the total number of hours was 185 hours. In 2021, on average, each person received 2.8 hours of training, and the annual training expenditures amounted to NTD 69,267.

3. Retirement system and implementation status:

- A. With regard to the employee retirement system and regulations of the Company, the Company handles such matters according to the relevant regulations of the Labor

Standards Act and the Labor Pension Act. Overseas subsidiaries handle such matters according to the retirement and insurance system of People's Republic of China (PRC).

B. The Company has also established the "Labor Retirement Reserve Fund Supervisory Committee" to supervise the implementation status of the retirement system.

C. According to the regulations specified in the Generally Accepted Accounting Principles (GAAP) of R.O.C. No. 18, the Company entrusts an actuary to perform assessment and calculation of the labor retirement reserve fund and to submit actuarial assessment report.

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

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

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

5. Employee code of conduct or ethical rules:

To maintain order in the workplace, the Group explicitly specifies the rights and obligation relationships between labor and management. The Group also has established the "Work Rules" according to laws and publicly disclosed them after obtaining approval from the competent authority. Furthermore, the Company has specified the following rules and actively promotes them to reduce the operational risks of the Company, prevent occurrence of conducts damaging the interests of shareholders, and provide guidance to employees of the Company:

A. Ethical management best practice principles: It is prohibited to directly or indirectly provide, commit, request or accept any illegal benefits, or engage in any conduct violating the ethics or violating the obligation entrusted for fulfillment.

B. Comply with antitrust requirements: It is necessary to remain vigilant when responding to competitors and dealing with business counterparties, and it is necessary to provide clear response without disclosing sensitive information. Employees also may not provide or receive in any special offers or benefits.

C. Report illegal and unethical conducts: In case where an employee discovers any conducts violating the ethical standards of the Company, including misappropriation of Company properties, matters affecting accuracy of the financial statements of the Company, collection of illegal benefits from the external, such employee shall report such issue via internal normal channel of the Company.

6. Internal Material Information Handling Operation Procedure:

To establish proper internal material information handling and disclosure mechanism, to prevent improper disclosure of information and to ensure consistency and accuracy of information published by the Company to external entities, the Group has also established the "Management for Preventing Insider Trading" in the internal control system. It was

reported to the Board of Directors' meeting for resolution and approval on December 21, 2009, and all employees and managerial officers have been informed accordingly.

7. Working environment and employee personal safety protective measures:

A. Working environmental protective measures

- ①The Group has obtained ISO14001 environmental management system certification. Our environment policies are: (1) Following and complying with environmental laws and other requirements. (2) Promoting recycling and reuse of resources, and endeavoring to reduce industrial waste to prevent pollution. (3) Reducing the use of hazardous materials, being thorough on pollution control and management, and endeavoring on the design and manufacturing of green products. (4) Preventing accidents and disasters and enhancing disaster prevention drill.
- ②Equipment safety: The Company implements periodic inspections of elevators and cargo elevators in the building, and appoints external contractors to perform monthly labor safety and health inspections to prevent the increase of labor risks and require workers to wear personal protective equipment.
- ③Fire safety: Comprehensive fire control systems have been installed in accordance with the regulations in the Fire Services Act, including fire sprinkling system, evacuation systems such as escape slings and emergency lighting etc. We also organize annual inspections of the lighting, fire safety, and carbon dioxide detection systems.
- ④The Group performs semi-annual drinking water machine tests as well as complete disinfection of the work environment each year to maintain the sanitation of the working environment.

B. Employee personal safety protective measures

- ①The Group has established the "Safety and Health Work Rules" to protect the rights and benefits related to workers' physical and mental health, and to reduce all major hazards caused during operation. Furthermore, the Company has also established the "Regulations for Attending to Accidents of Natural Disaster, Power Outage, Pending for Material Supply etc." to facilitate immediate response actions in case of occurrence of disasters.
- ②Medical health care: The Group provides one physical examination for employees every year.
- ③The Group holds periodic labor safety and health educational training each year to increase relevant knowledge of employees and reduce employees' occupational injuries.
- ④The Group's reception counter is equipped with alcohol and masks at all times for use by employees and visitors to reduce likelihood of spreading of infectious diseases, such as flu and cold, among employees at the working environment.
- ⑤To prevent accident that threaten workers' personal safety, we require workers to wear personal protective equipment and establish relevant operation procedures.

(II) Any losses suffered by the Company in the most recent year and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers,

the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

VI. Cyber Security Management:

(I) Cyber security risk management framework

1. Organization:

- (1) The Company's Information Security Section is responsible for the establishment of internal information security policies, planning and implementation of information security procedures, and promotion and implementation of information security policies.
- (2) The Company's Auditing Office is the supervisory unit for information security monitoring. The Office has an audit supervisor and full-time auditors responsible for supervising the implementation of internal information security measures. If discrepancies are found, the audited unit will be asked to propose specific improvement measures and the effectiveness of the improvements will be tracked on a regular basis to reduce internal security risks. The audit results are reported to the Board of Directors each year.
- (3) Organizational operation mode: According to the Company's Information Security Policy and Information Security Operation Procedures, internal units must implement and strengthen the communication of the Information Security Policy and Information Security Operation Procedures. They organize personnel education and training and implement the adoption and implementation of the Information Security Policy. The Auditing Office conducts information security risk audits and if discrepancies are found, the audited unit will be asked to propose specific improvement measures and the effectiveness of the improvements will be tracked on a regular basis.

2. Information security risk management mechanisms:

Execute the management of IT server rooms, computer information file security, network security, email security management, and information system control and access.

(II) Information Security Policy

1. Information security targets:

Establish a secure and reliable operation environment and ensure the security of the Company's data, systems, equipment, and networks to protect the Company's interests and ensure the continuous operations of the information systems of all units.

2. Scope of information security:

- (1) Computer system security management.
- (2) Network security management.
- (3) System access control.
- (4) Information equipment management and information security training.
- (5) Security management for system development and maintenance.

- (6) Information asset security management.
 - (7) Physical and environmental security management of the information system.
 - (8) Information security auditing.
3. Related regulations for employees:
- (1) To maintain data integrity, employees may not destroy, take out, lend, or improperly modify computer data and equipment.
 - (2) The use of pirated software is prohibited.
 - (3) The use of the company network environment by external information and communication devices is prohibited. The Company does not provide network connection services for visitors to prevent the intrusion of viruses from external sources and block computers with unauthorized software from accessing the Company's network environment.
 - (4) After logging into the server, once the operations are completed if the device is not used for an extended period of time, the user should be logged out of the system to prevent leaks of confidential data, damage by others, or computer crashes.
 - (5) When an employee resigns or when handing over responsibilities, the IT unit shall assess the relevancy of data and take appropriate measures including data backup and adjustments of related system access authorities.

(III) Specific management plans

1. Infrastructure system (computer server room, electricity supply services, air-conditioning services, network telecommunications services, and fire safety)
- (1) Computer server room: The Company has two server rooms, including the main server room in Neigh Headquarters and the IDC backup server room of Chunghwa Telecom.
 - (2) Power system: The server room is equipped with battery cabinets for the uninterrupted power supply (UPS) system. In case of an anomaly in the power supply, the UPS system will immediately supply power and it can continue to supply power for up to 1 hour. When the power failure persists for more than 30 minutes, the system will be shut down to ensure system safety.
 - (3) Cooling air-conditioning system: Two air conditioners are installed and they rotate operations to maintain cooling effectiveness.
 - (4) Network lines: We use three network lines provided by Asia Pacific Telecom and Chunghwa Telecom for external network services.
 - (5) Fire safety system: It is equipped with carbon dioxide fire extinguishing devices and standalone hand-held fire extinguishers.
2. Physical information equipment
- (1) Enterprise Resource Planning (ERP) system: The Company has two ERP servers which are divided into official and test areas. The server used for official operations provides ERP service and the server used for tests is used by developers for tests before applications are imported into the server used for official operations.
 - (2) E-mail system: The e-mail system service is set up in the IDC server room and Neihu main server room. The mail system in the main server room is the backup system.

3. Firewall and load balancing equipment:

- (1) The firewall determines whether to allow or block specific connections and protect against viruses and network attacks based on security rules and definitions. Load balancing equipment provide redundancy for external network service lines.
- (2) Physical area control (server room access control area)
Access to the server room is controlled with separate access control cards so that unauthorized personnel cannot enter the room. The time and reason of entry into the server room by unauthorized personnel are recorded.

4. Information system control

- (1) Computer system control: Only company computers are permitted to be used for work. All new computers must be delivered to the Information Technology Department for setting the security environment and account access.
 - A. The Company uses designated brands and models of computers to ensure the equipment maintenance quality.
 - B. Inclusion in the company domain for account access controls
 - C. Web browser security settings
 - D. Install designated anti-virus software
- (2) Web behavior control: Restrict web pages by category, block malicious websites, record website visits, and monitor and count traffic usage behavior. Implement monitoring and blocking of application traffic.
- (3) Personnel access control: System administrators, administrators, and general users are managed with separate authorities.
- (4) Access restrictions:
 - A. Only authorized personnel can connect to the core system and the computer location and connection methods are also restricted.
 - B. Only authorized personnel are permitted to access data on the file server.

5. System audit management

- (1) Internal audit: Internal audit management is conducted once every six months in accordance with the Company's internal computerized information system management system.
- (2) External audit: An audit of the accounting information system is conducted each year to audit the operation systems and management methods.

6. Information security defense measures

Different brands of anti-virus scanning mechanisms are used for each type of information security equipment to increase the virus detection rate.

- (1) Firewall:
 - A. We set up firewalls for new applications and update virus codes to scan the contents of network traffic in real time.
 - B. It identifies different connection behaviors, categorizes websites for identification, blocks malicious websites, and blocks malicious links and malware.
 - C. We set up the PA sandbox system to ensure system security.
- (2) Network segmentation:

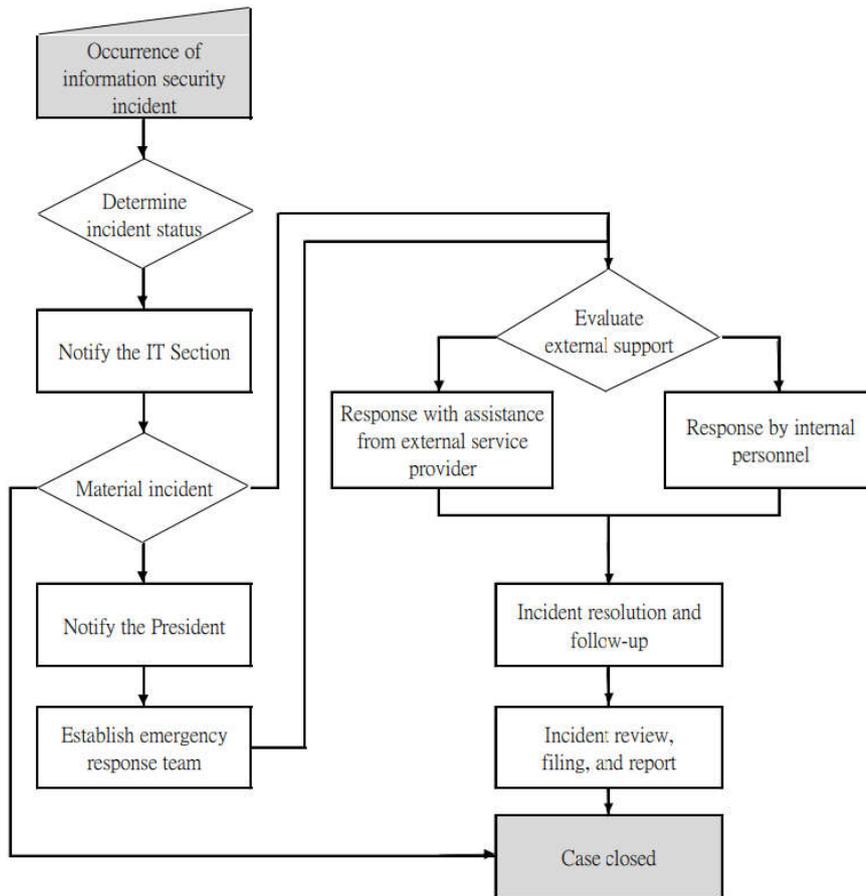
- A. The internal network is divided into different network segments for each department and system service.
 - B. When a virus infection occurs, it can increase the difficulty for the virus to spread and isolate suspicious network segments.
 - C. We can use the monitoring system to identify the location of abnormal network behavior.
- (3) Update server: It can address the vulnerabilities of internal servers and automatically issue update files.
- A. Major updates and security updates: They are set to promptly download and facilitate manual updates.
 - B. General update: They are set to schedule downloads and update during off-peak hours.
- (4) Anti-virus software:
- A. Central console management separates users and servers into different groups for management. We can monitor the virus infection status of the entire company from the anti-virus console.
 - B. Anti-virus software is installed on the user's end and is scheduled to update automatically, with regular scanning scheduled every Wednesday at 12:00.

(IV) Information security investment plan

- (1) Two-factor authentication mechanism: In response to the increased and sustained demand for remote connection in the post-pandemic era, we implement the two-factor authentication mechanism with security checks and login password for external connected devices to ensure that the connected devices do not infiltrate and cause damage to the Company's system.
- (2) Endpoint detection and response (EDR) and managed detection and response (MDR) services: We implement endpoint detection and response (EDR) to detect malware intrusions and prevent ransomware attacks at all times. We collect and report detection information and implement 24-hour continuous monitoring to detect signs of ransomware in real time. It prevents employees' laptops and other devices from being hijacked by individuals with malicious intent, which may lead to business interruption.

(V) Emergency reporting procedures

The Company's reporting procedures for information security incidents are as follows. The reporting of and response to information security incidents are processed in accordance with the procedures.



VII. Important Contracts: None.

Six. Financial Information

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

(I) Condensed Balance Sheet

1. Consolidated Condensed Balance Sheet - IFRS

Unit: NTD thousands

Year Item		Financial information for the most recent five years					Financial data in the current year up to March 31, 2022 (Note 2)
		2017	2018	2019	2020	2021	
Current assets		3,168,989	3,466,786	3,220,429	3,193,614	2,675,797	2,793,092
Property, plant, and equipment		613,890	485,435	371,289	293,774	227,987	230,816
Intangible assets		4,306	6,909	6,170	7,510	4,785	4,140
Other assets		808,864	675,174	775,294	1,749,837	3,823,952	3,829,476
Total assets		4,596,049	4,634,304	4,373,182	5,244,735	6,732,521	6,857,524
Current liabilities	Before distribution	1,131,232	1,284,592	920,458	1,865,805	2,725,410	2,767,620
	After distribution	1,334,520	1,449,763	1,072,924	2,030,976	Note 3	Note 3
Non-current liabilities		60,458	111,553	155,141	34,478	36,342	33,178
Total liabilities	Before distribution	1,191,690	1,396,145	1,075,599	1,900,283	2,761,752	2,800,798
	After distribution	1,394,978	1,561,316	1,228,065	2,065,454	Note 3	Note 3
Equity attributed to the owners of the parent company		3,404,359	3,238,159	3,297,583	3,344,452	3,970,769	4,056,726
Capital stock		1,270,550	1,270,550	1,270,550	1,270,550	1,490,550	1,490,550
Capital surplus		677,467	677,467	677,467	677,467	974,247	974,247
Retained earnings	Before distribution	1,152,065	1,154,222	1,172,756	1,209,832	1,396,626	1,421,221
	After distribution	948,777	989,051	1,020,290	1,044,661	Note 3	Note 3
Other equity		304,277	135,920	176,810	186,603	368,902	430,264
Treasury stock		0	0	0	0	(259,556)	(259,556)
Non-controlling interests		0	0	0	0	0	0
Total equity	Before distribution	3,404,359	3,238,159	3,297,583	3,344,452	3,970,769	4,056,726
	After distribution	3,201,071	3,072,988	3,145,117	3,179,281	Note 3	Note 3

Note 1: Information for 2017 to 2021 is based on the consolidated financial statements audited and certified by CPA and based on IFRS.

Note 2: The information of the first quarter of 2021 is based on the consolidated financial statements audited and certified by CPA and based on IFRS.

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

2. Standalone Condensed Balance Sheet - IFRS

Unit: NTD thousands

Year		Financial information for the most recent five years				
		2017	2018	2019	2020	2021
Current assets		1,257,172	1,344,074	1,008,818	1,898,842	1,489,295
Property, plant, and equipment		8,770	6,443	26,643	26,578	18,637
Intangible assets		960	3,502	4,111	5,876	3,649
Other assets		3,264,807	3,249,211	3,337,634	3,364,949	5,112,057
Total assets		4,531,709	4,603,230	4,377,206	5,296,245	6,623,638
Current liabilities	Before distribution	1,073,943	1,267,545	938,429	1,919,453	2,624,818
	After distribution	1,277,231	1,432,717	1,090,895	2,084,624	Note 2
Non-current liabilities		53,407	97,526	141,194	32,340	28,051
Total liabilities	Before distribution	1,127,350	1,365,071	1,079,623	1,951,793	2,652,869
	After distribution	1,330,638	1,530,243	1,232,089	2,116,964	Note 2
Equity attributed to the owners of the parent company		3,404,359	3,238,159	3,297,583	3,344,452	3,970,769
Capital stock		1,270,550	1,270,550	1,270,550	1,270,550	1,490,550
Capital surplus		677,467	677,467	677,467	677,467	974,247
Retained earnings	Before distribution	1,152,065	1,154,222	1,172,756	1,209,832	1,396,626
	After distribution	948,777	989,051	1,020,290	1,044,661	Note 2
Other equity		304,277	135,920	176,810	186,603	368,902
Treasury stock		0	0	0	0	(259,556)
Non-controlling interests		0	0	0	0	0
Total equity	Before distribution	3,404,359	3,238,159	3,297,583	3,344,452	3,970,769
	After distribution	3,201,071	3,072,988	3,145,117	3,179,281	Note 2

Note 1: Information for 2017 to 2021 is based on the standalone financial statements audited and certified by CPA based on IFRS.

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

(II) Condensed Statement of Comprehensive Income

1. Consolidated Condensed Statements of Comprehensive Income - IFRS

Unit: NTD thousands

Item \ Year	Financial information for the most recent five years					Financial data in the current year up to March 31, 2022 (Note 2)
	2017	2018	2019	2020	2021	
Operating revenue	3,957,862	4,576,761	4,169,494	3,399,884	3,951,319	887,648
Gross profit	551,959	552,868	605,987	463,509	523,269	104,709
Operating income (loss)	213,120	226,435	268,756	162,115	199,441	39,223
Non-operating revenue and expenses	70,568	91,753	17,244	101,048	25,670	(7,885)
Net profit before tax	283,688	318,188	286,000	263,163	225,111	31,338
Net profit from continuing operation	210,019	205,800	183,626	190,268	176,681	24,616
Loss on discontinued operation	0	0	0	0	0	0
Net income (loss)	210,019	205,800	183,626	190,268	176,681	24,616
Other comprehensive income (net income after tax)	(16,812)	(168,712)	40,969	9,067	268,332	61,362
Current total consolidated income	193,207	37,088	224,595	199,335	445,013	85,978
Net profit attributable to owners of the parent company	210,019	205,800	183,626	190,268	176,681	24,616
Net profit attributable to non-controlling interests	0	0	0	0	0	0
Comprehensive income attributable to owners of the parent company	193,207	37,088	224,595	199,335	445,013	85,978
Comprehensive income attributable to non-controlling interests	0	0	0	0	0	0
Earnings per share	1.65	1.62	1.45	1.50	1.50	0.22

Note 1: Information for 2017 to 2021 is based on the consolidated financial statements audited and certified by CPA and based on IFRS.

Note 2: The information of the first quarter of 2021 is based on the consolidated financial statements audited and certified by CPA and based on IFRS.

2. Standalone Condensed Statements of Comprehensive Income - IFRS

Unit: NTD thousands

Item \ Year	Financial information for the most recent five years				
	2017	2018	2019	2020	2021
Operating revenue	3,941,913	4,563,815	4,161,994	3,399,884	3,951,319
Gross profit	381,756	375,869	399,983	358,944	362,538
Operating income (loss)	116,249	125,317	188,478	118,581	91,358
Non-operating revenue and expenses	126,476	149,081	43,143	125,642	94,447
Net profit before tax	242,725	274,398	231,621	244,223	185,805
Net profit from continuing operation	210,019	205,800	183,626	190,268	176,681
Loss on discontinued operation	0	0	0	0	0
Net income (loss)	210,019	205,800	183,626	190,268	176,681
Other comprehensive income (net income after tax)	(16,812)	(168,712)	40,969	9,067	268,332
Current total consolidated income	193,207	37,088	224,595	199,335	445,013
Net profit attributable to owners of the parent company	210,019	205,800	183,626	190,268	176,681
Net profit attributable to non-controlling interests	0	0	0	0	0
Comprehensive income attributable to owners of the parent company	193,207	37,088	224,595	199,335	445,013
Comprehensive income attributable to non-controlling interests	0	0	0	0	0
Earnings per share	1.65	1.62	1.45	1.50	1.50

Note 1: Information for 105 to 2020 is based on the standalone financial statements audited and certified by CPA based on IFRS.

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

Year	Name of CPA	Audit Opinion
2017	Shu-Chiung Chang, Hui-Chin Tseng	Unqualified opinion
2018	Shu-Chiung Chang, Hui-Chin Tseng	Unqualified opinion
2019	Shu-Chiung Chang, Chun-Yao Lin	Unqualified opinion
2020	Shu-Chiung Chang, Chun-Yao Lin	Unqualified opinion
2021	Shu-Chiung Chang, Chun-Yao Lin	Unqualified opinion

II. Financial Analysis for the Most Recent Five Years

(I) Financial analysis

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

Year Analysis item		Financial analysis for the last five years					Up to March 31, 2022 for the current year
		2017	2018	2019	2020	2021	
Financial structure	Debt to assets ratio (%)	25.93	30.13	24.60	36.23	41.02	40.84
	Long-term capital to property real estate, plant and equipment ratio (%)	564.40	690.04	929.93	1150.18	1757.61	1771.93
Debt servicing capability	Current ratio (%)	280.14	269.87	349.87	171.17	98.18	100.92
	Quick ratio (%)	250.81	231.16	316.03	150.06	78.84	80.80
	Interest earned ratio (times)	-	-	367.20	60.92	19.95	7.32
Management capacity	Receivables turnover ratio (times)	7.32	7.82	7.11	6.33	8.02	6.78
	Average collection days	50	47	51	58	46	54
	Inventory turnover ratio (times)	11.17	9.71	8.81	8.33	7.44	6.59
	Payables turnover ratio (times)	4.49	4.85	4.73	4.46	4.85	4.30
	Average inventory turnover days	33	38	41	44	49	55
	Property, plant and equipment turnover ratio (times)	5.65	8.33	9.73	10.22	15.15	15.48
	Total asset turnover ratio (times)	0.86	0.99	0.93	0.71	0.66	0.52

Profitability	Return on assets (%)	4.56	4.46	4.09	4.03	3.11	1.68
	Return on equity (%)	6.16	6.20	5.62	5.73	4.83	2.45
	Net income before tax to paid-in capital ratio (%)	22.33	25.04	22.51	20.71	15.10	8.41
	Net profit margin (%)	5.31	4.50	4.40	5.60	4.47	2.77
	Earnings per share (NTD)	1.65	1.62	1.45	1.50	1.50	0.22
Cash flow	Cash flow ratio (%)	43.12	33.44	46.86	18.28	10.39	(14.33)
	Cash flow adequacy ratio (%)	150.69	143.25	138.06	133.24	133.65	116.14
	Cash reinvestment ratio (%)	5.53	4.44	5.50	3.94	2.16	(1.80)
Leverage	Operating leverage	3.51	3.49	2.92	3.70	3.10	3.73
	Financial leverage	1.00	1.00	1.00	1.03	1.06	1.14

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

1. Increase of the long-term capital to property real estate, plant and equipment ratio was mainly due to the decrease of the book value after the depreciation of real estate, plant and equipment.
2. Decrease in the current ratio and quick ratio was mainly due to the increase in current liabilities.
3. Increase of the payables turnover ratio was mainly due to the decrease in the average collection days.
4. Decrease of Interest earned ratio was mainly due to interest expense of the 2021 lease liabilities.
5. Decrease in the cash flow ratio and cash reinvestment ratio was mainly due to the increase in non-operating expenditures in 2021.
6. Increase in property, plant, and equipment turnover ratio was mainly due to the increase in non-operating expenditures in 2021 which reduced net cash flow from operating activities.
7. Decrease in net income before tax to paid-in capital ratio was mainly due to the decrease in net profit before tax and the capital increase in 2021.

Note 1: Information for 2017 to 2021 is based on the consolidated financial statements audited and certified by CPA and based on IFRS.

Note 2: The information of the first quarter of 2021 is based on the consolidated financial statements audited and certified by CPA and based on IFRS.

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

Analysis item		Year				
		2017	2018	2019	2020	2021
Financial structure	Debt to assets ratio (%)	24.88	29.65	24.66	36.85	40.05
	Long-term capital to property real estate, plant and equipment ratio (%)	39427.21	51772.23	12906.87	12705.21	21456.35
Debt servicing capability	Current ratio (%)	117.06	106.04	107.50	98.93	56.74
	Quick ratio (%)	116.92	105.93	106.36	98.78	56.08
	Interest earned ratio (times)	-	-	306.97	57.18	16.66
Management capacity	Receivables turnover ratio (times)	7.29	7.80	7.10	6.33	8.02
	Average collection days	50	47	51	58	46
	Inventory turnover ratio (times)	4466.95	2892.23	622.85	450.71	358.77
	Payables turnover ratio (times)	4.17	4.46	4.23	3.81	4.59
	Average inventory turnover days	1	1	1	1	1
	Property, plant and equipment turnover ratio (times)	335.51	599.99	251.59	127.76	174.78
	Total asset turnover ratio (times)	0.87	1.00	0.95	0.64	0.66
Profitability	Return on assets (%)	4.60	4.51	4.10	4.01	3.12
	Return on equity (%)	6.16	6.20	5.62	5.73	4.83
	Net income before tax to paid-in capital ratio (%)	19.10	21.6	18.23	19.22	12.47
	Net profit margin (%)	5.33	4.51	4.41	5.60	4.47
	Earnings per share (NTD)	1.65	1.62	1.45	1.50	1.50

Cash flow	Cash flow ratio (%)	23.81	24.11	5.57	68.21	1.23
	Cash flow adequacy ratio (%)	123.83	115.34	94.41	213.19	205.24
	Cash reinvestment ratio (%)	1.45	2.93	(3.14)	32.66	(3.19)
Leverage	Operating leverage	3.14	2.88	2.11	(3.20)	1.88
	Financial leverage	1.00	1.00	1.00	1.04	1.15

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

1. Decrease of Interest earned ratio was mainly due to interest expense of the 2021 lease liabilities.
2. Decrease in the current ratio and quick ratio was mainly due to the increase in current liabilities.
3. Increase of the payables turnover ratio was mainly due to the decrease in the average collection days.
4. Decrease in inventory turnover ratio was mainly due to the increase in inventory.
5. Increase in property, plant, and equipment turnover ratio was mainly due to the increase in non-operating expenditures in 2021 which reduced net cash flow from operating activities.
6. Decrease in cash flow ratio was mainly due to the decrease in net cash flows in operating activities in 2021.
7. Decrease in cash reinvestment ratio was mainly due to the decrease in net cash flows in operating activities in 2021.
8. Increase in operating leverage was mainly due to the decrease in operating profits in 2021.
9. Decrease in net income before tax to paid-in capital ratio was mainly due to the decrease in net profit before tax and the capital increase in 2021.

Note 1: Information for 2017 to 2021 is based on the standalone financial statements audited and certified by CPA based on IFRS.

1. Financial structure

- (1) Debt to total assets ratio = Total debt / Total assets.
- (2) Ratio of long-term capital to property, plant & equipment = (total equity + non-current liabilities) / net worth of property, plant and equipment.

2. Debt servicing capability

- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets - inventory - pre-payment) / current liabilities.
- (3) Interest earned ratio = profit before income tax and interest expenses / interest expenses.

3. Management capacity

- (1) Accounts receivable (include receivable amounts and receivable bills from operation) turnover = net sales / average accounts receivable in each period (include receivable amounts and receivable bills from operation) balance.
- (2) Average collection period = 365 / accounts receivable turnover.
- (3) Inventory turnover ratio = sales cost / average inventory amount.
- (4) Accounts payable (include payable amounts and payable bills from operation) turnover = sales cost / average accounts payable in each period (include payable amounts and payable bills from operation) balance.
- (5) Average days in sales = 365 / inventory turnover ratio.
- (6) Property, plant and equipment turnover ratio = net sales / average net worth of property, plant and equipment.
- (7) Total assets turnover ratio = Net sales / Average total assets.

4. Profitability

- (1) Return on asset = [earnings after tax + interest expense × (1 - interest rate)] / average total assets.
- (2) Return on shareholders' equity = earnings (loss) after tax / average total equity.
- (3) Profit ratio = earnings (loss) after tax / net sales.
- (4) Earning per share = (profit or loss attributable to owners of the parent company - preferred stock dividends) / weighted average number of shares outstanding.

5. Cash flow

- (1) Cash flow adequacy ratio = net cash flow from operating activities / current liabilities.
- (2) Net cash flow adequacy ratio = net cash flows from operating activities in the last five years / (capital expenditure + inventory increase + cash dividends) in the last five years.
- (3) Cash reinvestment ratio = (cash provided by operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital).

6. Leverage:

- (1) Operating leverage = (net sales - variable cost) / income from operations.
- (2) Financial leverage = income from operations / (income from operations - interest expense).

III. Audit Committee's Review Report of the Financial Statements in the Most Recent Year

Creative Sensor Inc.
Audit Committee's Review Report

The 2021 business report, standalone financial statements, consolidated financial statements, and earnings distribution proposal prepared by the Board of Directors have been audited by CPA Shu-Chiung Chang and CPA Chun-Yao Lin of Pricewaterhouse Coopers Certified Public Accountants, who issued an audit report. The aforementioned business report, standalone financial statements, consolidated financial statements, and earnings distribution proposal have been reviewed by the Audit Committee, which found no misstatement in the above, and thereby issues this review report in accordance with Article 219 of The Company Act for your review.

Submitted to

The 2022 Annual General Shareholders Meeting

Creative Sensor Inc.
Convener of the Audit Committee:
Shih-Ing Huang

March 17, 2022

IV. Financial Statements of the Most Recent Year

For 2021 financial statements, please refer to page 143 to page 220 of this Annual Report.

V. Company's Standalone Financial Statements of the Most Recent Year Audited by Auditors

For the Company's 2021 standalone financial statements, please refer to page 221 to page 305 of this Annual Report.

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

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

I. Financial Status

(I) Financial status comparison and analysis table

Unit: NTD thousands

Year Item	2021	2020	Difference		
			Amount	%	Description
Current assets	2,675,797	3,193,614	(517,817)	(16.21)	—
Fixed assets	227,987	293,774	(65,787)	(22.39)	1
Other assets	3,828,737	1,757,347	2,071,390	117.87	2
Total assets	6,732,521	5,244,735	1,487,786	28.36	2
Current liabilities	2,725,410	1,865,805	859,605	46.07	3
Total liabilities	2,761,752	1,900,283	861,469	45.33	3
Capital stock	1,490,550	1,270,550	220,000	17.31	4
Capital surplus	974,247	677,467	296,780	43.80	4
Retained earnings	1,396,626	1,209,832	186,794	15.43	—
Total shareholders' equity	3,970,769	3,344,452	626,317	18.72	—

Description of increase/decrease change of ratio for the two periods: For the increase/decrease change ratio reaches 20%, and absolute amount exceeds NTD 10,000 thousand, analysis is then performed.

1. Decrease in fixed assets was mainly due to the appropriation of depreciation expense.
2. Increase in the other assets was mainly due to the increase of equity instrument investments measured at fair value through other comprehensive income - non-current.
3. Increase in liabilities was mainly due to the increase in short-term borrowings.
4. Increase in share capital and capital surplus was mainly due to the capital increase.

II. Financial Performance

(I) Financial performance comparison analysis

Year Item	2021	2020	Increase (decrease) amount	Change ratio %	Analysis and explanation for change of ratio
Operating revenue	3,951,319	3,399,884	551,435	16.21	—
Operating costs	3,428,505	2,936,375	492,130	16.75	—
Gross profit	523,269	463,509	59,760	12.89	—
Operating expenses	323,828	301,394	22,434	7.44	—
Net operating profit	199,441	162,115	37,326	23.02	1
Non-operating revenue and expenses					

Other income	141,957	86,819	55,138	63.51	2
Other interest and loss	(111,369)	18,536	(129,905)	(700.82)	3
Finance costs	(11,882)	(4,392)	(7,490)	(70.53)	4
Share of profits/losses on equity-accounted associated companies and joint ventures	6,964	85	6,879	8,092.94	5
Net profit before tax	225,111	263,163	(38,052)	(14.46)	—
Income tax expenses	(48,430)	(72,895)	24,465	33.56	6
Net profit	176,681	190,268	(13,587)	(7.14)	—

Description of increase/decrease change of ratio analysis: For the increase/decrease change ratio not reaching 20% or the absolute amount less than NTD 10,000 thousand, analysis is exempted. The analysis is as follows:

1. It was mainly due to the increase in revenue.
2. It was mainly due to the increase in dividend income.
3. It was mainly due to the increase in expenses for the solicitation of proxy letters.
4. It was mainly due to the increase in short-term borrowings.
5. It was mainly due to the decrease in the profitability of investees.
6. It was mainly due to the taxes of repatriated earnings in the same period last year.

III. Cash Flow

(I) Analysis of cash flow changes in the most recent year:

Item	Year		Increase (decrease) ratio
	2021	2020	
Cash flow ratio (%)	10.39	18.28	(43.16)
Cash flow adequacy ratio (%)	133.65	133.24	0.00
Cash reinvestment ratio (%)	2.16	3.94	(45.18)

Decrease in the cash flow ratio and cash reinvestment ratio was mainly due to the increase in non-operating expenditures which reduced cash flow from operating activities.

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

(III) Cash liquidity analysis for the next year:

Unit: NTD thousands

Cash balance at the beginning of the year (1)	Expected annual net cash flow from operating activities (2)	Expected annual cash flow from investing and financing activities (3)	Expected Cash surplus (deficit) amount (1)+(2)+(3)	Estimated remedial measures for cash deficit	
				Investment plan	Financial management plan
1,441,196	400,814	(186,337)	1,655,673	\$ -	\$ -

1. Analysis of current year cash flow change

- | | |
|---------------------------|--|
| (1) Operating activities: | It mainly refers to the net cash inflow derived from stable expected operating income and continuous profitability, as well as effective control of the inventories and accounts receivable. |
| (2) Investing activities: | It mainly refers to the net cash outflow derived from investing activities for the acquisition of machinery and equipment and plant maintenance. |
| (3) Financing activities: | It mainly refers to the net cash outflow derived from financing activities due to the distribution of cash dividends. |
2. Analysis on remedy for estimated cash shortage and liquidity: Not applicable.

IV. Impact of Significant Capital Expenditures in the Most Recent Year on the Financial and Operating Conditions of the Company: There were no significant capital expenditures in the most recent year.

V. Investment Policy for the Most Recent Year, Main Reasons for Profits/Losses Generated, Improvement Plans, and Investment Plans for the Next Year

(I) Investment policy

The investments of the Group mainly focus on the core business of image sensors. The Company has adopted a conservative attitude for the review of investment plans in line with the Company's long-term development plans.

(II) Main cause of profit or loss

The share of profit of associates accounted for using equity method was NTD 6,964 thousand, an 809.19% increase from NTD 85 thousand in 2020, which was mainly due to the increase in the profit of the investees.

(III) Investment plan for the next year

With regard to the investment plan for next year, in addition to the continuous focus in the investment of the core business, the Group will make adjustments and implement future development strategy based on the future economic changes along with the new product development progress of the Group.

VI. Risk Analysis and Assessment Made in the Most Recent Year and up to the Printing Date of the Annual Report

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

1. Impact on company profit (loss)

Unit: NTD thousands

Item	2021 amount	Percentage of operating revenue %	Percentage of net income before tax %
Net interest income	(6,186)	(0.16)	(2.75)
Net foreign exchange gain (loss)	(9,643)	(0.24)	(4.28)
Net forward hedging gain (loss)	16,100	0.41	7.15

2. Interest rate change

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

3. Exchange rate change

When the Group's business involves non-functional currency (the functional currency of the Company and certain subsidiaries is NTD, the functional currency of certain subsidiaries is CNY), in case of exchange rate fluctuations, the Company establishes a natural hedging strategy via the assets and liabilities recognized in conjunction with the spot transactions, forward exchange and currency exchange, etc. to achieve hedging. Furthermore, the Group also adopts the principle of stability for hedging, thereby reducing the impact of the exchange rate risks on the Company's income. Information on the foreign currency assets and liabilities with significant exchange rate fluctuation impacts of the Company is as follows (Unit: NTD thousands):

December 31, 2021						
<u>Sensitivity analysis</u>						
<u>Foreign currency</u>	<u>Exchange</u>	<u>Carrying amount</u>	<u>Change</u>	<u>Impact on</u>	<u>Impact on</u>	
<u>(thousands)</u>	<u>rate</u>	<u>(NTD)</u>	<u>percentage</u>	<u>profit/loss</u>	<u>other</u>	
					<u>comprehensive</u>	
					<u>income</u>	
(Foreign currency: Functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 29,264	27.66	\$ 809,422	1%	\$ 8,094	\$ -
RMB:NTD	300	4.34	1,302	1%	13	-
USD:RMB	35,485	6.37	981,515	1%	9,815	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 27,168	27.66	\$ 751,467	1%	\$ 7,515	\$ -
USD:RMB	22,874	6.37	632,695	1%	6,327	-

December 31, 2020

			Carrying amount (NTD)	Sensitivity analysis		
	Foreign currency (thousands)	Exchange rate		Change percentage	Impact on profit/loss	Impact on other comprehensive income
(Foreign currency: Functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 59,031	28.48	\$ 1,681,203	1%	\$ 16,812	\$ -
RMB:NTD	300	4.36	1,308	1%	13	-
USD:RMB	35,991	6.52	1,025,024	1%	10,250	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 45,833	28.48	\$ 1,305,324	1%	\$ 13,053	\$ -
USD:RMB	20,804	6.52	592,498	1%	5,925	-

4. Inflation

Inflation has not adversely impacted the operations of the Group. The Group will closely monitor the impact of interest rate, exchange rate, and inflation on the income of the Group and will propose relevant response measures in a timely manner.

(II) Policies on engaging in high risk, high leverage investments, loaning funds to others, endorsement and guarantee as well as derivative transactions, main causes of profit and loss as well as future response measures

1. In the most recent year, the Group did not engage in high-risk or high-leverage investments.
2. Up to March 31, 2022, both the balance of the loans to others and the balance of guarantee/endorsement made by the Company was zero.
3. As of March 31, 2022, the Group's forward exchange contracts for derivative financial products used for evading risks arising from the exchange rate fluctuations totaled USD 1.3 million. Since the Company uses derivatives for the purpose of hedging risk and since the "Procedures for Acquisition or Disposal of Assets" of the Company impose strict requirements for such transactions, the profit or loss arising from such transactions has not caused material impact on the profit or loss of the Company. The Company will continue operations for the purpose of hedging risks in future operations.
4. Hedge accounting adopted for financial products and its purpose and method: The Group has not adopted hedge accounting.
With regard to the execution of aforementioned relevant policies, in addition to careful assessment, periodic report, and management, the

execution is also based on the requirements specified in the “Procedures for Acquisition or Disposal of Assets,” “Procedures for Loaning Funds to Others,” and “Procedures for Making Endorsements and Guarantees” of the Company.

(III) Future R&D plan and expected investment in R&D budget

1. Future R&D plan

- (1) Continuous improvement for CIMS cost and quality.
- (2) Ultra-high speed A4 digital CISM design.
- (3) Ultra-high speed A3 digital CISM design.
- (4) Research and development of the next-generation low-cost and high-performance light source.
- (5) Development of automatic optical inspection module with high resolution and high depth of field.
- (6) Development of Infrared thermal imaging low, medium, and high resolution temperature detection core module.

2. Expected R&D expenditures: The expected R&D expenditures for 2022 total approximately NTD 93 million.

(IV) Impacts of domestic/foreign important policies and changes of laws on the financial business of the Company and response measures

The management team of the Group has always paid close attention to domestic and foreign policies and laws that may affect the finance and business of the Company. Up to the present day, changes of relevant polices and laws have no material impact on the finance and business of the Company.

(V) Impacts of changes in technology and industry on the financial business of the Company and response measures

Emails have replaced facsimile to become the primary channel of communication. In view of such trend and development, processing facsimile will no longer be a reason for consumers to purchase MFPs. Therefore, the functions of scanning and photocopying are the key niches for MFPs. From fax machines and scanners to integrated MFP with multiple functions such as facsimile, scanning, photocopying, and printing, the Company has been able to meet market demand and maintains high sensitivity to the changes in technology in the industry to swiftly respond to and satisfy customer demand.

(VI) Impacts of change of cooperate image on the cooperate crisis management and response measures

The Group is committed to maintaining its corporate image and compliance with laws and regulations. There has been no occurrence of incidents capable of affecting the Company's image.

(VII) Expected benefits, possible risks, and response measures for merger: The Group did not engage in any merger or acquisition in the most recent year.

(VIII) Expected benefits, possible risks, and response measures for expansion of facilities: The Group did not perform any expansion of facilities in the most recent year.

(IX) Risks resulting from consolidation of purchasing or sales operations and response measures

The market of MFPs is mainly controlled by brands, and the market share of the Group's key customers accounts for more than half of the global market. The concentration of sales is the norm in this industry. With regard to the demand and supply of color image sensors, as very few domestic manufacturers that have the technical know-how for manufacturing color image sensors, and as there is high market demand and high barriers to entry, an oligopoly has been created in the industry. Only a few manufacturers among domestic and foreign manufacturers, such as Asia Tech Image Inc., Canon (Japan) and the Company, are currently capable of mass producing CISM. Due to limited supply, major system manufacturers have concentrated the sources of their procurement.

- (X) Impacts, risks, and response measures of Directors, Supervisors or shareholders with shareholding percentage exceeding 10%, large equity transfer or change on the company: In the most recent year, Directors, Supervisors or major shareholders with shareholding percentage exceeding 10% of the Company did not engage in large equity transfer or change.
- (XI) Impact, risks, and response measures for changes in management rights: None.
- (XII) For litigation or non-litigation cases, the Company and Directors, Supervisors, President, substantial responsible person, major shareholder with shareholding exceeding 10% of the Company and affiliates that are involved in major lawsuits with affirmative judgment or is pending in the court proceeding, non-litigation or administrative dispute cases with results capable of causing material impacts on the interests of shareholders or stock price, the dispute fact, claim amount, litigation starting date, primary litigation parties, and handling status up to the printing date of the annual report shall be disclosed: TECO Electric & Machinery Co., Ltd. (hereinafter referred to as TECO) claimed that there are defects in the Company's procedures for the board meeting on June 21, 2021, and the resolution for the postponement of the general shareholders' meeting based on a vote in the board meeting agenda was invalid. It therefore filed a petition for a provisional injunction on July 1, 2021 for maintaining a temporary status quo to the Intellectual Property and Commercial Court for prohibiting the organization of the general shareholders' meeting. However, TECO's petition for provisional injunction was rejected by the Intellectual Property and Commercial Court on July 7, 2021 after its review in accordance with laws. The reasons included "the shareholders' meeting protects the shareholders' rights to the distribution of 2020 earnings", "individuals such as the Directors Hsin-Ta Yu and Chien-Min Wang deliberately refused to attend the board meeting and the Company may have been unable to determine the date of the shareholders' meeting in the board meeting", and "if the general shareholders' meeting could not be convened on July 9, 2021, the method of trading stocks of Creative Sensor Inc. may be changed and would thus affect investors' rights and interests". The court also found TECO's petition to be baseless and rejected it. Therefore, TECO's provisional injunction for maintaining a temporary status quo did not have an effect on the organization of the general shareholders' meeting on July 9, 2021. The Intellectual Property and Commercial Court completed the mediation for the aforementioned case on October 14, 2021.
- (XIII) Other significant risks and response measures: None.

VII. Other Important Matters: None.

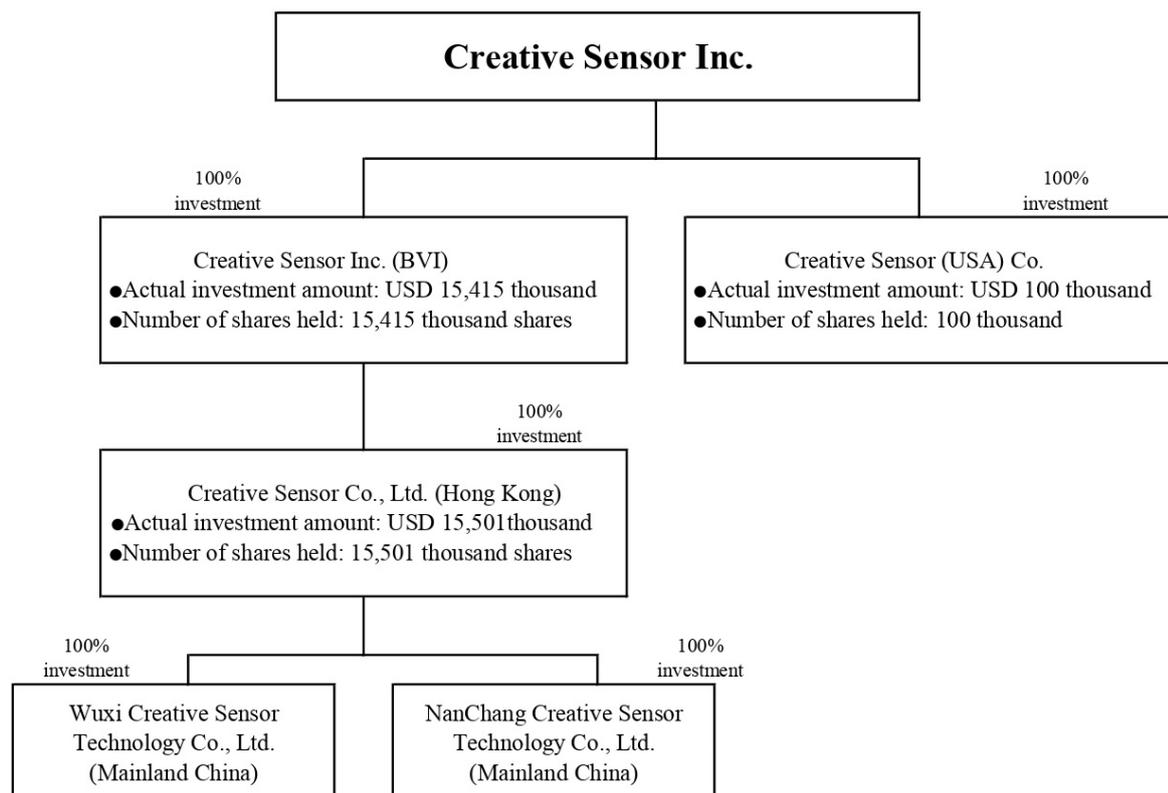
Eight. Special Disclosure

I. Affiliated Enterprise Information

(I) Affiliated enterprise consolidated business report

1. Affiliated enterprise overview

(1) Affiliated enterprise organizational chart



(2) Affiliated enterprise basic information

December 31, 2021

Unit: NTD thousands

Enterprise Name	Incorporation Date	Address	Paid-in Capital	Primary business or product
Creative Sensor Inc.	91.06	Beaufort House, P.O. Box 438, Road Town, Tortola, British Virgin Islands.	583,416	Holding company
Creative Sensor (USA) Co.	94.10	19 Peters Canyon Rd., Ste C, Irvine, CA, 92606	3,169	Market information collection and customer relationship maintenance
Creative Sensor Co., Ltd.	91.07	Unit 618 6/F Peninsula CRT., No. 67 Mody Rd., TST East, Kowloon, HK	586,837	Holding company
Wuxi Creative Sensor Technology Co., Ltd.	91.08	No. 9, Changjiang South Road, Xinwu District, Wuxi City, Jiangsu	38,887	Research and development of

		Province		Image sensors
NanChang Creative Sensor Technology Co., Ltd.	96.04	No. 36, Huoju 5th Road, Gaoxin Development Park, Nanchang City, Jiangxi Province	943,577	Manufacturing of image sensors

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

- (3) Information of shareholders presumed to have control the same as the affiliates: No such occurrences.
- (4) Industries covered by the business operations of affiliates Scope of industries covered by the business operations of affiliates: Holding company and manufacturing of image sensors.
- (5) Information of directors, supervisors and presidents of affiliated enterprises

December 31, 2021

Unit: thousand shares

Enterprise Name	Title	Name	Representative	Number of shares held	
				Number of Shares	Shareholding Ratio
Creative Sensor Inc.	Chairman	Creative Sensor Inc.	Yu-Jen Huang	15,415	100%
Creative Sensor Co., Ltd.	Director	Creative Sensor Inc.	Yu-Jen Huang	15,501	100%
	Director	Creative Sensor Inc.	Chien-I Lai		
Wuxi Creative Sensor Technology Co., Ltd.	Director	Creative Sensor Co., Ltd.	Yu-Jen Huang	Investment certificate	100%
	Director	Creative Sensor Co., Ltd.	Fu-Hsiang Ku		
	Director	Creative Sensor Co., Ltd.	En-Kuo Wang		
	Director	Creative Sensor Co., Ltd.	Chi-Chang Yang		
	Chairman	Creative Sensor Co., Ltd.	Chien-Lung Chen		
	Supervisor	Creative Sensor Co., Ltd.	Chen-Cheng Chang		
	President	Hung-Chi Chen		-	-
NanChang Creative Sensor Technology Co., Ltd.	Director	Creative Sensor Co., Ltd.	Yu-Jen Huang	Investment certificate	100%
	Director	Creative Sensor Co., Ltd.	Chao-Chih Lien		
	Chairman	Creative Sensor Co., Ltd.	En-Kuo Wang		
	Director	Creative Sensor Co., Ltd.	Chi-Chang Yang		
	Director	Creative Sensor Co., Ltd.	Hung-Chi Chen		
	Supervisor	Creative Sensor Co., Ltd.	Chieh-Fang Hou		
	President	Hung-Chi Chen		-	-
Creative Sensor (USA) Co.	Chairman	Creative Sensor Inc.	Yu-Jen Huang	100	100%
	Director	Creative Sensor Inc.	Chi-Chang Yang		
	Director	Creative Sensor Inc.	David Sheh		

2. Operation summary of affiliated enterprise:

December 31, 2021

Unit: NTD thousands

Enterprise Name	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Profit and loss (after tax)	EPS (NTD)
Creative Sensor Inc.	583,416	1,353,757	302	1,353,455	0	(166)	75,577	4.90
Creative Sensor (USA) Co.	3,169	5,281	2,121	3,160	0	(8,193)	890	8.90
Creative Sensor Co., Ltd.	586,837	1,359,231	8,467	1,350,764	0	(896)	76,073	4.93
Wuxi Creative Sensor Technology Co., Ltd.	38,887	252,806	6,340	246,466	1,076	(4,285)	108	(Note 2)
NanChang Creative Sensor Technology Co., Ltd.	943,577	1,926,186	846,564	1,079,622	3,556,590	104,546	78,861	(Note 2)

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

Note 2: Not applicable to limited liability companies.

(II) Affiliated enterprise consolidated financial statements

The companies that must be included in the preparation of the affiliated enterprise consolidated financial statements are the same as the companies that must be included in the preparation of the consolidated financial statement of affiliates and parent company. In addition, relevant information required to be disclosed in the consolidated financial statement of the affiliates has been disclosed completely in the consolidated financial statement of affiliates and parent company. Therefore, the Company does not provide a separate consolidated financial statement of the affiliates.

(III) Affiliated enterprise report: None.

II. Any Private Placement of Securities within the Latest Fiscal Year and as of the Date of the Annual Report:

The Company resolved in the special shareholders' meeting on September 17, 2021 to increase capital by cash by means of private placement of company shares for the purpose of replenishing working capital and meeting the funding requirements for the Company's long-term development. The Company shall proceed with a private placement of common shares of no more than 38,116,500 shares in two around within one year of the date the proposal is passed in a resolution of the special shareholders' meeting. The Company's Board of Directors resolved to offer 22,000,000 shares in private placement in the meeting on September 23, 2021. The shares were priced at NTD 23.49 per share and the Company planned to raise capital of NTD 516,780 thousand. The Company has completed the registration of changes as of the printing date of the Annual Report.

Report on the Status of Cash Capital Increase through Private Placement in 2021

Item	1st private placement in 2021
Type of securities private placement	Common stock
Date and amount of approval by the shareholders' meeting	September 17, 2021; 38,116,500 shares
Basis for and reasonableness of pricing	<p>(1)The reference price for private placement subscription of shares shall be the higher of either the closing price of the common shares 1, 3, or 5 business days before the price determination date, or the simple average closing price of the common shares in the 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction.</p> <p>(2)The special shareholders' meeting was requested to authorize the Board of Directors to set the price for this round of private placement subscription of shares in accordance with the aforementioned regulations, and the price for the private placement shall be no lower than 80% of the reference price. Where the actual price is not lower than the percentage determined in the resolution of the special shareholders' meeting, the Company intends to request the special shareholders' meeting to authorize the Board of Directors to determine the price by consulting specific persons and market conditions.</p> <p>(3)The aforementioned pricing of the subscription of common shares is determined based on the Company's share price and meets the regulations in the "Directions for Public Companies Conducting Private Placements of Securities", and is thus deemed reasonable.</p>
Method for determining specific persons	The entities eligible for this round of private placement shall be specific persons specified in Article 43-6 of the Securities and Exchange Act and they must be strategic investors. The primary criteria for the selection shall be places with knowledge of the Company's business operations, capacity for assisting the Company's future business operations, and direct or indirect support for the Company's future business operation capacity. Entities that offer benefits for the Company's long-term development and competitiveness shall be prioritized, and the entities must meet criteria for specific persons determined by the competent authority.
Reasons for the necessity of private placement	Due to the relative swiftness and convenience of private placement and the regulation that securities acquired through private placement cannot be transferred within three years, it can ensure the long-term relationship between the Company and the places. The Board of Director will also be authorized to arrange private placement depending on the actual requirement of the Company's operations and this will effectively increase the flexibility of fundraising. The private placement is therefore necessary.

Date of full payment for shares	October 7, 2021				
Placee information	Private placement entity	Qualifications	Subscription quantity (thousand shares)	Relations with the Company	Participation in the operations of the Company
	Universal Cement Corporation	Meets criteria in Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act	13,000	None	None
	Universal Cement Investment Co., Ltd.	Meets criteria in Article 43-6, Paragraph 1, Subparagraph 2 of the Securities and Exchange Act	9,000	None	None
Actual subscription (or conversion) price (NTD)	23.49				
Difference between actual subscription (or conversion) price and reference price (NTD)	The reference price was NTD 29.36 and the actual subscription price was NTD 23.49. Therefore, the difference between actual subscription (or conversion) price and reference price was NTD 5.87.				
Impact of the private placement on shareholders' equity (e.g., increase in cumulative losses, etc.)	The implementation of the plan will strengthen the financial structure, enhance operational efficiency, strengthen the Company's position in the industry, and improve long-term competitiveness, which will have positive benefits for shareholders' equity.				
Use of capital raised through private placement and progress of the plan	As of December 2021, the funds have not yet been used.				
Realization of benefits of the plan	As the funds have not yet been used, they will be used as replenishment of operating capital in response to market conditions to improve the financial structure.				

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

IV. Additional Information Required to be Disclosed: None.

V. Events with Major Impacts on Shareholder Equity or Share Value in the Most Recent Year as of the Printing Date of the Annual Report: None.

Creative Sensor Inc.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2021, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard 10. Also, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Representative: Ko Ikujin
March 17, 2022

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying consolidated balance sheets of Creative Sensor Inc. and its subsidiaries (the "Group") as at December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of the other auditors (please refer to the *Other matter* section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group's 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group’s 2021 consolidated financial statements are outlined as follows:

Impairment assessment of investments accounted for using equity method

Description

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

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

How our audit addressed the matter

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

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

Existence of revenues of the newly top 10 significant customers

Description

Please refer to Note 4(27) for accounting policy on revenue recognition and Note 6(18) for the details of operating revenue.

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

The Group's sales counterparties are mostly optimal OEM or system vendors and have a long-term business partnership with the Group. The Group is continually improving and developing its market share in order to maintain its leadership in the market.

After comparing the lists of the Group's top 10 significant customers for the years ended December 31, 2021 and 2020, there were changes in sales revenue resulting in some customers being newly included in the top 10 list, and have an impact on the consolidated operating revenue. We considered the existence of sales revenues in relation to those newly top 10 significant customers to be significant to the financial statements. Therefore, we determined the existence of revenues from the newly top 10 significant customers as a key audit matter.

How our audit addressed the matter

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

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

Other matter – Reference to the reports of the other auditors

We did not audit financial statements of certain investments accounted for using the equity method which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these associates, is based solely on the reports of the other auditors. The balance of these investments accounted for using the equity method amounted to NT\$200,579 thousand, constituting 2.98% of the consolidated total assets as at December 31, 2021, and the comprehensive loss recognized from associates and joint ventures accounted for using the equity method amounted to (NT\$22,461) thousand, constituting (5.05%) of the consolidated total comprehensive income for the year then ended.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Creative Sensor Inc. as at and for the years ended December 31, 2021 and 2020.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Chang, Shu-Chiung

Lin, Chun-Yao

For and on behalf of PricewaterhouseCoopers, Taiwan

March 17, 2022

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

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

CREATIVE SENSOR INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,441,196	21	\$ 1,884,250	36
1110	Financial assets at fair value through profit or loss - current	6(2)	1,972	-	144,239	3
1136	Financial assets at amortized cost - current, net	6(3)	217,212	3	174,835	3
1170	Accounts receivable, net	6(4)	444,862	7	539,744	10
1180	Accounts receivable - related parties, net	6(4) and 7	507	-	52	-
1210	Other receivables - related parties, net	7	3,780	-	288	-
130X	Inventories, net	6(5)	527,208	8	393,710	8
1479	Other current assets		39,060	1	56,496	1
11XX	Total current assets		<u>2,675,797</u>	<u>40</u>	<u>3,193,614</u>	<u>61</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(6) and 8	2,757,294	41	1,384,827	26
1550	Investments accounted for using the equity method	6(7)	958,375	14	245,365	5
1600	Property, plant and equipment, net	6(8)	227,987	3	293,774	6
1755	Right-of-use assets	6(9)	62,461	1	74,828	1
1780	Intangible assets		4,785	-	7,510	-
1840	Deferred income tax assets	6(23)	9,906	-	8,705	-
1990	Other non-current assets	6(13)	35,916	1	36,112	1
15XX	Total non-current assets		<u>4,056,724</u>	<u>60</u>	<u>2,051,121</u>	<u>39</u>
1XXX	Total assets		<u>\$ 6,732,521</u>	<u>100</u>	<u>\$ 5,244,735</u>	<u>100</u>

(Continued)

CREATIVE SENSOR INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(10)	\$ 1,734,800	26	\$ 750,000	14
2120	Financial liabilities at fair value through profit or loss - current	6(11)	-	-	1,039	-
2170	Accounts payable		696,600	10	596,832	11
2180	Accounts payable - related parties	7	1,230	-	119,544	2
2200	Other payables	6(12) and 7	247,208	4	235,796	5
2230	Income tax payable		26,785	-	141,604	3
2280	Current lease liabilities		11,232	-	12,347	-
2300	Other current liabilities		7,555	-	8,643	-
21XX	Total current liabilities		<u>2,725,410</u>	<u>40</u>	<u>1,865,805</u>	<u>35</u>
Non-current liabilities						
2570	Deferred income tax liabilities	6(23)	21,654	1	9,819	-
2580	Non-current lease liabilities		14,688	-	24,659	1
25XX	Total non-current liabilities		<u>36,342</u>	<u>1</u>	<u>34,478</u>	<u>1</u>
2XXX	Total liabilities		<u>2,761,752</u>	<u>41</u>	<u>1,900,283</u>	<u>36</u>
Equity attributable to owners of parent						
Share capital						
3110	Common stock	6(14)	1,490,550	22	1,270,550	24
Capital surplus						
3200	Capital surplus	6(15)	974,247	15	677,467	13
Retained earnings						
3310	Legal reserve	6(16)	497,319	7	478,365	9
3350	Unappropriated retained earnings		899,307	13	731,467	14
Other equity interest						
3400	Other equity interest	6(17)	368,902	6	186,603	4
3500	Treasury shares	6(14)	(259,556)	(4)	-	-
3XXX	Total equity		<u>3,970,769</u>	<u>59</u>	<u>3,344,452</u>	<u>64</u>
Significant subsequent events after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 6,732,521</u>	<u>100</u>	<u>\$ 5,244,735</u>	<u>100</u>

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

CREATIVE SENSOR INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

Items	Notes	Year ended December 31				
		2021		2020		
		AMOUNT	%	AMOUNT	%	
4000	Net revenue	6(18) and 7	\$ 3,951,319	100	\$ 3,399,884	100
5000	Cost of revenue	6(5)(22) and 7	(3,428,050)	(87)	(2,936,375)	(86)
5900	Gross profit		<u>523,269</u>	<u>13</u>	<u>463,509</u>	<u>14</u>
	Operating expenses	6(22) and 7				
6100	Selling expenses		(70,835)	(2)	(72,719)	(2)
6200	General and administrative expenses		(171,436)	(4)	(152,968)	(5)
6300	Research and development expenses		(81,557)	(2)	(75,707)	(2)
6000	Total operating expenses		<u>(323,828)</u>	<u>(8)</u>	<u>(301,394)</u>	<u>(9)</u>
6900	Income from operations		<u>199,441</u>	<u>5</u>	<u>162,115</u>	<u>5</u>
	Non-operating income and expenses					
7100	Interest income	6(19)	5,696	-	20,364	1
7010	Other income	6(20) and 7	136,261	3	66,455	2
7020	Other gains and losses	6(21)	(111,369)	(3)	18,536	-
7050	Finance costs	6(9)(10)	(11,882)	-	(4,392)	-
7060	Share of profit of associates and joint ventures accounted for using equity method, net	6(7)	<u>6,964</u>	<u>-</u>	<u>85</u>	<u>-</u>
7000	Total non-operating income and expenses		<u>25,670</u>	<u>-</u>	<u>101,048</u>	<u>3</u>
7900	Profit before income tax		<u>225,111</u>	<u>5</u>	<u>263,163</u>	<u>8</u>
7950	Income tax expense	6(23)	(48,430)	(1)	(72,895)	(2)
8200	Net income		<u>\$ 176,681</u>	<u>4</u>	<u>\$ 190,268</u>	<u>6</u>
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Actuarial gains (losses) on defined benefit plans	6(13)	\$ 1,136	-	(\$ 178)	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	6(6)(17)	354,595	9	5,949	-
8320	Share of other comprehensive loss of associates and joint ventures accounted for using equity method	6(7)(17)	(69,275)	(2)	(6,311)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	(4,913)	-	35	-
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss		<u>281,543</u>	<u>7</u>	<u>(505)</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation	6(17)	(13,277)	-	9,368	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method	6(7)(17)	<u>66</u>	<u>-</u>	<u>204</u>	<u>-</u>
8360	Other comprehensive (loss) income that will be reclassified to profit or loss		<u>(13,211)</u>	<u>-</u>	<u>9,572</u>	<u>-</u>
8300	Other comprehensive income for the year		<u>\$ 268,332</u>	<u>7</u>	<u>\$ 9,067</u>	<u>-</u>
8500	Total comprehensive income for the year		<u>\$ 445,013</u>	<u>11</u>	<u>\$ 199,335</u>	<u>6</u>
	Earnings per share (in dollars)	6(24)				
9750	Basic earnings per share		\$ 1.50		\$ 1.50	
9850	Diluted earnings per share		\$ 1.49		\$ 1.48	

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

CREATIVE SENSOR INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent									
		Capital surplus			Retained earnings			Other equity interest			
		Capital stock - common stock	Additional paid-in capital	Treasury shares transactions	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury shares	Total equity
Year ended December 31, 2020											
Balance at January 1, 2020		\$ 1,270,550	\$ 673,471	\$ 3,996	\$ 459,995	\$ 39,847	\$ 672,914	\$ 54,873	\$ 121,937	\$ -	\$ 3,297,583
Net income for the year		-	-	-	-	-	190,268	-	-	-	190,268
Other comprehensive income (loss) for the year	6(17)	-	-	-	-	-	(726)	9,572	221	-	9,067
Total comprehensive income		-	-	-	-	-	189,542	9,572	221	-	199,335
Appropriations of 2019 earnings:	6(16)										
Legal reserve		-	-	-	18,370	-	(18,370)	-	-	-	-
Reserval of special reserve		-	-	-	-	(39,847)	39,847	-	-	-	-
Cash dividends		-	-	-	-	-	(152,466)	-	-	-	(152,466)
Balance at December 31, 2020		\$ 1,270,550	\$ 673,471	\$ 3,996	\$ 478,365	\$ -	\$ 731,467	\$ 64,445	\$ 122,158	\$ -	\$ 3,344,452
Year ended December 31, 2021											
Balance at January 1, 2021		\$ 1,270,550	\$ 673,471	\$ 3,996	\$ 478,365	\$ -	\$ 731,467	\$ 64,445	\$ 122,158	\$ -	\$ 3,344,452
Net income for the year		-	-	-	-	-	176,681	-	-	-	176,681
Other comprehensive income (loss) for the year	6(17)	-	-	-	-	-	1,988	(13,211)	279,555	-	268,332
Total comprehensive income (loss)		-	-	-	-	-	178,669	(13,211)	279,555	-	445,013
Appropriations of 2020 earnings:	6(16)										
Legal reserve		-	-	-	18,954	-	(18,954)	-	-	-	-
Cash dividends		-	-	-	-	-	(165,171)	-	-	-	(165,171)
Issuance of shares	6(14)	220,000	296,780	-	-	-	-	-	-	-	516,780
Acquisition of treasury shares	6(14)	-	-	-	-	-	-	-	-	(259,556)	(259,556)
Changes in equity of associates accounted for using equity method		-	-	-	-	-	89,251	-	-	-	89,251
Disposal of financial assets at fair value through other comprehensive income	6(6)	-	-	-	-	-	84,045	-	(84,045)	-	-
Balance at December 31, 2021		\$ 1,490,550	\$ 970,251	\$ 3,996	\$ 497,319	\$ -	\$ 899,307	\$ 51,234	\$ 317,668	(\$ 259,556)	\$ 3,970,769

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

CREATIVE SENSOR INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 225,111	\$ 263,163
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(9)(22)	94,043	108,539
Amortization	6(22)	17,345	10,236
Expected credit impairment loss (gains)	12(2)	(28)	(1)
Net gain on financial assets or liabilities at fair value through profit or loss	6(2)(11)(21)	(28,982)	(73,807)
Interest expense	6(9)(10)	11,882	4,392
Share of profit of associates and joint ventures accounted for using equity method	6(7)	(6,964)	(85)
Net losses (gains) on disposal of property, plant and equipment	6(21)	289	(714)
Interest income	6(19)	(5,696)	(20,364)
Dividend income	6(2)(6)(20)	(97,871)	(24,329)
Gains from lease modification	6(9)(21)	(65)	(16)
Reversal of impairment loss on non-financial assets	6(8)(21)	-	(788)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		170,210	115,315
Accounts receivable		94,455	(6,061)
Other receivables - related parties		(3,492)	-
Inventories		(135,135)	(75,732)
Other current assets		19,653	(18,828)
Changes in operating liabilities			
Accounts payable		102,471	71,571
Accounts payable - related parties		(117,561)	32,481
Other payables		9,715	(25,008)
Other current liabilities		(1,089)	(1,890)
Cash inflow generated from operations		348,291	358,074
Interest received		3,478	20,033
Dividends received		100,685	29,607
Interest paid		(11,882)	(4,392)
Income tax paid		(161,110)	(69,288)
Income tax refund received		3,632	7,085
Net cash flows from operating activities		<u>283,094</u>	<u>341,119</u>

(Continued)

CREATIVE SENSOR INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortized cost		(\$ 47,694)	(\$ 965,960)
Proceeds from disposal of financial assets at amortized cost		4,595	1,725,771
Acquisition of non-current financial assets at fair value through other comprehensive income		(1,209,564)	(989,401)
Proceeds from disposal of financial assets at fair value through other comprehensive income		122,052	-
Acquisition of investments accounted for using the equity method		(619,178)	-
Acquisition of property, plant and equipment	6(25)	(15,994)	(9,622)
Proceeds from disposal of property, plant and equipment		1,298	1,502
Acquisition of intangible assets		(658)	(1,948)
Decrease in refundable deposits		483	2,541
Increase in other non-current assets		(6,821)	(19,257)
Net cash flows used in investing activities		(1,771,481)	(256,374)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(26)	2,869,800	1,495,000
Repayments of short-term borrowings	6(26)	(1,885,000)	(745,000)
Repayments of lease principal	6(9)(26)	(12,094)	(14,641)
Proceeds from issuing shares	6(14)	516,780	-
Payment of cash dividends	6(16)	(165,171)	(152,466)
Acquisition of treasury shares	6(14)	(259,556)	-
Net cash flows from financing activities		1,064,759	582,893
Effect of exchange rate		(19,426)	93
Net (decrease) increase in cash and cash equivalents		(443,054)	667,731
Cash and cash equivalents at beginning of year		1,884,250	1,216,519
Cash and cash equivalents at end of year		\$ 1,441,196	\$ 1,884,250

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

CREATIVE SENSOR INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

1. HISTORY AND ORGANIZATION

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

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

These consolidated financial statements were reported to the Board of Directors on March 17, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform-Phase 2'	January 1, 2021
Amendment to IFRS 16, 'Covid-19-related rent concessions beyond 30 June 2021'	April 1, 2021 (Note)

Note: Earlier application from January 1, 2021 is allowed by the FSC.

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

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

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the noncontrolling interests having a deficit balance.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)	
			December 31, 2021	December 31, 2020
Creative Sensor Inc.	Creative Sensor Inc. (BVI)	Holding company	100	100
Creative Sensor Inc.	Creative Sensor (USA) Co.	Collection of marketing information and maintaining relationship with customers	100	100
Creative Sensor Inc. (BVI)	Creative Sensor Co. Ltd.	Holding company	100	100
Creative Sensor Co., Ltd.	Wuxi Creative Sensor Technology Co., Ltd.	Research and development of image sensor	100	100
Creative Sensor Co., Ltd.	Nanchang Creative Sensor Technology Co., Ltd.	Manufacturing of image sensor	100	100

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

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

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

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

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

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

(5) Classification of current and non-current items

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

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

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

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

(6) Cash equivalents

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

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

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

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using settlement date accounting.

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

The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortized cost

- A. Financial assets at amortized cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.
- C. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

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

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(13) Inventories

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

(14) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- F. For the reciprocal investments between the Company and another company, investment income or loss was recognized under equity method based on the amount prior to recognition of profit or loss.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	7 ~ 20 years
Machinery and equipment	2 ~ 10 years
Office equipment	1 ~ 5 years
Leasehold improvements	5 years
Other equipment	1 ~ 5 years

(16) Intangible assets

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

(17) Leasing arrangements (lessee) — right-of-use assets / lease liabilities

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

The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the

amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability; and
- (b) Any lease payments made at or before the commencement date.

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

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

(18) Impairment of non-financial assets

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

(19) Borrowings

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

(20) Notes and accounts payable

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

(21) Derecognition of financial liabilities

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

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

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

(23) Non-hedging and embedded derivatives

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

(24) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

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

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

(25) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(26) Income tax

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

(27) Revenue recognition

Sale of goods

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

(28) Government grants

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

(29) Operating segments

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

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets

and liabilities within the next financial year; and the related information is addressed below:

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

None.

(2) Critical accounting estimates and assumptions

Impairment assessment of investments accounted for using equity method

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

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and revolving funds	\$ 163	\$ 234
Checking accounts and demand deposits	1,384,561	1,849,097
Time deposits	56,472	34,919
Total	<u>\$ 1,441,196</u>	<u>\$ 1,884,250</u>

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

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

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

<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ -	\$ 100,000
Derivative instruments	1,972	19,339
	1,972	119,339
Valuation adjustment	-	24,900
Total	<u>\$ 1,972</u>	<u>\$ 144,239</u>

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

	Years ended December 31,	
	2021	2020
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates		
Valuation adjustment	\$ 12,882	\$ 25,132
Dividend income	1,007	1,008
Interest income	5	3
Derivative instruments	17,875	54,537
Total	<u>\$ 31,769</u>	<u>\$ 80,680</u>

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

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

Derivative instruments	December 31, 2020	
	Contract amount (Notional principal) (In thousands)	Maturity date of the contract
Current items:		
Cross currency swap	USD 2,000	2021.1.25
Cross currency swap	USD 2,000	2021.1.25
Cross currency swap	USD 2,000	2021.1.27
Cross currency swap	USD 1,000	2021.1.27
Cross currency swap	USD 1,000	2021.2.22
Forward exchange contracts	USD 3,000	2021.1.21
Forward exchange contracts	USD 2,000	2021.1.22
Forward exchange contracts	USD 1,000	2021.2.25
Forward exchange contracts	USD 2,000	2021.2.26
Forward exchange contracts	USD 2,000	2021.3.23
Forward exchange contracts	USD 1,000	2021.3.25
Forward exchange contracts	USD 2,000	2021.6.28

(a) Cross currency swap

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

(b) Forward foreign exchange contracts

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

(3) Financial assets at amortized cost

Items	December 31, 2021	December 31, 2020
Current items:		
Time deposits with maturity over three months	\$ 217,200	\$ 170,228
Special-purpose demand deposits	12	4,607
Total	<u>\$ 217,212</u>	<u>\$ 174,835</u>

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

	Years ended December 31,	
	2021	2020
Interest income	<u>\$ 3,424</u>	<u>\$ 12,274</u>

- B. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Group were \$217,212 and \$174,835, respectively.
- C. The Group has no financial assets at amortized cost pledged to others.
- D. Information on financial assets at amortized cost relating to credit risk is provided in Note 12(2).
- E. The special-purpose demand deposits refer to the Group's certain self-owned capital deposited into the trust account which is restricted only for the purpose of equity investments.

(4) Accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable	\$ 444,996	\$ 539,906
Accounts receivable due from related parties	507	52
Less: Loss allowance	(134)	(162)
	<u>\$ 445,369</u>	<u>\$ 539,796</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Not past due	\$ 439,873	\$ 539,941
Up to 30 days	5,630	-
31 to 90 days	-	17
	<u>\$ 445,503</u>	<u>\$ 539,958</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2021 and 2020, accounts receivable were all from contracts with customers. As of January 1, 2020, the balance of receivables from contracts with customers amounted to \$533,734.
- C. The Group does not hold any collateral as security.
- D. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were \$445,369 and \$539,796, respectively.
- E. Information on accounts receivable relating to credit risk is provided in Note 12(2).

(5) Inventories

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

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

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

	Years ended December 31,	
	2021	2020
Cost of goods sold	\$ 3,423,899	\$ 2,933,222
Inventory valuation loss	6,707	6,190
Others	(2,556)	(3,037)
Total	<u>\$ 3,428,050</u>	<u>\$ 2,936,375</u>

B. The Group has no inventories pledged to others.

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

Items	December 31, 2021	December 31, 2020
Non-current items:		
Equity instruments		
Listed stocks	\$ 2,382,190	\$ 1,275,587
Unlisted stocks	3,590	3,590
	<u>2,385,780</u>	<u>1,279,177</u>
Valuation adjustment	371,514	105,650
Total	<u>\$ 2,757,294</u>	<u>\$ 1,384,827</u>

A. The Group has elected to classify abovementioned shares that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$2,757,294 and \$1,384,827 as at December 31, 2021 and 2020, respectively.

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

	Years ended December 31,	
	2021	2020
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	\$ 354,595	\$ 5,949
Cumulative gains reclassified to retained earnings due to derecognition	\$ 84,045	\$ -
Dividend income recognized in profit or loss held at end of the year	\$ 96,864	\$ 23,321

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

(7) Investments accounted for using equity method

	December 31, 2021		December 31, 2020	
	Book value	Shareholding ratio	Book value	Shareholding ratio
Associate:				
K9 Inc.	\$ -	33.82%	\$ -	33.82%
Tien Da Investment Co., Ltd. (Tien Da)	200,579	29.85%	-	-
Teco Image Systems Co., Ltd. (Teco Image)	757,796	29.69%	245,365	10.66%
	<u>\$ 958,375</u>		<u>\$ 245,365</u>	
	Years ended December 31,			
	2021		2020	
	Share of profit of associates and joint ventures accounted for using equity method, net	Other comprehensive loss after tax	Share of profit of associates and joint ventures accounted for using equity method, net	Other comprehensive loss after tax
Associate:				
K9 Inc.	\$ -	\$ -	\$ -	\$ -
Tien Da Investment Co., Ltd. (Tien Da)	1,604	(24,065)	-	-
Teco Image Systems Co., Ltd. (Teco Image)	5,360	(45,144)	85	(6,107)
	<u>\$ 6,964</u>	<u>(\$ 69,209)</u>	<u>\$ 85</u>	<u>(\$ 6,107)</u>

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

<u>Company name</u>	<u>Principal place of business</u>	<u>Shareholding ratio</u>		<u>Nature of relationship</u>	<u>Method of measurement</u>
		<u>December 31, 2021</u>	<u>December 31, 2020</u>		
Teco Image Systems Co., Ltd.	Taiwan	29.69%	10.66%	Note E	Equity method

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

Balance sheet

	<u>Teco Image Systems Co., Ltd.</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current assets	\$ 993,371	\$ 973,999
Non-current assets	2,169,690	1,403,642
Current liabilities	(904,325)	(636,268)
Non-current liabilities	(35,063)	(40,323)
Total net assets	<u>\$ 2,223,673</u>	<u>\$ 1,701,050</u>
Share in associate's net assets	\$ 655,819	181,329
Goodwill	101,977	64,036
Carrying amount of the associate	<u>\$ 757,796</u>	<u>\$ 245,365</u>

Statement of comprehensive income

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Revenue	<u>\$ 1,771,373</u>	<u>\$ 1,277,546</u>
Profit for the year from continuing operations	\$ 51,826	\$ 799
Other comprehensive income (loss), net of tax	506,083	(57,290)
Total comprehensive income (loss)	<u>\$ 557,909</u>	<u>(\$ 56,491)</u>
Dividends received from associates	<u>\$ 2,814</u>	<u>\$ 5,278</u>

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

As of December 31, 2021, the carrying amount of the Group's individually immaterial associates amounted to \$200,579.

	<u>Year ended December 31, 2021</u>
Profit for the year from continuing operations	\$ 1,604
Other comprehensive loss, net of tax	(24,065)
Total comprehensive loss	<u>(\$ 22,461)</u>

- D. The Group's material associate, Teco Image, has quoted market prices. As of December 31, 2021 and 2020, the fair value was \$567,936 and \$149,950, respectively.
- E. The Group is the single largest shareholder of Teco Image with a 29.69% equity interest. Taking into consideration the extent of other shareholders' participation in previous shareholders' meeting of Teco Image and the voting right record of significant proposals, which indicates that the Group has no current ability to direct the relevant activities of Teco Image, the Group has no control, but only has significant influence, over the investee.
- F. In January 2008, the Group invested US\$1,000,000 in K9 Inc. Due to the underperformance of K9 Inc. and changes in the Group's investment strategies, the Group adopted the conservatism principle and wrote-off the original investment amount of US\$1,000,000 (approximately NT\$32,314 thousand) in June 2008. As of December 31, 2021 and 2020, the Group's shareholding ratio in K9 Inc. was 33.82% and the balance of investment was \$0. For the years ended December 31, 2021 and 2020, the investment income (loss) was both \$0.
- G. The Company continued to increase its investment in the investee – Tien Da Investment Co., Ltd. and was assessed to have significant influence over the investee in the third quarter of 2021. Therefore, the investee was transferred to investment accounted for using equity method from non-current financial assets at fair value through other comprehensive income.
- H. The Group has no investments accounted for using equity method pledged to others.

(8) Property, plant and equipment

	2021						
	Buildings and structures	Machinery and equipment	Office equipment	Leasehold improvements	Other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1</u>							
Cost	\$ 613,924	\$ 999,054	\$ 46,678	\$ 29,271	\$ 13,996	\$ 1,523	\$ 1,704,446
Accumulated depreciation and impairment	(474,972)	(857,843)	(40,950)	(23,680)	(13,227)	-	(1,410,672)
	<u>\$ 138,952</u>	<u>\$ 141,211</u>	<u>\$ 5,728</u>	<u>\$ 5,591</u>	<u>\$ 769</u>	<u>\$ 1,523</u>	<u>\$ 293,774</u>
Opening net book value as at January 1	\$ 138,952	\$ 141,211	\$ 5,728	\$ 5,591	\$ 769	\$ 1,523	\$ 293,774
Additions	-	6,971	2,419	5,110	166	3,374	18,040
Transfers	-	1,803	66	-	523	(2,392)	-
Disposals	-	(46)	-	(1,541)	-	-	(1,587)
Depreciation	(16,226)	(60,982)	(2,352)	(795)	(434)	-	(80,789)
Net exchange differences	(693)	(736)	-	(11)	(4)	(7)	(1,451)
Closing net book value as at December 31	<u>\$ 122,033</u>	<u>\$ 88,221</u>	<u>\$ 5,861</u>	<u>\$ 8,354</u>	<u>\$ 1,020</u>	<u>\$ 2,498</u>	<u>\$ 227,987</u>
<u>At December 31</u>							
Cost	\$ 610,996	\$ 967,435	\$ 48,181	\$ 31,665	\$ 14,371	\$ 2,498	\$ 1,675,146
Accumulated depreciation and impairment	(488,963)	(879,214)	(42,320)	(23,311)	(13,351)	-	(1,447,159)
	<u>\$ 122,033</u>	<u>\$ 88,221</u>	<u>\$ 5,861</u>	<u>\$ 8,354</u>	<u>\$ 1,020</u>	<u>\$ 2,498</u>	<u>\$ 227,987</u>

2020

	Buildings and structures	Machinery and equipment	Office equipment	Leasehold improvements	Other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1</u>							
Cost	\$ 605,258	\$ 1,041,598	\$ 45,157	\$ 42,898	\$ 26,392	\$ -	\$ 1,761,303
Accumulated depreciation and impairment	(452,167)	(829,715)	(41,685)	(41,253)	(25,194)	-	(1,390,014)
	<u>\$ 153,091</u>	<u>\$ 211,883</u>	<u>\$ 3,472</u>	<u>\$ 1,645</u>	<u>\$ 1,198</u>	<u>\$ -</u>	<u>\$ 371,289</u>
Opening net book value as at January 1	\$ 153,091	\$ 211,883	\$ 3,472	\$ 1,645	\$ 1,198	\$ -	\$ 371,289
Additions	-	548	4,388	4,946	26	2,089	11,997
Transfers	-	513	-	-	91	(604)	-
Disposals	-	(788)	-	-	-	-	(788)
Gain on reversal of impairment	-	788	-	-	-	-	788
Depreciation	(15,923)	(72,799)	(2,137)	(1,081)	(552)	-	(92,492)
Net exchange differences	<u>1,784</u>	<u>1,066</u>	<u>5</u>	<u>81</u>	<u>6</u>	<u>38</u>	<u>2,980</u>
Closing net book value as at December 31	<u>\$ 138,952</u>	<u>\$ 141,211</u>	<u>\$ 5,728</u>	<u>\$ 5,591</u>	<u>\$ 769</u>	<u>\$ 1,523</u>	<u>\$ 293,774</u>
<u>At December 31</u>							
Cost	\$ 613,924	\$ 999,054	\$ 46,678	\$ 29,271	\$ 13,996	\$ 1,523	\$ 1,704,446
Accumulated depreciation and impairment	(474,972)	(857,843)	(40,950)	(23,680)	(13,227)	-	(1,410,672)
	<u>\$ 138,952</u>	<u>\$ 141,211</u>	<u>\$ 5,728</u>	<u>\$ 5,591</u>	<u>\$ 769</u>	<u>\$ 1,523</u>	<u>\$ 293,774</u>

- A. The aforementioned property, plant and equipment were all for its own use.
- B. For the years ended December 31, 2021 and 2020, no impairment loss was recognized after assessing and comparing the carrying amount and recoverable amount of property, plant and equipment. The gain on reversal of impairment was \$0 and \$788 in 2021 and 2020, respectively.
- C. The Group has no property, plant and equipment pledged as a collateral or no interest was capitalized as part of property, plant and equipment.

(9) Leasing arrangements - lessee

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

	<u>Land use right</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
At January 1, 2021	\$ 38,540	\$ 35,979	\$ 309	\$ 74,828
Additions	-	3,140	2,475	5,615
Modification	-	(4,239)	(301)	(4,540)
Depreciation	(1,051)	(11,369)	(834)	(13,254)
Net exchange differences	(185)	(3)	-	(188)
At December 31, 2021	<u>\$ 37,304</u>	<u>\$ 23,508</u>	<u>\$ 1,649</u>	<u>\$ 62,461</u>

	<u>Land use right</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
At January 1, 2020	\$ 39,040	\$ 46,839	\$ 962	\$ 86,841
Additions	-	2,318	2,370	4,688
Modification	-	-	(1,188)	(1,188)
Depreciation	(1,032)	(13,180)	(1,835)	(16,047)
Net exchange differences	532	2	-	534
At December 31, 2020	<u>\$ 38,540</u>	<u>\$ 35,979</u>	<u>\$ 309</u>	<u>\$ 74,828</u>

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

	Years ended December 31,	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 764	\$ 1,161
Expense on short-term lease contracts	72	72
Gain from lease modification	(65)	(16)

E. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases was \$12,930 and \$15,874, respectively.

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

(10) Short-term borrowings

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 984,800	0.97% ~ 1.30%	None
Secured borrowings	750,000	0.90% ~ 1.15%	Stock
	<u>\$ 1,734,800</u>		
Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 300,000	1.00% ~ 1.08%	None
Secured borrowings	450,000	0.90% ~ 1.00%	Stock
	<u>\$ 750,000</u>		

For the years ended December 31, 2021 and 2020, the Group's interest expense recognized in profit or loss amounted to \$11,118 and \$3,231, respectively.

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

Items	December 31, 2021	December 31, 2020
Current items:		
Financial liabilities mandatorily measured at fair value through profit or loss		
Derivative instruments	<u>\$ -</u>	<u>\$ 1,039</u>

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

	Years ended December 31,	
	2021	2020
Financial liabilities mandatorily measured at fair value through profit or loss		
Derivative instruments	(\$ 1,775)	(\$ 5,862)

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

Derivative instruments	December 31, 2021		December 31, 2020	
	Contract amount (Notional principal) (In thousands)	Maturity date of the contract	Contract amount (Notional principal) (In thousands)	Maturity date of the contract
Current items:				
Cross currency swap	-	-	USD 2,000	2021.2.22
Cross currency swap	-	-	USD 1,000	2021.2.22

Cross currency swap

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

(12) Other payables

	December 31, 2021	December 31, 2020
Accrued employees' compensation and directors' and supervisors' remuneration	\$ 25,084	\$ 32,970
Royalties payable	52,191	52,191
Bonus payable	73,960	63,699
Wages and salaries payable	34,818	40,047
Service fees payable	6,522	4,038
Freight payable	2,930	3,652
Payables on equipment	4,421	2,375
Others	47,282	36,824
	<u>\$ 247,208</u>	<u>\$ 235,796</u>

(13) Pensions

- A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional

year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. In June 2020 and April 2021, the Department of Labor, Taipei City Government approved that the Company cease contributing to the retirement fund temporarily for 2021 and 2022, respectively.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligations	\$ 9,278	\$ 10,229
Fair value of plan assets	(21,578)	(21,349)
Net defined benefit assets	<u>(\$ 12,300)</u>	<u>(\$ 11,120)</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit asset</u>
Year ended December 31, 2021			
Balance at January 1	\$ 10,229	(\$ 21,349)	(\$ 11,120)
Interest expense (income)	<u>41</u>	<u>(85)</u>	<u>(44)</u>
	<u>10,270</u>	<u>(21,434)</u>	<u>(11,164)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(303)	(303)
Change in demographic assumptions	12	-	12
Change in financial assumptions	(543)	-	(543)
Experience adjustments	<u>(302)</u>	<u>-</u>	<u>(302)</u>
	<u>(833)</u>	<u>(303)</u>	<u>(1,136)</u>
Paid pension	<u>(159)</u>	<u>159</u>	<u>-</u>
Balance at December 31	<u>\$ 9,278</u>	<u>(\$ 21,578)</u>	<u>(\$ 12,300)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit asset
Year ended December 31, 2020			
Balance at January 1	\$ 9,288	(\$ 20,496)	(\$ 11,208)
Interest expense (income)	74	(164)	(90)
	<u>9,362</u>	<u>(20,660)</u>	<u>(11,298)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(689)	(689)
Change in financial assumptions	588	-	588
Experience adjustments	279	-	279
	<u>867</u>	<u>(689)</u>	<u>178</u>
Balance at December 31	<u>\$ 10,229</u>	<u>(\$ 21,349)</u>	<u>(\$ 11,120)</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The percentage composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	Years ended December 31,	
	2021	2020
Discount rate	<u>0.80%</u>	<u>0.40%</u>
Future salary increases	<u>3.00%</u>	<u>3.00%</u>

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

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 314)	\$ 328	\$ 296	(\$ 287)
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	(\$ 372)	\$ 388	\$ 352	(\$ 340)

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

- (f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2022 amount to \$0.
 - (g) As of December 31, 2021, the weighted average duration of that retirement plan is 14 years.
- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s mainland China subsidiaries, Nanchang Creative Sensor Technology Co., Ltd. and Wuxi Creative Sensor Technology Co., Ltd., have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.
- (c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2021 and 2020 were \$19,032 and \$13,438, respectively.

(14) Capital stock

- A. As of December 31, 2021, the Company’s authorized capital was \$2,500,000, consisting of 250 million shares of ordinary stock (including 15 million shares reserved for employee stock options), and the paid-in capital was \$1,490,550, consisting of 149,055,000 shares of ordinary stock issued (including 22 million shares of private placement stock) with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

B. To increase working capital and meet the capital needs for the Company's long-term development, the stockholders at their special stockholders' meeting on September 17, 2021 adopted a resolution to raise additional cash through private placement. The maximum number of shares to be issued through the private placement is 38,116,500 shares. The private placement will be raised twice within one year starting from the date that the special stockholders' meeting adopted the resolution. The Board of Directors resolved to raise \$516,780 by issuing 22,000,000 shares of ordinary shares through private placement at an estimated subscription price of \$23.49 (in dollars) per share on September 23, 2021. As of November 9, 2021, the private placement had been registered.

C. Movements in the number of the Company's ordinary shares outstanding (unit: share) are as follows:

	<u>2021</u>	<u>2020</u>
At January 1	127,055,000	127,055,000
Cash capital increase-private placement	22,000,000	-
Acquisition of treasury shares	(8,993,000)	-
At December 31	<u>140,062,000</u>	<u>127,055,000</u>

D. Treasury shares

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

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

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued within the five-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(e) The Board of Directors of the Company resolved to buy back 6,500,000 shares of the Company on July 21, 2021. The actual treasury shares repurchased amounted to 6,225,000 shares for a total cost of \$186,666.

(f) The Board of Directors of the Company resolved to buy back 3,200,000 shares of the Company on September 23, 2021. The actual treasury shares repurchased amounted to 2,768,000 shares for a total cost of \$72,890.

F. The number of Company's shares held by the Company's associate - Teco Image Systems Co., Ltd. was 28,906,260 shares as of December 31, 2021.

(15) Capital surplus

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

(16) Retained earnings

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

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

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

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

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

D. (a) Details of 2020 and 2019 earnings appropriations resolved by the stockholders on July 9, 2021 and June 12, 2020, respectively, are as follows:

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

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

As of December 31, 2021 and 2020, all cash dividends from the above earnings appropriations had been distributed.

(b) The 2021 earnings appropriation which was proposed at the Board of Directors' meeting on March 17, 2022 is as follows:

	Year ended December 31, 2021	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 35,197	
Cash dividends	<u>140,062</u>	\$ 1.0
Total	<u>\$ 175,259</u>	

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

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

(17) Other equity items

	2021		
	Unrealized gains (losses) on valuation	Currency translation	Total
At January 1	\$ 122,158	\$ 64,445	\$ 186,603
Valuation adjustment:			
– Group	265,864	-	265,864
– Associates	(70,354)	-	(70,354)
Currency translation differences:			
– Group	-	(13,277)	(13,277)
– Associates	-	66	66
At December 31	<u>\$ 317,668</u>	<u>\$ 51,234</u>	<u>\$ 368,902</u>

	2020		
	Unrealized gains (losses) on valuation	Currency translation	Total
At January 1	\$ 121,937	\$ 54,873	\$ 176,810
Valuation adjustment:			
– Group	5,949	-	5,949
– Associates	(5,728)	-	(5,728)
Currency translation differences:			
– Group	-	9,368	9,368
– Associates	-	204	204
At December 31	<u>\$ 122,158</u>	<u>\$ 64,445</u>	<u>\$ 186,603</u>

(18) Operating revenue

	Years ended December 31,	
	2021	2020
Revenue from contracts with customers	<u>\$ 3,951,319</u>	<u>\$ 3,399,884</u>

The Group derives revenue from the following major geographical regions:

Year ended	December 31, 2021				
	China	Philippines	Thailand	Others	Total
Revenue from external customer contracts	<u>\$ 1,770,697</u>	<u>\$ 432,084</u>	<u>\$ 651,889</u>	<u>\$ 1,096,649</u>	<u>\$ 3,951,319</u>

Year ended	December 31, 2020				
	China	Philippines	Thailand	Others	Total
Revenue from external customer contracts	<u>\$ 1,351,508</u>	<u>\$ 403,384</u>	<u>\$ 814,379</u>	<u>\$ 830,613</u>	<u>\$ 3,399,884</u>

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

(19) Interest income

	Years ended December 31,	
	2021	2020
Interest income from bank deposits	\$ 2,267	\$ 8,087
Interest income from financial assets measured at amortized cost	3,424	12,274
Financial assets at fair value through profit or loss	5	3
	<u>\$ 5,696</u>	<u>\$ 20,364</u>

(20) Other income

	Years ended December 31,	
	2021	2020
Rental revenue	\$ 2,881	\$ 3,054
Dividend income	97,871	24,329
Government grants	15,848	16,898
Directors' and supervisors' remuneration	11,964	12,344
Other income	7,697	9,830
	<u>\$ 136,261</u>	<u>\$ 66,455</u>

(21) Other gains and losses

	Years ended December 31,	
	2021	2020
(Losses) gains on disposal of property, plant and equipment	(\$ 289)	\$ 714
Gains from lease modification	65	16
Foreign exchange losses	(9,643)	(55,664)
Gains on financial (liabilities) assets at fair value through profit or loss	28,982	73,807
Gains on reversal of impairment loss recognized in profit or loss - property, plant and equipment	-	788
Other gains and losses (Note)	(130,484)	(1,125)
	<u>(\$ 111,369)</u>	<u>\$ 18,536</u>

Note: For the year ended December 31, 2021, other gains and losses mainly pertain to expenses related to the solicitation of proxies for the shareholders' meeting of TECO ELECTRIC & MACHINERY CO., LTD.

(22) Employee benefit expense, depreciation and amortization

For the years ended December 31, 2021 and 2020, employee benefit expense, depreciation and amortization categorized by function were summarized as follows:

	Year ended December 31, 2021		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense			
Wages and salaries	\$ 370,983	\$ 163,344	\$ 534,327
Labor and health insurance fees	31,416	10,525	41,941
Pension costs	13,613	5,375	18,988
Other personnel expenses	24,818	6,225	31,043
Depreciation	71,883	22,160	94,043
Amortization	14,785	2,560	17,345

	Year ended December 31, 2020		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense			
Wages and salaries	\$ 275,805	\$ 158,390	\$ 434,195
Labor and health insurance fees	14,767	9,403	24,170
Pension costs	9,164	4,184	13,348
Other personnel expenses	20,436	5,937	26,373
Depreciation	85,287	23,252	108,539
Amortization	8,469	1,767	10,236

- A. According to the Articles of Incorporation of the Company, the profit before deduction of employees' compensation and directors' and supervisors' remuneration and after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall account for 5%~15% for employees' compensation and shall not be higher than 5% for directors' and supervisors' remuneration.
- B. For the years ended December 31, 2021 and 2020, employees' compensation were accrued at \$18,813 and \$24,728, respectively; directors' and supervisors' remuneration were accrued at \$6,271 and \$8,242, respectively. The aforementioned amounts were recognized in salary expenses, and estimated based on the current profit.

The employees' compensation and directors' and supervisors' remuneration were estimated based on the distributable profit of current year for the year ended December 31, 2021. The employees' compensation and directors' and supervisors' remuneration by the Board of Directors were \$18,813 and \$6,271, respectively, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration for 2020 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2020 financial statements of \$24,728 and \$8,242, respectively, and the employees' compensation will be distributed in the form of cash.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as approved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(23) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2021	2020
Current tax:		
Total current tax	\$ 35,020	\$ 177,999
Tax imposed on undistributed surplus earnings	271	643
Prior year income tax under (over) estimation	2,826	(4,038)
Total current tax	<u>38,117</u>	<u>174,604</u>
Deferred tax:		
Origination and reversal of temporary differences	10,407	(101,352)
Effect of exchange rate	(94)	(357)
Total deferred tax	<u>10,313</u>	<u>(101,709)</u>
Income tax expense	<u>\$ 48,430</u>	<u>\$ 72,895</u>

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

	Years ended December 31,	
	2021	2020
Disposal of financial assets at fair value through other comprehensive income	\$ 4,686	\$ -
Remeasurement of defined benefit obligations	227	(35)
	<u>\$ 4,913</u>	<u>(\$ 35)</u>

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2021	2020
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 64,750	\$ 67,125
Effect from items disallowed by tax regulations	(21,808)	(10,952)
Taxable loss not recognized as deferred tax assets	912	6,530
Prior year income tax under (over) estimation	2,826	(4,038)
Tax on undistributed surplus earnings	271	643
Change in assessment of realization of deferred tax assets	3,019	13,587
Disposal of financial assets at fair value through other comprehensive income effect from alternative minimum tax transferred to comprehensive income	(1,540)	-
Income tax expense	<u>\$ 48,430</u>	<u>\$ 72,895</u>

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

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:
2021

Temporary differences:	2021			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
—Deferred tax assets:				
Unrealized gain on affiliates	\$ 67	(\$ 48)	\$ -	\$ 19
Unrealized inventory valuation losses	5,356	1,647	-	7,003
Unrealized expenses	2,694	84	-	2,778
Unrealized grant revenue	588	(482)	-	106
	<u>8,705</u>	<u>1,201</u>	<u>-</u>	<u>9,906</u>
—Deferred tax liabilities:				
Unrealized exchange gain	(2,334)	608	-	(1,726)
Gain on investments accounted for using equity method	(1,601)	(15,473)	-	(17,074)
Unrealized valuation gain on financial assets	(3,660)	3,266	-	(394)
Defined benefit plan	(2,224)	(9)	(227)	(2,460)
	<u>(9,819)</u>	<u>(11,608)</u>	<u>(227)</u>	<u>(21,654)</u>
	<u>(\$ 1,114)</u>	<u>(\$ 10,407)</u>	<u>(\$ 227)</u>	<u>(\$ 11,748)</u>

	2020			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
— Deferred tax assets:				
Unrealized gain on affiliates	\$ 162	(\$ 95)	\$ -	\$ 67
Unrealized inventory valuation losses	4,142	1,214	-	5,356
Unrealized expenses	9,140	(6,446)	-	2,694
Unrealized grant revenue	1,087	(499)	-	588
Loss on scraps of property, plant and equipment	971	(971)	-	-
Impairment loss on non-financial assets	1,300	(1,300)	-	-
	<u>16,802</u>	<u>(8,097)</u>	<u>-</u>	<u>8,705</u>
Temporary differences:				
— Deferred tax liabilities:				
Unrealized exchange gain	(1,489)	(845)	-	(2,334)
Gain on investments accounted for using equity method	(112,728)	111,127	-	(1,601)
Unrealized valuation gain on financial assets	(2,845)	(815)	-	(3,660)
Defined benefit plan	(2,241)	(18)	35	(2,224)
	<u>(119,303)</u>	<u>109,449</u>	<u>35</u>	<u>(9,819)</u>
	<u>(\$ 102,501)</u>	<u>\$ 101,352</u>	<u>\$ 35</u>	<u>(\$ 1,114)</u>

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

December 31, 2021				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2019	\$ 82,017	\$ 82,017	\$ 82,017	2024
2020	27,030	27,030	27,030	2025
	<u>\$ 109,047</u>	<u>\$ 109,047</u>	<u>\$ 109,047</u>	

December 31, 2020				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2019	\$ 82,017	\$ 82,017	\$ 82,017	2024
2020	26,118	26,118	26,118	2025
	<u>\$ 108,135</u>	<u>\$ 108,135</u>	<u>\$ 108,135</u>	

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

	December 31, 2021	December 31, 2020
Deductible temporary differences	<u>\$ -</u>	<u>\$ 578</u>

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

(24) Earnings per share

	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 176,681</u>	<u>117,948</u>	<u>\$ 1.50</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 176,681	117,948	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	980	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 176,681</u>	<u>118,928</u>	<u>\$ 1.49</u>

	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 190,268	127,055	\$ 1.50
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 190,268	127,055	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,543	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 190,268	128,598	\$ 1.48

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

(25) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31,	
	2021	2020
Purchase of property, plant and equipment	\$ 18,040	\$ 11,997
Add: Opening balance of payable on equipment	2,375	-
Less: Ending balance of payable on equipment	(4,421)	(2,375)
Cash paid during the year	\$ 15,994	\$ 9,622

(26) Changes in liabilities from financing activities

	2021		
	Short-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1	\$ 750,000	\$ 37,006	\$ 787,006
Changes in cash flow from financing activities	984,800	(12,094)	972,706
Increase in lease liabilities	-	5,615	5,615
Decrease in lease liabilities	-	(4,605)	(4,605)
Interest amortized in lease liabilities	-	764	764
Interest paid in lease liabilities	-	(764)	(764)
Impact of changes in foreign exchange rate	-	(2)	(2)
At December 31	<u>\$ 1,734,800</u>	<u>\$ 25,920</u>	<u>\$ 1,760,720</u>

	2020		
	Short-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1	\$ -	\$ 48,147	\$ 48,147
Changes in cash flow from financing activities	750,000	(14,641)	735,359
Increase in lease liabilities	-	4,688	4,688
Decrease in lease liabilities	-	(1,204)	(1,204)
Interest amortized in lease liabilities	-	1,161	1,161
Interest paid in lease liabilities	-	(1,161)	(1,161)
Impact of changes in foreign exchange rate	-	16	16
At December 31	<u>\$ 750,000</u>	<u>\$ 37,006</u>	<u>\$ 787,006</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

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

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

(2) Significant related party transactions and balances

A. Operating revenue

	Years ended December 31,	
	2021	2020
Sales of goods:		
– The Group’s key management	\$ 2,448	\$ -
– Associates	716	99
	<u>\$ 3,164</u>	<u>\$ 99</u>

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

B. Purchases

	Years ended December 31,	
	2021	2020
Purchases of goods:		
– The Group’s key management		
– KROM ELECTRONICS	\$ 209,188	\$ 352,769
– Koryo Electronics	3,131	-
	<u>\$ 212,319</u>	<u>\$ 352,769</u>

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

C. Receivables from related parties

	December 31, 2021	December 31, 2020
Accounts receivable:		
– Associates	<u>\$ 507</u>	<u>\$ 52</u>
	December 31, 2021	December 31, 2020
Other accounts receivable:		
– Associates		
– Teco Image Systems Co., Ltd.	<u>\$ 3,780</u>	<u>\$ 288</u>

The sales and price terms to aforementioned related parties are approximately the same as the third parties which is 30 days after monthly billing upon shipment of goods. Other receivables refer to payments on behalf of others.

D. Payables to related parties

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payable:		
– The Group’s key management		
– KROM ELECTRONICS	\$ -	\$ 119,544
– Koryo Electronics	1,230	-
	<u>\$ 1,230</u>	<u>\$ 119,544</u>

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

E. Other income

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Associates –		
Teco Image Systems Co., Ltd.	\$ 101	\$ 6,115

F. Other expense

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Associates	\$ 54	\$ 3,360

(3) Key management compensation

For the years ended December 31, 2021 and 2020, the key management compensation (including salaries and other short-term employee benefits) recognized for directors, supervisors, general manager and vice general manager was \$46,371 and \$41,145, including employees’ compensation and directors’ and supervisors’ remuneration accrued in profit or loss of \$6,271 and \$8,242 for the years ended December 31, 2021 and 2020, respectively.

8. PLEGGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>	
Non-current financial assets at fair value through other comprehensive income	\$ 1,424,250	\$ 810,145	Short-term borrowings

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

The appropriation of 2021 earnings was resolved by the Board of Directors on March 17, 2022, however, the appropriation has not yet been approved by the shareholders. Please refer to Note 6(16) for further information.

12. OTHERS

(1) Capital management

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

During the year ended December 31, 2021, the Group's strategy, which was unchanged from 2020, was to maintain the gearing ratio within 0% to 20%.

The gearing ratios at December 31, 2021 and 2020 were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Net debt	\$ 1,734,800	\$ 750,000
Total equity	\$ 3,970,769	\$ 3,344,452
Total capital	\$ 5,705,569	\$ 4,094,452
Gearing ratio	<u>30%</u>	<u>18%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 1,972	\$ 144,239
Financial assets at fair value through other comprehensive income		
Designation of equity instruments	2,757,294	1,384,827
Financial assets at amortized cost		
Cash and cash equivalents	1,441,196	1,884,250
Accounts receivable (including related parties)	445,369	539,796
Other receivable (including related parties)	3,780	288
Guarantee deposits paid	1,635	2,118
Financial assets at amortized cost	217,212	174,835
	<u>\$ 4,868,458</u>	<u>\$ 4,130,353</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities mandatorily measured at fair value through profit or loss	\$ -	\$ 1,039
Financial liabilities at amortized cost		
Short-term borrowings	1,734,800	750,000
Accounts payable (including related parties)	697,830	716,376
Other payables	247,208	235,796
	<u>\$ 2,679,838</u>	<u>\$ 1,703,211</u>
Lease liability (including current and noncurrent portion)	<u>\$ 25,920</u>	<u>\$ 37,006</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Group treasury) in accordance with internal plans or policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments as well as acquisition and disposal of assets.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

December 31, 2021						
Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis			
			Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 29,264	27.66	\$ 809,442	1%	\$ 8,094	\$ -
RMB : NTD	300	4.34	1,302	1%	13	-
USD : RMB	35,485	6.37	981,515	1%	9,815	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 27,168	27.66	\$ 751,467	1%	\$ 7,515	\$ -
USD : RMB	22,874	6.37	632,695	1%	6,327	-
December 31, 2020						
Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis			
			Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 59,031	28.48	\$ 1,681,203	1%	\$ 16,812	\$ -
RMB : NTD	300	4.36	1,308	1%	13	-
USD : RMB	35,991	6.52	1,025,024	1%	10,250	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 45,833	28.48	\$ 1,305,324	1%	\$ 13,053	\$ -
USD : RMB	20,804	6.52	592,498	1%	5,925	-

- v. The total exchange loss, including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group were (\$9,643) and (\$55,664) for the years ended December 31, 2021 and 2020, respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

- ii. The Group's investments in equity securities comprise beneficiary certificates, domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 10% with all other variables held constant, post-tax profit for the years ended December 31, 2021 and 2020 would have increased/decreased by \$0 and \$12,490, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. For the years ended December 31, 2021 and 2020, other components of equity would have increased/decreased by \$275,729 and \$138,483, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

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

(b) Credit risk

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

- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group classifies customers' accounts receivable in accordance with customer types. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. As of December 31, 2021 and 2020, the Group had no written-off financial assets that are still under recourse procedures.
- viii. The Group's accounts receivable arose from customers with excellent credit, and the expected loss rate was 0.03%. On December 31, 2021 and 2020, the total book value of accounts receivable and loss allowance were \$445,503, \$539,958 and \$134, \$162, respectively.
- ix. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2021	2020
	Accounts receivable (including related parties)	Accounts receivable (including related parties)
At January 1	\$ 162	\$ 163
Reversal of impairment	(28)	(1)
At December 31	\$ 134	\$ 162

For the years ended December 31, 2021 and 2020, the impairment gains arising from customers' contracts are (\$28) and (\$1), respectively.

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

	December 31, 2021			
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortized cost	\$ 217,212	\$ -	\$ -	\$ 217,212

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

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

(c) Liquidity risk

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

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

Non-derivative financial liabilities

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

Non-derivative financial liabilities

<u>December 31, 2020</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Short-term borrowings	\$ 750,695	\$ -	\$ -
Accounts payable (including related parties)	716,376	-	-
Other payables (including related parties)	235,796	-	-
Lease liability	13,128	11,553	13,824

Derivative financial liabilities

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

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

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

- B. Financial instruments not measured at fair value

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

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

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

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Derivative instruments	\$ -	\$ 1,972	\$ -	\$ 1,972
Financial assets at fair value through other comprehensive income				
Equity securities	<u>2,757,294</u>	<u>-</u>	<u>-</u>	<u>2,757,294</u>
Total	<u>\$ 2,757,294</u>	<u>\$ 1,972</u>	<u>\$ -</u>	<u>\$ 2,759,266</u>
<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 124,900	\$ -	\$ -	\$ 124,900
Derivative instruments	-	19,339	-	19,339
Financial assets at fair value through other comprehensive income				
Equity securities	<u>1,384,827</u>	<u>-</u>	<u>-</u>	<u>1,384,827</u>
Total	<u>\$ 1,509,727</u>	<u>\$ 19,339</u>	<u>\$ -</u>	<u>\$ 1,529,066</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instruments	<u>\$ -</u>	<u>\$ 1,039</u>	<u>\$ -</u>	<u>\$ 1,039</u>

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

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

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

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

D. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

According to the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, the significant transactions for the year ended December 31, 2021 are as follows:

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company’s paid-in capital: Please refer table 2.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 3.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 4.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2), 6(11) and 12(3).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

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

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 7.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland China: Please refer to table 5.

(4) Major shareholders information

Major shareholders information: Please refer to table 8.

14. SEGMENT INFORMATION

(1) General information

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

(2) Measurement of segment information

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

(3) Segment information

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

	Year ended December 31, 2021		
	Single operating segment	Reconciliation and elimination	Total
Reportable segments income			
Revenue from external customers	\$ 3,951,319	\$ -	\$ 3,951,319
Total	\$ 3,951,319	\$ -	\$ 3,951,319
Reportable segments profit	\$ 225,111	\$ -	\$ 225,111
Segments profit, including:			
Interest income	\$ 5,696	\$ -	\$ 5,696
Depreciation and amortization	\$ 111,388	\$ -	\$ 111,388
Share of profit of associates and joint ventures accounted for using equity method	\$ 6,964	\$ -	\$ 6,964
Income tax expense	\$ 48,430	\$ -	\$ 48,430
	Year ended December 31, 2020		
	Single operating segment	Reconciliation and elimination	Total
Reportable segments income			
Revenue from external customers	\$ 3,399,884	\$ -	\$ 3,399,884
Total	\$ 3,399,884	\$ -	\$ 3,399,884
Reportable segments profit	\$ 263,163	\$ -	\$ 263,163
Segments profit, including:			
Interest income	\$ 20,364	\$ -	\$ 20,364
Depreciation and amortization	\$ 118,775	\$ -	\$ 118,775
Share of loss of associates and joint ventures accounted for using equity method	\$ 85	\$ -	\$ 85
Segments assets	\$ 5,244,735	\$ -	\$ 5,244,735
Income tax expense	\$ 72,895	\$ -	\$ 72,895

(4) Reconciliation for segment income

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

	Years ended December 31,	
	2021	2020
Reportable segments income	\$ 225,111	\$ 263,163
Income before tax from continuing operations	\$ 225,111	\$ 263,163
Reportable segment assets	\$ 6,732,521	\$ 5,244,735
Total assets	\$ 6,732,521	\$ 5,244,735

(5) Information on products and services

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

(6) Geographical information

Geographical information for the years ended December 31, 2021 and 2020 is as follows:

	Years ended December 31,			
	2021		2020	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 1,770,697	\$ 269,823	\$ 1,351,508	\$ 330,170
Philippines	432,084	-	403,384	-
Thailand	651,889	-	814,379	-
Others	1,096,649	46,866	830,613	67,068
	<u>\$ 3,951,319</u>	<u>\$ 316,689</u>	<u>\$ 3,399,884</u>	<u>\$ 397,238</u>

(7) Major customer information

Information relating to major customers who account for more than 10% of sales revenue disclosed on the consolidated statements of comprehensive income for the years ended December 31, 2021 and 2020 is as follows:

	Years ended December 31,			
	2021		2020	
Customers	Sales amount	Percentage (%)	Sales amount	Percentage (%)
Company A	\$ 818,708	21	\$ 475,824	14
Company B	485,946	12	726,057	21

Creative Sensor Inc. and Subsidiaries

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

Year ended December 31, 2021

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities categories (Note 1)	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2021				Footnote
					Number of shares (in thousands)	Book value (Note 2)	Ownership (%)	Fair value	
The Company	Stock	TECO ELECTRIC & MACHINERY CO., LTD.	-	Financial assets at fair value through other comprehensive income- non-current	77,519	\$ 2,453,477	3.62%	\$ 2,453,477	
"	"	Koryo Electronics Co., Ltd.	The Group's key management	"	9,882	283,613	19.07%	283,613	
"	"	MUTUALPAK	-	"	108	-	0.65%	-	
"	"	Taiwan Pelican Express Co., Ltd.	-	"	281	20,204	0.29%	20,204	
						<u>\$ 2,757,294</u>		<u>\$ 2,757,294</u>	

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

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

Creative Sensor Inc. and Subsidiaries

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

Year ended December 31, 2021

Table 2

Expressed in thousands of TWD

(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty	Relationship with the counterparty	Balance as at January 1, 2021		Addition		Number of shares (in thousand shares)	Disposal		Gain (loss) on disposal	Balance as at December 31, 2021		Note
					Number of shares (in thousand shares)	Amount	Number of shares (in thousand shares)	Amount		Selling price	Book value		Number of shares (in thousand shares)	Amount	
The Company	TECO ELECTRIC & MACHINERY CO., LTD.	Financial assets at fair value through other comprehensive income- non-current	-	-	45,591	\$ 1,260,591	31,928	\$ 969,932	-	\$ -	\$ -	\$ -	77,519	\$ 2,453,477	Note 3
The Company	Teco Image Systems Co., Ltd.	Investee accounted for using equity method	Note 4	Note 4	11,996	245,365	21,412	465,778	-	-	-	-	33,408	757,796	Note 5

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

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

Note 3: Balance as at December 31, 2021 included fair value valuation amounting to \$222,954.

Note 4: It refers to purchase equity from unspecified persons in the open market.

Note 5: Balance as at December 31, 2021 included adjustments of recognition related to the equity method.

Creative Sensor Inc. and Subsidiaries
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2021

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Percentage of total purchases (sales)	Credit term	Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount			Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
The Company	Nanchang Creative Sensor Technology Co., Ltd.	The Company's third-tier subsidiary	Purchases	\$ 3,547,116	100%	75~90 days after monthly billing	\$ -	Note	(\$ 667,123)	94.89%	-
Nanchang Creative Sensor Technology Co., Ltd.	KROM ELECTRONICS CO., LTD.	The Company is a director of the company's ultimate holding company (Note 2)	"	209,188	7.12%	60 days after monthly billing	-	Note	-	-	-

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

Note 2: The company was no longer a related party of the Company after the re-election of directors on July 9, 2021.

Creative Sensor Inc. and Subsidiaries
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 Year ended December 31, 2021

Table 4

Expressed in thousands of NTD
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2021	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Nanchang Creative Sensor Technology Co., Ltd.	The Company	Parent company	\$ 667,123	4.65	\$ -	-	\$ 254,359	\$ -

Creative Sensor Inc. and Subsidiaries
Significant inter-company transactions during the reporting period
Year ended December 31, 2021

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)	Note
				General ledger account	Amount	Transaction terms		
0	The Company	Nanchang Creative Sensor Technology Co., Ltd.	1	Accounts payable	\$ 667,123	75~90 days after monthly billing	10.07%	-
"	"	"	"	Purchases	3,547,116	"	89.77%	-
1	Nanchang Creative Sensor Technology Co., Ltd.	The Company	2	Accounts payable	62,131	60 days after monthly billing	0.94%	Note 4

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

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

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

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

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

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

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

Creative Sensor Inc. and Subsidiaries
Information on investees
Year ended December 31, 2021

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 6

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognized by the Company for the year ended December 31, 2021 (Note)	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
The Company	Creative Sensor Inc.	British Virgin Islands	Holding company	\$ 583,416	\$ 974,576	15,414,994	100	\$ 1,353,362	\$ 75,577	\$ 75,577	Subsidiary
The Company	Creative Sensor (USA) Co.	U.S.A.	Collection of marketing information and maintaining customer relationship	3,169	3,169	100,000	100	3,160	890	890	Subsidiary
The Company	K9 Inc.	South Korea	Packaging for image sensor module	32,314	32,314	845,000	33.82	-	-	-	Investee accounted for using equity method
The Company	Teco Image Systems Co., Ltd.	Taiwan	Design, manufacturing and trading of multi-function printer, fax machine and scanner	737,506	271,728	33,408,000	29.69	757,796	51,826	5,360	Investee accounted for using equity method
The Company	Tien Da Investment Co., Ltd.	Taiwan	Investing company	223,040	-	21,340,000	29.85	200,579	3,814	1,604	Investee accounted for using equity method
Creative Sensor Inc.	Creative Sensor Co., Ltd.	Hong Kong	Holding company	586,837	586,837	15,501,368	100	1,350,764	76,073	-	Subsidiary

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

Creative Sensor Inc. and Subsidiaries
Information on investments in Mainland China
Year ended December 31, 2021

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

A. Information on reinvestment in Mainland Area

Investee in Mainland China	Main business activities	Paid-in capital (Note 2)	Investment method (Note 1)	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2021			Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021 (Note 3)	Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021 (Note 3)	Net income of investee for the year ended December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2021 (Note 4)	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
				as of January 1, 2021 (Note 3)	China	Taiwan										
Wuxi Creative Sensor Technology Co., Ltd.	Image Sensor	\$ 35,886	Note 1	\$ 412,549	\$ -	(\$ 387,240)	\$ 25,309	\$ 108	100	\$ 108	\$ 246,241	\$ 637,020	Note 5			
Nanchang Creative Sensor Technology Co., Ltd.	Image Sensor	943,582	Note 1	401,070	-	-	401,070	78,861	100	78,861	1,079,753	437,459	Note 6			

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

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

Note 3: Wuxi Creative Sensor Technology Co., Ltd.'s accumulated amount of remittance from Taiwan to Mainland China as of January 1 and December 31, 2021 in the original currency was both US\$14,915 thousand. Nanchang Creative Sensor Technology Co., Ltd.'s accumulated amount of remittance from Taiwan to Mainland China as of January 1 and December 31, 2021 in the original currency was both US\$14,500 thousand.

Note 4: Investment income (loss) recognized for the year ended December 31, 2021 was evaluated and disclosed based on the financial statements audited by R.O.C. parent company's CPA.

Note 5: The investment facility of US\$15,005 thousand was approved by the Investment Commission, as of December 31, 2021, the Investment Commission also approved the investment income of US\$21,440 thousand which has been remitted back to Taiwan and proceeds from capital reduction of US\$14,000 thousand which have been remitted back, and all of them could be used to deduct from the accumulated investment amounts in Mainland China.

Note 6: The investment facility of US\$14,500 thousand and US\$15,300 thousand of Wuxi Creative Sensor Technology Co., Ltd.'s reinvestment in Nanchang Creative Sensor Technology Co., Ltd. through capitalisation of earnings which was approved by the Investment Commission, as of December 31, 2021, the Investment Commission also approved that the investment income of US\$15,121 thousand which has been remitted back to Taiwan, and all of them could be used to deduct from the accumulated investment amounts in Mainland China.

B. Ceiling on reinvestments in Mainland Area

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
The Company	\$ 426,379	\$ 428,868	\$ 2,382,461

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021 in original currency amounted to US\$15,415 thousand.

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

Furthermore, as of December 31, 2021, the Investment Commission approved that the investment income from reinvestment business in Mainland China remitted back to Taiwan was US\$36,561 thousand which could be deducted from the accumulated investment amounts in Mainland China.

Creative Sensor Inc. and Subsidiaries

Major shareholders information

December 31, 2021

Table 8

Major shareholders name	Ownership	Ownership (%)
Teco Image Systems Co., Ltd.	28,906,260	19.39%
UNIVERSAL CEMENT CORPORATION	13,273,000	8.90%
Tien Da Investment Co., Ltd.	12,318,000	8.26%
Yurui Co., Ltd.	9,018,029	6.05%
Huan Ni Investment Co., Ltd.	9,000,000	6.03%
CREATIVE SENSOR INC. (Note)	8,993,000	6.03%
Teco International Investment Co., Ltd.	7,913,310	5.30%

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

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

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying parent company only balance sheets of Creative Sensor Inc. as at December 31, 2021 and 2020, and the parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of the other auditors (refer to the *Other matter* section), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the parent company only financial statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of the other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Company's 2021 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2021 financial statements are outlined as follows:

Impairment assessment of investments accounted for using equity method

Description

Refer to Note 4(13) for accounting policy on investments in subsidiaries and associates accounted for using equity method, Note 5 for the details of accounting estimates and assumption uncertainty on impairment assessment of investments accounted for using equity method, and Note 6(7) for the details of investments accounted for using equity method.

The Company determines value-in-use to measure recoverable amount and assesses the impairment of its investment, Teco Image Systems Co., Ltd. (hereinafter referred to as "Teco Image Systems"), accounted for using equity method. Since the calculation of value-in-use involves the estimation of future cash flows and discount rate, there is high uncertainty in relation to the assumptions, and the estimated outcome has a significant effect in the determination of value-in-use, we identified the impairment assessment of investments accounted for using equity method as a key audit matter.

How our audit addressed the matter

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

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

Existence of revenues of the newly top 10 significant customers

Description

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

The Company is mainly engaged in manufacturing and trading of image sensor and its electronic components. The products are primarily used in multi-function printers, fax machines and scanners.

The Company's sales counterparties are mostly optimal OEM or system vendors and have a long-term business partnership with the Company. The Company continually improving and developing its market share in order to maintain its leadership in the market.

After comparing the lists of the Company's top 10 significant customers for the years ended December 31, 2021 and 2020, there were changes in sales revenue resulting in some customers being newly included in the top 10 list, and have an impact the operating revenue. We considered the existence of sales revenues in relation to those newly top 10 significant customers to be significant to the financial statements. Therefore, we determined the existence of revenues from the newly top 10 significant customers as a key audit matter.

How our audit addressed the matter

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

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

Other matter – Reference to the reports of the other auditors

We did not audit the financial statements of certain investments accounted for using the equity method which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these associates, is based solely on the reports of the other auditors. The balance of these investments accounted for using the equity method amounted to NT\$200,579 thousand, constituting 3.03% of the total assets as at December 31, 2021, and the comprehensive loss recognized from associates and joint ventures accounted for using the equity method amounted to (NT\$22,461) thousand, constituting (5.05%) of the total comprehensive income for the year then ended.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including Audit Committee, are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably

be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Chang, Shu-Chiung

Lin, Chun-Yao

For and on behalf of PricewaterhouseCoopers, Taiwan

March 17, 2022

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

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

CREATIVE SENSOR INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 947,329	14	\$ 1,160,671	22
1110	Financial assets at fair value through profit or loss - current	6(2)	1,972	-	144,239	3
1136	Financial assets at amortized cost - current, net	6(3)	12	-	4,607	-
1170	Accounts receivable, net	6(4)	444,862	7	539,744	10
1180	Accounts receivable - related parties, net	6(4) and 7	507	-	52	-
1210	Other receivables - related parties, net	7	66,199	1	11,050	-
130X	Inventory, net	6(5)	17,230	-	2,775	-
1470	Other current assets		11,184	-	35,704	1
11XX	Total current assets		<u>1,489,295</u>	<u>22</u>	<u>1,898,842</u>	<u>36</u>
1517	Non-current financial assets at fair value through other comprehensive income	6(6) and 8	2,757,294	42	1,384,827	26
1550	Investments accounted for using the equity method	6(7)	2,314,897	35	1,929,616	36
1600	Property, plant and equipment, net	6(8)	18,637	-	26,578	1
1755	Right-of-use assets	6(9)	24,580	1	34,614	1
1780	Intangible assets		3,649	-	5,876	-
1840	Deferred income tax assets	6(23)	848	-	1,901	-
1900	Other non-current assets	6(13)	14,438	-	13,991	-
15XX	Total non-current assets		<u>5,134,343</u>	<u>78</u>	<u>3,397,403</u>	<u>64</u>
1XXX	Total assets		<u>\$ 6,623,638</u>	<u>100</u>	<u>\$ 5,296,245</u>	<u>100</u>

(Continued)

CREATIVE SENSOR INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(10)	\$ 1,734,800	26	\$ 750,000	14
2120	Financial liabilities at fair value through profit or loss - current	6(11)	-	-	1,039	-
2150	Notes payable		213	-	213	-
2170	Accounts payable		35,682	1	2,357	-
2180	Accounts payable - related parties	7	667,123	10	859,690	16
2200	Other payables	6(12) and 7	164,624	3	152,361	3
2230	Income tax payable		7,235	-	136,299	3
2280	Current lease liabilities		10,921	-	11,197	-
2300	Other current liabilities		4,220	-	6,297	-
21XX	Total current liabilities		<u>2,624,818</u>	<u>40</u>	<u>1,919,453</u>	<u>36</u>
Non-current liabilities						
2570	Deferred income tax liabilities	6(23)	13,633	-	8,218	-
2580	Non-current lease liabilities		14,418	-	24,122	1
25XX	Total non-current liabilities		<u>28,051</u>	<u>-</u>	<u>32,340</u>	<u>1</u>
2XXX	Total liabilities		<u>2,652,869</u>	<u>40</u>	<u>1,951,793</u>	<u>37</u>
Equity						
Share capital						
3110	Common stock	6(14)	1,490,550	22	1,270,550	24
Capital surplus						
3200	Capital surplus	6(15)	974,247	15	677,467	13
Retained earnings						
3310	Legal reserve	6(16)	497,319	7	478,365	9
3350	Unappropriated retained earnings		899,307	14	731,467	14
Other equity interest						
3400	Other equity interest	6(17)	368,902	6	186,603	3
3500	Treasury shares	6(14)	(259,556)	(4)	-	-
3XXX	Total equity		<u>3,970,769</u>	<u>60</u>	<u>3,344,452</u>	<u>63</u>
Significant subsequent events after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 6,623,638</u>	<u>100</u>	<u>\$ 5,296,245</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements.

CREATIVE SENSOR INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

	Items	Notes	Year ended December 31			
			2021		2020	
			AMOUNT	%	AMOUNT	%
4000	Net revenue	6(18) and 7	\$ 3,951,319	100	\$ 3,399,884	100
5000	Cost of revenue	6(5)(22) and 7	(3,588,781)	(91)	(3,040,940)	(90)
5900	Gross profit		<u>362,538</u>	<u>9</u>	<u>358,944</u>	<u>10</u>
	Operating expenses	6(22) and 7				
6100	Selling expenses		(56,784)	(1)	(59,354)	(2)
6200	General and administrative expenses		(143,404)	(4)	(122,633)	(3)
6300	Research and development expenses		(70,992)	(2)	(58,376)	(2)
6000	Total operating expenses		(271,180)	(7)	(240,363)	(7)
6900	Income from operations		<u>91,358</u>	<u>2</u>	<u>118,581</u>	<u>3</u>
	Non-operating income and expenses					
7100	Interest income	6(19)	419	-	798	-
7010	Other income	6(20) and 7	116,349	3	49,114	1
7020	Other gains and losses	6(21)	(93,884)	(3)	63,761	2
7050	Finance costs	6(9)(10)	(11,868)	-	(4,347)	-
7070	Share of profit of associates and joint ventures accounted for using equity method, net	6(7)	<u>83,431</u>	<u>2</u>	<u>16,316</u>	<u>1</u>
7000	Total non-operating income and expenses		<u>94,447</u>	<u>2</u>	<u>125,642</u>	<u>4</u>
7900	Profit before income tax		<u>185,805</u>	<u>4</u>	<u>244,223</u>	<u>7</u>
7950	Income tax expense	6(23)	(9,124)	-	(53,955)	(1)
8200	Net income		<u>\$ 176,681</u>	<u>4</u>	<u>\$ 190,268</u>	<u>6</u>
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Actuarial gains (losses) on defined benefit plan	6(13)	\$ 1,136	-	(\$ 178)	-
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	6(6)(17)	354,595	9	5,949	-
8330	Share of other comprehensive loss of associates and joint ventures accounted for using equity method	6(7)(17)	(69,275)	(2)	(6,311)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	(4,913)	-	35	-
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss		<u>281,543</u>	<u>7</u>	<u>(505)</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation	6(17)	(13,277)	-	9,368	-
8380	Share of other comprehensive income of associates and joint ventures accounted for using equity method	6(7)(17)	<u>66</u>	<u>-</u>	<u>204</u>	<u>-</u>
8360	Other comprehensive (loss) income that will be reclassified to profit or loss		(13,211)	-	9,572	-
8300	Other comprehensive income for the year		<u>\$ 268,332</u>	<u>7</u>	<u>\$ 9,067</u>	<u>-</u>
8500	Total comprehensive income for the year		<u>\$ 445,013</u>	<u>11</u>	<u>\$ 199,335</u>	<u>6</u>
	Earnings per share (in dollars)					
9750	Basic earnings per share	6(24)	<u>\$ 1.50</u>		<u>\$ 1.50</u>	
9850	Diluted earnings per share	6(24)	<u>\$ 1.49</u>		<u>\$ 1.48</u>	

The accompanying notes are an integral part of these parent company only financial statements.

CREATIVE SENSOR INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Capital surplus			Retained earnings			Other equity interest		Treasury shares	Total equity
		Share capital - common stock	Additional paid-in capital	Treasury shares transactions	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		
<u>Year ended December 31, 2020</u>											
Balance at January 1, 2020		\$ 1,270,550	\$ 673,471	\$ 3,996	\$ 459,995	\$ 39,847	\$ 672,914	\$ 54,873	\$ 121,937	\$ -	\$ 3,297,583
Net income for the year		-	-	-	-	-	190,268	-	-	-	190,268
Other comprehensive income (loss) for the year		-	-	-	-	-	(726)	9,572	221	-	9,067
Total comprehensive income	6(17)	-	-	-	-	-	189,542	9,572	221	-	199,335
Appropriations of 2019 earnings:											
Legal reserve	6(16)	-	-	-	18,370	-	(18,370)	-	-	-	-
Reserval of special reserve		-	-	-	-	(39,847)	39,847	-	-	-	-
Cash dividends		-	-	-	-	-	(152,466)	-	-	-	(152,466)
Balance at December 31, 2020		\$ 1,270,550	\$ 673,471	\$ 3,996	\$ 478,365	\$ -	\$ 731,467	\$ 64,445	\$ 122,158	\$ -	\$ 3,344,452
<u>Year ended December 31, 2021</u>											
Balance at January 1, 2021		\$ 1,270,550	\$ 673,471	\$ 3,996	\$ 478,365	\$ -	\$ 731,467	\$ 64,445	\$ 122,158	\$ -	\$ 3,344,452
Net income for the year		-	-	-	-	-	176,681	-	-	-	176,681
Other comprehensive income (loss) for the year	6(17)	-	-	-	-	-	1,988	(13,211)	279,555	-	268,332
Total comprehensive income		-	-	-	-	-	178,669	(13,211)	279,555	-	445,013
Appropriations of 2020 earnings:											
Legal reserve	6(16)	-	-	-	18,954	-	(18,954)	-	-	-	-
Cash dividends		-	-	-	-	-	(165,171)	-	-	-	(165,171)
Issuance of shares	6(14)	220,000	296,780	-	-	-	-	-	-	-	516,780
Acquisition of treasury shares	6(14)	-	-	-	-	-	-	-	-	(259,556)	(259,556)
Changes in equity of associates accounted for using equity method		-	-	-	-	-	89,251	-	-	-	89,251
Disposal of financial assets at fair value through other comprehensive income	6(6)	-	-	-	-	-	84,045	-	(84,045)	-	-
Balance at December 31, 2021		\$ 1,490,550	\$ 970,251	\$ 3,996	\$ 497,319	\$ -	\$ 899,307	\$ 51,234	\$ 317,668	(\$ 259,556)	\$ 3,970,769

The accompanying notes are an integral part of these parent company only financial statements.

CREATIVE SENSOR INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 185,805	\$ 244,223
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(9)(22)	18,022	19,948
Amortization	6(22)	2,294	1,462
Expected credit impairment loss (gains)	12(2)	(28)	(1)
Net gain on financial assets or liabilities at fair value through profit or loss	6(2)(11)(21)	(28,982)	(73,807)
Interest expense	6(9)(10)	11,868	4,347
Share of profit of associates and joint ventures accounted for using equity method	6(7)	(83,431)	(16,316)
Interest income	6(19)	(419)	(798)
Dividend income	6(20)	(97,871)	(24,329)
Gains form lease modification	6(21)	(63)	(16)
Losses on disposal of property, plant and equipment	6(21)	1,587	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		170,210	115,315
Accounts receivable		94,910	(6,109)
Accounts receivable - related parties		(455)	48
Other receivables - related parties		(55,149)	(9,317)
Inventory, net		(14,455)	7,943
Other current assets		24,520	(28,283)
Changes in operating liabilities			
Accounts payable		33,325	2,049
Accounts payable - related parties		(192,567)	125,689
Other payables		12,782	(6,307)
Other current liabilities		(2,318)	386
Cash inflow generated from operations		79,585	356,127
Interest received		419	798
Dividends received		100,685	1,002,966
Income tax paid		(136,633)	(46,319)
Interest paid		(11,868)	(4,347)
Net cash flows from operating activities		<u>32,188</u>	<u>1,309,225</u>

(Continued)

CREATIVE SENSOR INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortized cost		\$ -	(\$ 965,960)
Proceeds from disposal of financial assets at amortized cost		4,595	961,353
Acquisition of non-current financial assets at fair value through other comprehensive income		(1,209,564)	(989,401)
Proceeds from disposal of financial assets at fair value through other comprehensive income		122,052	-
Acquisition of investments accounted for using equity method		(619,178)	-
Proceeds from capital reduction of investments accounted for using equity method		391,160	-
Acquisition of property, plant and equipment	6(25)	(1,059)	(5,817)
Proceeds from disposal of property, plant and equipment		418	153
Acquisition of intangible assets		(67)	(1,127)
Decrease (increase) in refundable deposits		304	(30)
Decrease (increase) in other non-current assets		385	(707)
Net cash flows used in investing activities		(1,310,954)	(1,001,536)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(26)	2,869,800	1,495,000
Repayments of short-term borrowings	6(26)	(1,885,000)	(745,000)
Repayments of lease principal	6(9)(26)	(11,429)	(13,316)
Proceeds from issuance of shares	6(14)	516,780	-
Payment of cash dividends	6(16)	(165,171)	(152,466)
Acquisition of treasury shares	6(14)	(259,556)	-
Net cash flows from financing activities		1,065,424	584,218
Net (decrease) increase in cash and cash equivalents		(213,342)	891,907
Cash and cash equivalents at beginning of year		1,160,671	268,764
Cash and cash equivalents at end of year		\$ 947,329	\$ 1,160,671

The accompanying notes are an integral part of these parent company only financial statements.

CREATIVE SENSOR INC.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

1. HISTORY AND ORGANIZATION

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

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

These financial statements were reported to the Board of Directors on March 17, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021
Amendment to IFRS 16, 'Covid-19-related rent concessions beyond 30 June 2021'	January 1, 2021 (Note)

Note : Earlier application from January 1, 2021 is allowed by the FSC.

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

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

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

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

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

<u>New Standards, Interpretations and Amendments</u>	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 – comparative information’	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2023
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The financial statements of the Company have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(2) Basis of preparation

- A. Except for the following items, these financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit assets recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements are presented in New Taiwan dollars, which is the Company’s functional currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

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

B. Translation of foreign operations

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

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

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

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

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

(5)Cash equivalents

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

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

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

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using settlement date accounting.

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

The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8)Financial assets at amortized cost

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

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

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

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

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

(9)Accounts and notes receivable

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

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

(10)Impairment of financial assets

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

(11)Derecognition of financial assets

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

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

(12)Inventories

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

(13)Investments accounted for using equity method / subsidiaries and associates

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealized gains on transactions between the Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize losses proportionate to its ownership.
- D. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

- E. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- F. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- G. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- H. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- I. Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, profit (loss) of the current period and other comprehensive income in the non-consolidated financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the non-consolidated financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.
- J. For the reciprocal investments between the Company and another company, investment income or loss was recognized under equity method based on the amount prior to recognition of profit or loss.

(14)Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

- B. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets’ residual values and useful lives differ from previous estimates or the patterns of consumption of the assets’ future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, ‘Accounting Policies, Changes in Accounting Estimates and Errors’, from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Machinery and equipment	3 ~ 7 years
Office equipment	3 ~ 5 years
Leasehold improvements	5 years
Other equipment	3 ~ 4 years

(15)Intangible assets

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

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

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

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

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability; and
- (b) Any lease payments made at or before the commencement date.

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

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

(17)Impairment of non-financial assets

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

(18)Borrowings

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

(19)Notes and accounts payable

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

(20)Derecognition of financial liabilities

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

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

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

(22)Non-hedging and embedded derivatives

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

(23)Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurements arising on defined benefit plan are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

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

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

(24)Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(25)Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(26) Revenue recognition

Sale of goods

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

(27) Government grants

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

Impairment assessment of investments accounted for using equity method

The Company assesses the impairment of an investment accounted for using equity method as soon as there is any indication that it might have been impaired and its carrying amount cannot be recoverable. The Company assesses the recoverable amount of an investment accounted for under the equity method based on the present value of the Company's share of expected future cash flows of the investee, and analyses the reasonableness of related assumptions.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and revolving funds	\$ 32	\$ 32
Checking accounts and demand deposits	<u>947,297</u>	<u>1,160,639</u>
Total	<u>\$ 947,329</u>	<u>\$ 1,160,671</u>

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

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

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

Items	December 31, 2021	December 31, 2020
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ -	\$ 100,000
Derivative instruments	1,972	19,339
	1,972	119,339
Valuation adjustment	-	24,900
Total	\$ 1,972	\$ 144,239

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

	Years ended December 31,	
	2021	2020
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates		
Valuation adjustment	\$ 12,882	\$ 25,132
Dividend income	1,007	1,008
Interest income	5	3
Derivative instruments	17,875	54,537
Total	\$ 31,769	\$ 80,680

B. The Company has no financial assets at fair value through profit or loss pledged to others.

C. The Company entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

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

Derivative financial instruments	December 31, 2020	
	Contract amount	Maturity date of
	(Notional principal)	the contract
	(In thousands)	
Current items:		
Cross currency swap	USD 2,000	2021.01.25
Cross currency swap	USD 2,000	2021.01.25
Cross currency swap	USD 2,000	2021.01.27
Cross currency swap	USD 1,000	2021.01.27
Cross currency swap	USD 1,000	2021.02.22
Forward foreign exchange contracts	USD 3,000	2021.01.21
Forward foreign exchange contracts	USD 2,000	2020.01.22
Forward foreign exchange contracts	USD 1,000	2021.02.25
Forward foreign exchange contracts	USD 2,000	2021.02.26
Forward foreign exchange contracts	USD 2,000	2021.03.23
Forward foreign exchange contracts	USD 1,000	2021.03.25
Forward foreign exchange contracts	USD 2,000	2021.06.28

(a) Cross currency swap

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

(b) Forward foreign exchange contracts

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

(3) Financial assets at amortized cost

Items	December 31, 2021	December 31, 2020
Current items:		
Special-purpose demand deposits	\$ 12	\$ 4,607

- A. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Company were \$12 and \$4,607, respectively.
- B. The Company has no financial assets at amortized cost pledged to others.
- C. Information on financial assets at amortized cost relating to credit risk is provided in Note 12(2).
- D. The special-purpose demand deposits refer to the Company's certain self-owned capital deposited into the trust account which is restricted only for the purpose of equity investments.

(4) Accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable	\$ 444,996	\$ 539,906
Accounts receivable due from related parties	507	52
Less: Loss allowance	(134)	(162)
	<u>\$ 445,369</u>	<u>\$ 539,796</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Without past due	\$ 439,873	\$ 539,941
Up to 30 days	5,630	-
31 to 90 days	-	17
	<u>\$ 445,503</u>	<u>\$ 539,958</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2021 and 2020, accounts receivable were all from contracts with customers. As of January 1, 2020, the balance of receivables from contracts with customers amounted to \$533,897.

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

D. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable were \$445,369 and \$539,796, respectively.

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

(5) Inventories

	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	\$ 878	(\$ 701)	\$ 177
Work in progress	10	(10)	-
Finished goods	2,817	(2,232)	585
Inventory in transit	16,468	-	16,468
Total	<u>\$ 20,173</u>	<u>(\$ 2,943)</u>	<u>\$ 17,230</u>

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 933	(\$ 319)	\$ 614
Work in progress	10	(10)	-
Merchandise inventory	4,184	(2,023)	2,161
Total	\$ 5,127	(\$ 2,352)	\$ 2,775

A. The related profit or loss recognized as cost of goods sold for the years ended December 31, 2021 and 2020 is as follows:

	Years ended December 31,	
	2021	2020
Cost of goods sold	\$ 3,588,190	\$ 3,040,106
Loss on decline in market value	591	834
Total	\$ 3,588,781	\$ 3,040,940

B. The Company has no inventories pledged to others.

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

Items	December 31, 2021	December 31, 2020
Non-current items:		
Equity instruments		
Listed stocks	\$ 2,382,190	\$ 1,275,587
Unlisted stocks	3,590	3,590
	2,385,780	1,279,177
Valuation adjustment	371,514	105,650
Total	\$ 2,757,294	\$ 1,384,827

A. The Company has elected to classify abovementioned shares that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$2,757,294 and \$1,384,827 as at December 31, 2021 and 2020, respectively.

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

	Years ended December 31,	
	2021	2020
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	\$ 354,595	\$ 5,949
Cumulative gains reclassified to retained earnings due to derecognition	\$ 84,045	\$ -
Dividend income recognized in profit or loss held at end of year	\$ 96,864	\$ 23,321

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

(7) Investments accounted for using equity method

	December 31, 2021		December 31, 2020	
	Book value	Shareholding ratio	Book value	Shareholding ratio
Subsidiary:				
Creative Sensor Inc.	\$ 1,353,362	100.00%	\$ 1,681,902	100.00%
Creative Sensor (USA) Co., Ltd.	3,160	100.00%	2,349	100.00%
Associate:				
K9 Inc.	-	33.82%	-	33.82%
Tien Da Investment Co., Ltd. (Tien Da)	200,579	29.85%	-	-
Teco Image Systems Co., Ltd. (Teco Image)	757,796	29.69%	245,365	10.66%
	<u>\$ 2,314,897</u>		<u>\$ 1,929,616</u>	

	<u>Year ended</u>		<u>Year ended</u>	
	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	Share of profit of subsidiary, associates and joint ventures accounted for using equity method, net	Other comprehensive loss after tax	Share of profit (loss) of subsidiary, associates and joint ventures accounted for using equity method, net	Other comprehensive income (loss) after tax
Subsidiary:				
Creative Sensor Inc.	\$ 75,577	(\$ 13,198)	\$ 16,796	\$ 9,504
Creative Sensor (USA) Co., Ltd.	890	(79)	(565)	(136)
Associate:				
K9 Inc.	-	-	-	-
Tien Da Investment Co., Ltd. (Tien Da)	1,604	(24,065)	-	-
Teco Image Systems Co., Ltd. (Teco Image)	5,360	(45,144)	85	(6,107)
	<u>\$ 83,431</u>	<u>(\$ 82,486)</u>	<u>\$ 16,316</u>	<u>\$ 3,261</u>

A. Subsidiary

Refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2021 for the information regarding the Company's subsidiaries.

B. Associate

(a) The basic information of the associate that is material to the Company is as follows:

<u>Company name</u>	<u>Principal place of business</u>	<u>Shareholding ratio</u>		<u>Nature of relationship</u>	<u>Method of measurement</u>
		<u>December 31, 2021</u>	<u>December 31, 2020</u>		
Teco Image Systems Co., Ltd.	Taiwan	29.69%	10.66%	Note B(e)	Equity method

- (b) The summarized financial information of the associate that is material to the Company is as follows:

Balance sheet

	<u>Teco Image Systems Co., Ltd</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current assets	\$ 993,371	\$ 973,999
Non-current assets	2,169,690	1,403,642
Current liabilities	(904,325)	(636,268)
Non-current liabilities	(35,063)	(40,323)
Total net assets	<u>\$ 2,223,673</u>	<u>\$ 1,701,050</u>
Share in associate's net assets	\$ 655,819	\$ 181,329
Goodwill	101,977	64,036
Carrying amount of the associate	<u>\$ 757,796</u>	<u>\$ 245,365</u>

Statement of comprehensive income

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Revenue	\$ 1,771,373	\$ 1,277,546
Profit for the year from continuing operations	\$ 51,826	\$ 799
Other comprehensive income (loss), net of tax	506,083	(57,290)
Total comprehensive income (loss)	<u>\$ 557,909</u>	<u>(\$ 56,491)</u>
Dividends received from associates	<u>\$ 2,814</u>	<u>\$ 5,278</u>

- (c) The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarized below:

As of December 31, 2021, the carrying amount of the Group's individually immaterial associates amounted to \$200,579.

	<u>Year ended</u>
	<u>December 31, 2021</u>
Profit for the year from continuing operations	\$ 1,604
Other comprehensive loss, net of tax	(24,065)
Total comprehensive loss	<u>(\$ 22,461)</u>

- (d) The Company's material associate, Teco Image, has quoted market prices. As of December 31, 2021 and 2020, the fair value was \$567,936 and \$149,950, respectively.

- (e) The Company is the single largest shareholder of Teco Image with a 29.69% equity interest. Taking into consideration the extent of other shareholders' participation in previous shareholders' meeting of Teco Image and the voting right record of significant proposals, which indicates that the Company has no current ability to direct the relevant activities of Teco Image, the Company has no control, but only has significant influence, over the investee.
- C. In January 2008, the Company invested US\$1,000,000 in K9 Inc. Due to the underperformance of K9 Inc. and changes in the Company's investment strategies, the Company adopted the conservatism principle and wrote-off the original investment amount of US\$1,000,000 (approximately NT\$32,314 thousand) in June 2008. As of December 31, 2021 and 2020, the Company's shareholding ratio in K9 Inc. was 33.82% and the balance of investment was \$0. For the years ended December 31, 2021 and 2020, the investment income (loss) was both \$0.
- D. The Company continued to increase its investment in the investee – Tien Da Investment Co., Ltd. and was assessed to have significant influence over the investee in the third quarter of 2021. Therefore, the investee was transferred to investment accounted for using equity method from non-current financial assets at fair value through other comprehensive income.
- E. The Company has no investments accounted for using equity method pledged to others.

(8) Property, plant and equipment

	2021				
	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Other equipment</u>	<u>Total</u>
<u>At January 1</u>					
Cost	\$ 144,073	\$ 21,169	\$ 24,494	\$ 1,906	\$ 191,642
Accumulated depreciation	(124,290)	(15,979)	(22,889)	(1,906)	(165,064)
	<u>\$ 19,783</u>	<u>\$ 5,190</u>	<u>\$ 1,605</u>	<u>\$ -</u>	<u>\$ 26,578</u>
Opening net book value as at January 1	\$ 19,783	\$ 5,190	\$ 1,605	\$ -	\$ 26,578
Additions	-	540	-	-	540
Disposals	(464)	-	(1,541)	-	(2,005)
Depreciation	(4,502)	(1,910)	(64)	-	(6,476)
Closing net book value as at December 31	<u>\$ 14,817</u>	<u>\$ 3,820</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,637</u>
<u>At December 31</u>					
Cost	\$ 140,990	\$ 21,591	\$ 22,578	\$ 1,810	\$ 186,969
Accumulated depreciation	(126,173)	(17,771)	(22,578)	(1,810)	(168,332)
	<u>\$ 14,817</u>	<u>\$ 3,820</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,637</u>

	2020				
	Machinery and equipment	Office equipment	Leasehold improvements	Other equipment	Total
<u>At January 1</u>					
Cost	\$ 143,705	\$ 17,440	\$ 22,578	\$ 1,906	\$ 185,629
Accumulated depreciation	(119,772)	(14,730)	(22,578)	(1,906)	(158,986)
	<u>\$ 23,933</u>	<u>\$ 2,710</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,643</u>
Opening net book value as at					
January 1	\$ 23,933	\$ 2,710	\$ -	\$ -	\$ 26,643
Additions	548	3,872	1,916	-	6,336
Disposals	(153)	-	-	-	(153)
Depreciation	(4,545)	(1,392)	(311)	-	(6,248)
Closing net book value as at					
December 31	<u>\$ 19,783</u>	<u>\$ 5,190</u>	<u>\$ 1,605</u>	<u>\$ -</u>	<u>\$ 26,578</u>
<u>At December 31</u>					
Cost	\$ 144,073	\$ 21,169	\$ 24,494	\$ 1,906	\$ 191,642
Accumulated depreciation	(124,290)	(15,979)	(22,889)	(1,906)	(165,064)
	<u>\$ 19,783</u>	<u>\$ 5,190</u>	<u>\$ 1,605</u>	<u>\$ -</u>	<u>\$ 26,578</u>

- A. The aforementioned property, plant and equipment were all for its own use.
- B. The Company has not pledged property, plant and equipment as a collateral or capitalized the interest.

(9) Leasing arrangements - lessee

- A. The Company leases various assets including buildings and business vehicles. Rental contracts are typically made for periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise certain buildings and transportation equipment.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
At January 1, 2021	\$ 34,305	\$ 309	\$ 34,614
Additions	2,509	2,475	4,984
Modification	(3,171)	(301)	(3,472)
Depreciation	(10,712)	(834)	(11,546)
At December 31, 2021	<u>\$ 22,931</u>	<u>\$ 1,649</u>	<u>\$ 24,580</u>

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
At January 1, 2020	\$ 45,275	\$ 962	\$ 46,237
Additions	895	2,370	3,265
Modification	-	(1,188)	(1,188)
Depreciation	(11,865)	(1,835)	(13,700)
At December 31, 2020	<u>\$ 34,305</u>	<u>\$ 309</u>	<u>\$ 34,614</u>

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

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 750	\$ 1,116
Expense on short-term lease contracts	72	72
Profit from lease modification	(63)	(16)

- E. For the years ended December 31, 2021 and 2020, the Company's total cash outflow for leases were \$12,251 and \$14,504, respectively.

(10) Short-term borrowings

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

<u>Type of borrowings</u>	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	\$ 300,000	1.00% ~ 1.08%	None
Secured borrowings	<u>450,000</u>	0.90% ~ 1.00%	Stock
	<u>\$ 750,000</u>		

For the years ended December 31, 2021 and 2020, the Company's interest expense recognized in profit or loss amounted to \$11,118 and \$3,231, respectively.

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

<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Financial liabilities mandatorily measured at fair value through profit or loss		
Derivative instruments	<u>\$ -</u>	<u>\$ 1,039</u>

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

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Financial liabilities mandatorily measured at fair value through profit or loss		
Derivative instruments	<u>(\$ 1,775)</u>	<u>(\$ 5,862)</u>

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

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Contract amount (Notional principal)</u>	<u>Maturity date of the contract</u>	<u>Contract amount (Notional principal)</u>	<u>Maturity date of the contract</u>
<u>Derivative instruments</u>	<u>(In thousands)</u>		<u>(In thousands)</u>	
Current items:				
Cross currency swap	-	-	USD 2,000	2021.2.22
Cross currency swap	-	-	USD 1,000	2021.2.22

Cross currency swap

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

(12) Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accrued employees' compensation and directors' and supervisors' remuneration	\$ 25,084	\$ 32,970
Bonus payable	55,669	45,894
Royalties payable	52,191	52,191
Service fees payable	3,418	1,567
Research and development expense payable	453	2,023
Wages and salaries payable	5,403	6,081
Others	22,406	11,635
	<u>\$ 164,624</u>	<u>\$ 152,361</u>

(13) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. In June 2020 and April 2021, the Department of Labor, Taipei City Government approved that the Company cease contributing to the retirement fund temporarily for 2021 and 2022, respectively.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligations	\$ 9,278	\$ 10,229
Fair value of plan assets	(21,578)	(21,349)
Net defined benefit assets	<u>(\$ 12,300)</u>	<u>(\$ 11,120)</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit asset</u>
Year ended December 31, 2021			
Balance at January 1	\$ 10,229	(\$ 21,349)	(\$ 11,120)
Interest expense (income)	<u>41</u>	<u>(85)</u>	<u>(44)</u>
	<u>10,270</u>	<u>(21,434)</u>	<u>(11,164)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(303)	(303)
Change in demographic assumptions	12	-	12
Change in financial assumptions	(543)	-	(543)
Experience adjustments	<u>(302)</u>	<u>-</u>	<u>(302)</u>
	(833)	(303)	(1,136)
Paid pension	<u>(159)</u>	<u>159</u>	<u>-</u>
Balance at December 31	<u>\$ 9,278</u>	<u>(\$ 21,578)</u>	<u>(\$ 12,300)</u>
Year ended December 31, 2020			
Balance at January 1	\$ 9,288	(\$ 20,496)	(\$ 11,208)
Interest expense (income)	<u>74</u>	<u>(164)</u>	<u>(90)</u>
	<u>9,362</u>	<u>(20,660)</u>	<u>(11,298)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(689)	(689)
Change in financial assumptions	588	-	588
Experience adjustments	<u>279</u>	<u>-</u>	<u>279</u>
	<u>867</u>	<u>(689)</u>	<u>178</u>
Balance at December 31	<u>\$ 10,229</u>	<u>(\$ 21,349)</u>	<u>(\$ 11,120)</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The percentage composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	Years ended December 31,	
	2021	2020
Discount rate	0.80%	0.40%
Future salary increases	3.00%	3.00%

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

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 314)	\$ 328	\$ 296	(\$ 287)
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	(\$ 372)	\$ 388	\$ 352	(\$ 340)

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

- (f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2022 amount to \$0.
- (g) As of December 31, 2021, the weighted average duration of that retirement plan is 14 years.
- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2021 and 2020 were \$5,049 and \$4,263, respectively.

(14) Capital stock

- A. As of December 31, 2021, the Company’s authorized capital was \$2,500,000, consisting of 250 million shares of ordinary stock (including 15 million shares reserved for employee stock options), and the paid-in capital was \$1,490,550, consisting of 149,055,000 shares of ordinary shares issued (including 22 million shares to be issued through the private placement) with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.
- B. To increase working capital and meet the capital needs for the Company’s long-term development, the stockholders at their special stockholders’ meeting on September 17, 2021 adopted a resolution to raise additional cash through private placement. The maximum number of shares to be issued through the private placement is 38,116,500 shares. The private placement will be raised twice within one year starting from the date that the special stockholders’ meeting adopted the resolution. The Board of Directors resolved to raise \$516,780 by issuing 22,000,000 shares of ordinary shares through private placement at an estimated subscription price of \$23.49 (in dollars) per share on September 23, 2021. As of November 9, 2021, the private placement had been registered.
- C. Movements in the number of the Company’s ordinary shares outstanding (unit: share) are as follows:

	2021	2020
At January 1	\$ 127,055,000	\$ 127,055,000
Cash capital increase-private placement	22,000,000	-
Acquisition of treasury shares	(8,993,000)	-
At December 31	<u>\$ 140,062,000</u>	<u>\$ 127,055,000</u>

D. Treasury shares

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

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

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

E. The number of the Company's shares held by the Company's associate - Teco Image Systems Co., Ltd. was 28,906,260 shares as of December 31, 2021.

(15) Capital surplus

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

(16) Retained earnings

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

- (a) Pay all taxes.

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

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

- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. (a) Details of 2020 and 2019 earnings appropriations resolved by the stockholders on July 9, 2021 and June 12, 2020, respectively, are as follows:

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

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

As of December 31, 2021 and 2020, all the above cash dividends had been distributed.

(18) Operating revenue

	Years ended December 31,	
	2021	2020
Revenue from contracts with customers	\$ 3,951,319	\$ 3,399,884

The Company derives revenue from the following major geographical regions:

Year ended	China	Philippines	Thailand	Others	Total
December 31, 2021					
Revenue from external customer contracts	\$ 1,770,697	\$ 432,084	\$ 651,889	\$ 1,096,649	\$ 3,951,319
Year ended	China	Philippines	Thailand	Others	Total
December 31, 2020					
Revenue from external customer contracts	\$ 1,351,508	\$ 403,384	\$ 814,379	\$ 830,613	\$ 3,399,884

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

(19) Interest income

	Years ended December 31,	
	2021	2020
Interest income from bank deposits	\$ 414	\$ 795
Financial assets at fair value through profit or loss	5	3
	\$ 419	\$ 798

(20) Other income

	Years ended December 31,	
	2021	2020
Patents income	\$ 84	\$ 499
Dividend income	97,871	24,329
Directors' and supervisors' remuneration	11,964	12,344
Government grants	-	5,161
Rental revenue	1,699	2,160
Other income	4,731	4,621
	\$ 116,349	\$ 49,114

(21) Other gains and losses

	Years ended December 31,	
	2021	2020
Gains on financial assets and liabilities at fair value through profit or loss	\$ 28,982	\$ 73,807
Net foreign exchange gains (losses)	4,788 (10,062)
Gains from lease modification	63	16
Losses on disposal of property, plant and equipment	(1,587)	-
Other gains and losses (Note)	(126,130)	-
	<u>(\$ 93,884)</u>	<u>\$ 63,761</u>

Note: For the year ended December 31, 2021, other gains and losses mainly pertain to expenses related to the solicitation of proxies for the shareholders' meeting of TECO ELECTRIC & MACHINERY CO., LTD.

(22) Employee benefit expense, depreciation and amortization

For the years ended December 31, 2021 and 2020, employee benefit expense, depreciation and amortization categorized by function were summarized as follows:

	Year ended December 31, 2021		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Wages and salaries	\$ 22,889	\$ 130,976	\$ 153,865
Labor and health insurance fees	1,249	8,023	9,272
Pension costs	697	4,308	5,005
Directors' remuneration	-	6,235	6,235
Other personnel expenses	1,024	5,267	6,291
Depreciation	2,062	15,960	18,022
Amortization	-	2,294	2,294

	Year ended December 31, 2020		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Wages and salaries	\$ 19,717	\$ 125,729	\$ 145,446
Labor and health insurance fees	1,183	7,374	8,557
Pension costs	625	3,548	4,173
Directors' remuneration	-	6,088	6,088
Other personnel expenses	861	4,898	5,759
Depreciation	2,611	17,337	19,948
Amortization	-	1,462	1,462

A. As of December 31, 2021 and 2020, the Company had 89 and 87 employees, including 6 and 7 non-employee directors for both years.

- (a) Average employee benefit expense in current year was \$2,102, and average employee benefit expense in previous year was \$2,049.
- (b) Average employees salaries in current year was \$1,854, and average employees salaries in previous year was \$1,818.
- (c) Adjustments of average employees salaries increased 1.98%.
- (d) The Company has established an audit committee in lieu of a supervisor and accordingly, the requirement for disclosure of information on supervisors' remuneration is not applicable, and supervisors' remuneration in previous year was \$2,435.
- (e) The Company's remuneration policy (including directors, supervisors, managers and employees):
 - i. Directors' and supervisors' remuneration are determined based on the Articles of Incorporation of the Company. A certain percentage of the current year's earnings, if any, shall be distributed as directors' remuneration. If the company had an accumulated deficit, the current year's earnings shall first be reserved to offset against the accumulated deficit, then appropriated the directors' remuneration based on the ratio mentioned above.
 - ii. Managers' remuneration is evaluated taking into consideration the reasonableness of the correlation between the individual's performance and the Company's operational performance and future risk exposure.
 - iii. Employees' compensation is determined based on the negotiation with employees based on the Company's employee salary policy and shall not be lower than the base pay. The Company shall implement performance assessment periodically whereby the Company conducts adjustment of salary and bonus and employees' promotion and appointment and dismissal.

- B. According to the Articles of Incorporation of the Company, the pre-tax profit before deduction of employees' compensation and directors' and supervisors' remuneration and after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall account for 5%~15% for employees' compensation and shall not be higher than 5% for directors' and supervisors' remuneration.
- C. For the years ended December 31, 2021 and 2020, employees' compensation were accrued at \$18,813 and \$24,728, respectively; directors' and supervisors' remuneration were accrued at \$6,271 and \$8,242, respectively. The aforementioned amounts were recognized in salary expenses, and estimated based on the current profit.

The employees' compensation and directors' and supervisors' remuneration were estimated based on the distributable profit of current year for the year ended December 31, 2021. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were \$18,813 and \$6,271, respectively, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration for 2020 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2020 financial statements of \$24,728 and \$8,242, respectively, and the employees' compensation will be distributed in the form of cash.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as approved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(23) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Current tax:		
Current tax on profits for the year	\$ 2,312	\$ 153,223
Tax imposed on undistributed surplus earnings	271	643
Prior year income tax under (over) estimation	300	(854)
Total current tax	<u>2,883</u>	<u>153,012</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>6,241</u>	<u>(99,057)</u>
Total deferred tax	<u>6,241</u>	<u>(99,057)</u>
Income tax expense	<u>\$ 9,124</u>	<u>\$ 53,955</u>

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

	Years ended December 31,	
	2021	2020
Disposal of financial assets at fair value through other comprehensive income	\$ 4,686	\$ -
Remeasurement of defined benefit obligations	227	(35)
	<u>\$ 4,913</u>	<u>(\$ 35)</u>

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2021	2020
Tax calculated based on profit before tax and statutory tax rate	\$ 37,161	\$ 48,845
Effect from items disallowed by tax regulations	(22,191)	(9,275)
Change in assessment of realization of deferred tax assets	(4,877)	14,596
Prior year income tax under (over) estimation	300	(854)
Tax on undistributed surplus earnings	271	643
Effect of alternative minimum tax on disposal of financial assets at fair value through other comprehensive income transferred to comprehensive income	(1,540)	-
Income tax expense	<u>\$ 9,124</u>	<u>\$ 53,955</u>

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

	2021			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
— Deferred tax assets:				
Unrealized gain on affiliates	\$ 67	(\$ 48)	\$ -	\$ 19
Unrealized inventory valuation losses	471	118	-	589
Unrealized expence	-	240	-	240
Loss on investments accounted for using equity method	<u>1,363</u>	<u>(1,363)</u>	<u>-</u>	<u>-</u>
	<u>1,901</u>	<u>(1,053)</u>	<u>-</u>	<u>848</u>

	2021			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
– Deferred tax liabilities:				
Unrealized exchange gain	(\$ 2,334)	\$ 608	\$ -	(\$ 1,726)
Unrealized valuation gain on financial assets	(3,660)	3,266	-	(394)
Gain on investments accounted for using equity method	-	(9,053)	-	(9,053)
Defined benefit plan	(2,224)	(9)	(227)	(2,460)
	(8,218)	(5,188)	(227)	(13,633)
	(\$ 6,317)	(\$ 6,241)	(\$ 227)	(\$ 12,785)
	2020			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
– Deferred tax assets:				
Unrealized gain on affiliates	\$ 162	(\$ 95)	\$ -	\$ 67
Unrealized inventory valuation losses	304	167	-	471
Loss on investments accounted for using equity method	-	1,363	-	1,363
	466	1,435	-	1,901
– Deferred tax liabilities:				
Unrealized exchange gain	(1,489)	(845)	-	(2,334)
Unrealized valuation gain on financial assets	(2,845)	(815)	-	(3,660)
Gain on investments accounted for using equity method	(99,300)	99,300	-	-
Defined benefit plan	(2,241)	(18)	35	(2,224)
	(105,875)	97,622	35	(8,218)
	(\$ 105,409)	\$ 99,057	\$ 35	(\$ 6,317)

D. The amounts of deductible temporary differences that were not recognized as deferred tax assets are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Deductible temporary differences	<u>\$ -</u>	<u>\$ 578</u>

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

(24) Earnings per share

	<u>Year ended December 31, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Net income	<u>\$ 176,681</u>	<u>117,948</u>	<u>\$ 1.50</u>
<u>Diluted earnings per share</u>			
Net income	\$ 176,681	117,948	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>980</u>	
Net income plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 176,681</u>	<u>118,928</u>	<u>\$ 1.49</u>
	<u>Year ended December 31, 2020</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Net income	<u>\$ 190,268</u>	<u>127,055</u>	<u>\$ 1.50</u>
<u>Diluted earnings per share</u>			
Net income	\$ 190,268	127,055	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>1,543</u>	
Net income plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 190,268</u>	<u>128,598</u>	<u>\$ 1.48</u>

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

(25) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31,	
	2021	2020
Purchase of property, plant and equipment	\$ 540	\$ 6,336
Add: Opening balance of payable on equipment	519	-
Less: Ending balance of payable on equipment	-	(519)
Cash paid during the year	<u>\$ 1,059</u>	<u>\$ 5,817</u>

(26) Changes in liabilities from financing activities

	2021		
	Short-term		Liabilities from
	borrowings	Lease liabilities	financing
At January 1	\$ 750,000	\$ 35,319	\$ 785,319
Changes in cash flow from financing activities	984,800	(11,429)	973,371
Increase in lease liabilities	-	4,984	4,984
Decrease in lease liabilities	-	(3,535)	(3,535)
Interest amortized in lease liabilities	-	750	750
Interest paid in lease liabilities	-	(750)	(750)
At December 31	<u>\$ 1,734,800</u>	<u>\$ 25,339</u>	<u>\$ 1,760,139</u>
	2020		
	Short-term		Liabilities from
	borrowings	Lease liabilities	financing
At January 1	\$ -	\$ 46,574	\$ 46,574
Changes in cash flow from financing activities	750,000	(13,316)	736,684
Increase in lease liabilities	-	3,265	3,265
Decrease in lease liabilities	-	(1,204)	(1,204)
Interest amortized in lease liabilities	-	1,116	1,116
Interest paid in lease liabilities	-	(1,116)	(1,116)
At December 31	<u>\$ 750,000</u>	<u>\$ 35,319</u>	<u>\$ 785,319</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Koryo Electronics Co., Ltd.	The Group's key management
Teco Image Systems Co., Ltd.	Associate
Teco Image Systems (DongGuan) Co., Ltd.	Associate
Tien Da Investment Co., Ltd.	Associate
Creative Sensor Co., Ltd.	Subsidiary
Wuxi Creative Sensor Technology Co., Ltd.	Subsidiary
Nanchang Creative Sensor Technology Co., Ltd.	Subsidiary
Creative Sensor(USA) Co.	Subsidiary

(2) Significant related party transactions and balances

A. Operating revenue

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Sales of goods:		
— The Group's key management	\$ 2,448	\$ -
— Associates	716	99
	<u>\$ 3,164</u>	<u>\$ 99</u>

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

B. Purchases

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Purchases of goods:		
— Subsidiary		
Nanchang Creative Sensor Technology Co., Ltd.	\$ 3,547,116	\$ 3,002,708

Goods purchased from abovementioned related parties are based on the mutual agreement. The term is 75~90 days after monthly billing upon shipment of goods

C. Receivables from related parties

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable:		
– Associates	\$ 507	\$ 52
Other receivables -material, payments on behalf of others and patents		
– Subsidiary		
Nanchang Creative Sensor Technology Co., Ltd.	62,131	10,001
Other	288	761
– Associates	3,780	288
	<u>66,199</u>	<u>11,050</u>
	<u>\$ 66,706</u>	<u>\$ 11,102</u>

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

D. Payables to related parties

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payable:		
– Subsidiary		
Nanchang Creative Sensor Technology Co., Ltd.	\$ 667,123	\$ 859,690
Other payables		
– Subsidiary	\$ 4,944	\$ -

The purchase and price terms to above related parties are approximately the same as the third parties which is 75~90 days after monthly billing upon purchase.

E. Original equipment manufacturer transaction

The Company eliminated the net sales and purchase whose risk and ownership have not been transferred in accordance with (1998) Tai-Cai-Zheng (6) Letter No. 00747 of Securities and Futures Commission, Ministry of Finance, R.O.C, dated March 18, 1998. For the years ended December 31, 2021 and 2020, the eliminated sales amount and unsettled payment arising from the above transactions are as follows:

(a) Eliminated sales revenue

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Subsidiary	\$ 204,664	\$ 27,775

(b) Unsettled payments (recognized in other receivables)

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiary	\$ 62,131	\$ 10,309

F. Consultant fee

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Subsidiary	\$ 9,102	\$ -

G. Other income

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Associates	\$ 101	\$ 470

H. Other expenses

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Associates	\$ 54	\$ 3,360

(3) Key management compensation

For the years ended December 31, 2021 and 2020, the key management compensation (including salaries and other short-term employee benefits) paid to directors, supervisors, general manager and vice general manager was \$46,371 and \$41,110, including employees' compensation and directors' and supervisors' remuneration accrued in profit or loss of \$6,271 and \$8,242 for the years ended December 31, 2021 and 2020, respectively.

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>	
Non-current financial assets at fair value through other comprehensive income	\$ 1,424,250	\$ 810,145	Short-term borrowings

9. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

(1) Contingencies

None.

(2) Commitments

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

The appropriation of 2021 earnings was resolved by the Board of Directors on March 17, 2022, however, the appropriation has not yet been approved by the shareholders. Please refer to Note 6(16) for further information.

12. OTHERS

(1) Capital management

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

During the year ended December 31, 2021, the Company's strategy, which was unchanged from 2020, was to maintain the gearing ratio within 0% to 20%.

The gearing ratios at December 31, 2021 and 2020 were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Net debt	\$ 1,734,800	\$ 750,000
Total equity	\$ 3,970,769	\$ 3,344,452
Total capital	\$ 5,705,569	\$ 4,094,452
Gearing ratio	<u>30%</u>	<u>18%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 1,972	\$ 144,239
Financial assets at fair value through other comprehensive income		
Designation of equity instruments	2,757,294	1,384,827
Financial assets at amortized cost		
Cash and cash equivalents	947,329	1,160,671
Accounts receivable (including related parties)	445,369	539,796
Other receivables (including related parties)	66,199	11,050
Guarantee deposits paid	1,614	1,918
Financial assets at amortized cost	12	4,607
	<u>\$ 4,219,789</u>	<u>\$ 3,247,108</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities at fair value through profit or loss, mandatorily measured at fair value	\$ -	\$ 1,039
Financial liabilities at amortized cost		
Short-term borrowings	1,734,800	750,000
Notes payable	213	213
Accounts payable (including related parties)	702,805	862,047
Other payables	164,624	152,361
	<u>\$ 2,602,442</u>	<u>\$ 1,765,660</u>
Lease liability (including current and noncurrent portion)	<u>\$ 25,339</u>	<u>\$ 35,319</u>

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.
- ii. The Company's management made a policy to manage their foreign exchange risk against their functional currency. The Company is required to hedge their entire foreign exchange risk exposure with the Company treasury. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group use cross currency swap and forward foreign exchange contracts, transacted with Group treasury.
- iii. The Company hedges foreign exchange rate by using forward foreign exchange contracts and cross currency swap. However, the Company does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Notes 6(2) and 6(11).
- iv. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations are as follows:

December 31, 2021						
			Sensitivity analysis			
Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 28,715	27.66	\$ 794,257	1%	\$ 7,943	\$ -
<u>Investments accounted for using equity method</u>						
USD : NTD	49,066	27.66	1,356,522	-	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 27,168	27.66	\$ 751,467	1%	\$ 7,515	\$ -
December 31, 2020						
			Sensitivity analysis			
Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 30,467	28.48	\$ 867,700	1%	\$ 8,677	\$ -
<u>Investments accounted for using equity method</u>						
USD : NTD	59,138	28.48	1,684,251	-	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 31,833	28.48	\$ 906,604	1%	\$ 9,066	\$ -

- v. The total exchange (loss) gain, including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Company, were \$4,788 and (\$10,062) for the years ended December 31, 2021 and 2020, respectively.

Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

- ii. The Company's investments in equity securities comprise beneficiary certificates, domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 10% with all other variables held constant, post-tax profit for the years ended December 31, 2021 and 2020 would have increased/decreased by \$0 and \$12,490, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. For the years ended December 31, 2021 and 2020, other components of equity would have increased/decreased by \$275,729 and \$138,483, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

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

(b) Credit risk

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

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

- (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Company classifies customers' accounts receivable in accordance with customer types. The Company applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vii. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights. As of December 31, 2021 and 2020, the Company had no written-off financial assets that are still under recourse procedures.
- viii. The Company's accounts receivable arose from customers with excellent credit, and the expected loss rate was 0.03%. On December 31, 2021 and 2020, the total book value of accounts receivable and loss allowance were \$445,503, \$539,958 and \$134, \$162, respectively.
- ix. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	<u>2021</u>	<u>2020</u>
	Accounts receivable (including related parties)	Accounts receivable (including related parties)
At January 1	\$ 162	\$ 163
Reversal of impairment	(28)	(1)
At December 31	<u>\$ 134</u>	<u>\$ 162</u>

For the years ended December 31, 2021 and 2020, the impairment gains arising from customers' contracts are (\$28) and (\$1), respectively.

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

	<u>December 31, 2021</u>			
	<u>Lifetime</u>			
	<u>12 months</u>	<u>Significant increase in credit risk</u>	<u>Impairment of credit</u>	<u>Total</u>
Financial assets at amortized cost	<u>\$ 12</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12</u>

	December 31, 2020			
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortized cost	\$ 4,607	\$ -	\$ -	\$ 4,607

The financial assets at amortized cost held by the Company are restricted bank demand deposit. The credit risk rating has no significant abnormal situation.

(c) Liquidity risk

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

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

Non-derivative financial liabilities

December 31, 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Short-term borrowings	\$ 1,736,954	\$ -	\$ -
Notes payable	213	-	-
Accounts payable (including related parties)	702,805	-	-
Other payables	164,624	-	-
Lease liability	11,402	10,595	4,066
December 31, 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Short-term borrowings	\$ 750,695	\$ -	\$ -
Notes payable	213	-	-
Accounts payable (including related parties)	862,047	-	-
Other payables	152,361	-	-
Lease liability	11,962	11,014	13,824

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

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

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

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

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

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

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Derivative instruments	\$ -	\$ 1,972	\$ -	\$ 1,972
Financial assets at fair value through other comprehensive income				
Equity securities	<u>2,757,294</u>	<u>-</u>	<u>-</u>	<u>2,757,294</u>
Total	<u>\$ 2,757,294</u>	<u>\$ 1,972</u>	<u>\$ -</u>	<u>\$ 2,759,266</u>

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 124,900	\$ -	\$ -	\$ 124,900
Derivative instruments	-	19,339	-	19,339
Financial assets at fair value through other comprehensive income				
Equity securities	<u>1,384,827</u>	<u>-</u>	<u>-</u>	<u>1,384,827</u>
Total	<u>\$ 1,509,727</u>	<u>\$ 19,339</u>	<u>\$ -</u>	<u>\$ 1,529,066</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instruments	<u>\$ -</u>	<u>\$ 1,039</u>	<u>\$ -</u>	<u>\$ 1,039</u>

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

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

	<u>Listed shares</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net assets value
ii. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts and cross currency swap are usually valued based on the current forward exchange rate.		

D. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the significant transactions for the year ended December 31, 2021 are as follows:

A. Loans to others: None.

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

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

- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: Please refer table 2.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 3.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 4.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2), 6(11) and 12(3).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

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

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 7.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland China: Please refer to table 5.

(4) Major shareholders information

Major shareholders information: Please refer to table 8.

14. SEGMENT INFORMATION

None.

Creative Sensor Inc.

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

Year ended December 31, 2021

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities categories (Note 1)	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2021				Footnote
					Number of shares (in thousands)	Book value (Note 2)	Ownership (%)	Fair value	
The Company	Stock	TECO ELECTRIC & MACHINERY CO., LTD.	-	Financial assets at fair value through other comprehensive income- non-current	77,519	\$ 2,453,477	3.62%	\$ 2,453,477	
"	"	Koryo Electronics Co., Ltd.	The Group's key management	"	9,882	283,613	19.07%	283,613	
"	"	MUTUALPAK	-	"	108	-	0.65%	-	
"	"	Taiwan Pelican Express Co., Ltd.	-	"	281	20,204	0.29%	20,204	
						<u>\$ 2,757,294</u>		<u>\$ 2,757,294</u>	

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

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

Creative Sensor Inc.

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

Year ended December 31, 2021

Table 2

Expressed in thousands of TWD
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty	Relationship with the counterparty	Balance as at January 1, 2021		Addition		Disposal			Gain (loss) on disposal	Balance as at December 31, 2021		Note
					Number of shares (in thousand shares)	Amount	Number of shares (in thousand shares)	Amount	Number of shares (in thousand shares)	Selling price	Book value		Number of shares (in thousand shares)	Amount	
The Company	TECO ELECTRIC & MACHINERY CO., LTD.	Financial assets at fair value through other comprehensive income-non-current	-	-	45,591	\$ 1,260,591	31,928	\$ 969,932	-	\$ -	\$ -	\$ -	77,519	\$ 2,453,477	None 3
The Company	Teco Image Systems Co., Ltd.	Investee accounted for using equity method	Note 4	Note 4	11,996	245,365	21,412	465,778	-	-	-	-	33,408	757,796	None 5

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

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

Note 3: Balance as at December 31, 2021 included fair value valuation amounting to \$222,954.

Note 4: It refers to purchase equity from unspecified persons in the open market.

Note 5: Balance as at December 31, 2021 included adjustments of recognition related to the equity method.

Creative Sensor Inc.
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2021

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note)		Notes/accounts receivable (payable)			Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
The Company	Nanchang Creative Sensor Technology Co., Ltd.	The Company's third-tier subsidiary	Purchases	\$ 3,547,116	100%	75~90 days after monthly billing	\$ -	Note	(\$ 667,123)	94.89%	-
Nanchang Creative Sensor Technology Co., Ltd.	KROM ELECTRONICS CO., LTD.	The Company is a director of the company's ultimate holding company (Note 2)	"	209,188	7.12%	60 days after monthly billing	-	Note	-	-	-

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

Note 2: The company was no longer a related party of the Company after the re-election of directors on July 9, 2021.

Creative Sensor Inc.
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 December 31, 2021

Table 4

Expressed in thousands of NTD
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2021	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Nanchang Creative Sensor Technology Co., Ltd.	The Company	Parent company	\$ 667,123	4.65	\$ -	-	\$ 254,359	\$ -

Creative Sensor Inc.
Significant inter-company transactions during the reporting period
Year ended December 31, 2021

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)	Note
				General ledger account	Amount	Transaction terms		
0	The Company	Nanchang Creative Sensor Technology Co., Ltd.	1	Accounts payable	\$ 667,123	75~90 days after monthly billing	10.07%	-
"	"	"	"	Purchases	3,547,116	"	89.77%	-
1	Nanchang Creative Sensor Technology Co., Ltd.	The Company	2	Accounts payable	62,131	60 days after monthly billing	0.94%	Note 4

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

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

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

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

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

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

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

Table 6

Creative Sensor Inc.
Information on investees
Year ended December 31, 2021

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognized by the Company for the year ended December 31, 2021 (Note)	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
The Company	Creative Sensor Inc.	British Virgin Islands	Holding company	\$ 583,416	\$ 974,576	15,414,994	100	\$ 1,353,362	\$ 75,577	\$ 75,577	Subsidiary
The Company	Creative Sensor (USA) Co.	U.S.A.	Collection of marketing information and maintaining customer relationship	3,169	3,169	100,000	100	3,160	890	890	Subsidiary
The Company	K9 Inc.	South Korea	Packaging for image sensor module	32,314	32,314	845,000	33.82	-	-	-	Investee accounted for using equity method
The Company	Teco Image Systems Co., Ltd.	Taiwan	Design, manufacturing and trading of multi-function printer, fax machine and scanner	737,506	271,728	33,408,000	29.69	757,796	51,826	5,360	Investee accounted for using equity method
The Company	Tien Da Investment Co.,Ltd	Taiwan	Investing company	223,040	-	21,340,000	29.85	200,579	3,814	1,604	Investee accounted for using equity method
Creative Sensor Inc.	Creative Sensor Co., Ltd.	Hong Kong	Holding company	586,837	586,837	15,501,368	100	1,350,764	76,073	-	Subsidiary

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

Creative Sensor Inc.
Information on investments in Mainland China
Year ended December 31, 2021

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

A. Information on reinvestment in Mainland Area

Investee in Mainland China	Main business activities	Paid-in capital (Note 2)	Investment method (Note 1)	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2021			Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021 (Note 3)	Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021 (Note 3)	Net income of investee for the year ended December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2021 (Note 4)	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
				as of January 1, 2021 (Note 3)	China	Taiwan										
Wuxi Creative Sensor Technology Co., Ltd.	Image Sensor	\$ 35,886	Note 1	\$ 412,549	\$ -	(\$ 387,240)	\$ 25,309	\$ 108	100	\$ 108	\$ 246,241	\$ 637,020	None 5			
Nanchang Creative Sensor Technology Co., Ltd.	Image Sensor	943,582	Note 1	401,070	-	-	401,070	78,861	100	78,861	1,079,753	437,459	None 6			

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

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

Note 3: Wuxi Creative Sensor Technology Co., Ltd.'s accumulated amount of remittance from Taiwan to Mainland China as of January 1 and December 31, 2021 in the original currency was both US\$14,915 thousand. Nanchang Creative Sensor Technology Co., Ltd.'s accumulated amount of remittance from Taiwan to Mainland China as of January 1 and December 31, 2021 in the original currency was both US\$14,500 thousand.

Note 4: Investment income (loss) recognized for the year ended December 31, 2021 was evaluated and disclosed based on the financial statements audited by R.O.C. parent company's CPA.

Note 5: The investment facility of US\$15,005 thousand was approved by the Investment Commission, as of December 31, 2021, the Investment Commission also approved the investment income of US\$21,440 thousand which has been remitted back to Taiwan and proceeds from capital reduction of US\$14,000 thousand which have been remitted back, and all of them could be used to deduct from the accumulated investment amounts in Mainland China.

Note 6: The investment facility of US\$14,500 thousand and US\$15,300 thousand of Wuxi Creative Sensor Technology Co., Ltd.'s reinvestment in Nanchang Creative Sensor Technology Co., Ltd. through capitalisation of earnings which was approved by the Investment Commission, as of December 31, 2021, the Investment Commission also approved that the investment income of US\$15,121 thousand which has been remitted back to Taiwan, and all of them could be used to deduct from the accumulated investment amounts in Mainland China.

B. Ceiling on reinvestments in Mainland Area

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
The Company	\$ 426,379	\$ 428,868	\$ 2,382,461

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021 in original currency amounted to US\$15,415 thousand.

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

Furthermore, as of December 31, 2021, the Investment Commission approved that the invest income from reinvestment business in Mainland China remitted back to Taiwan was US\$36,561 thousand which could deduct the accumulated investment amounts in Mainland China.

Creative Sensor Inc.
Major shareholders information
December 31, 2021

Table 8

Major shareholders name	Ownership	Ownership (%)
Teco Image Systems Co., Ltd.	28,906,260	19.39%
UNIVERSAL CEMENT CORPORATION	13,273,000	8.90%
Tien Da Investment Co., Ltd.	12,318,000	8.26%
Yurui Co., Ltd.	9,018,029	6.05%
Huan Ni Investment Co., Ltd.	9,000,000	6.03%
CREATIVE SENSOR INC. (Note)	8,993,000	6.03%
Teco International Investment Co., Ltd.	7,913,310	5.30%

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

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

CREATIVE SENSOR INC.
DETAILS OF CASH AND CASH EQUIVELANTS
DECEMBER 31, 2021
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLOARS)

Tabel 1

Items	Summary	Amount
Cash on hand and petty cash		\$ 32
Cash in banks		
-Checking accounts deposits		156
-Demand deposits		659,853
-Foreign currency deposits	JPY 2,818,617, an exchange rate of \$0.2407	
	USD 10,356,076.46, an exchange rate of \$27.66	
	EUR 28.92, an exchange rate of \$31.25	
	RMB 36,883.04, an exchange rate of \$4.344	287,288
		<u>\$ 947,329</u>

CREATIVE SENSOR INC.
DETAILS OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLOARS)

Table 2

<u>Customer name</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
A customer		\$ 60,625	
B customer		53,141	
C customer		42,109	
D customer		25,800	
E customer		25,473	
F customer		24,944	
G customer		24,521	
H customer		24,227	
I customer		23,273	
J customer		22,729	
K customer		21,787	
Others		<u>96,367</u>	The balance of each customer has not exceeded 5% of the accounts receivable.
		444,996	
Less: Allowance for bad debts		(<u>134</u>)	
		<u>\$ 444,862</u>	

CREATIVE SENSOR INC.
MOVEMENT SUMMARY OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – NON CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLOARS)

Table 3

Name	Opening balance			Additions		Reductions		Ending balance			
	Number of shares (in thousand shares)	Carrying amount	Market price	Number of shares (in thousand shares)	Amount	Number of shares (in thousand shares)	Amount	Number of shares (in thousand shares)	Amount	Market price	Guarantee/pledge
Listed stocks											
TECO Electronic & Machinery Co., Ltd.	45,591	\$ 1,129,731	\$ 1,260,591	31,928	\$ 969,932	-	\$ -	77,519	\$ 2,099,663	\$ 2,453,477	Note 1
Taiwan Pelican Express Co., Ltd.	1,781	51,010	60,643	-	-	(1,500)	(42,961)	281	8,049	20,204	None
Koryo Electronics Co., Ltd.	2,871	94,846	63,593	7,011	179,632	-	-	9,882	274,478	283,613	"
Tien Da Investment Co.,Ltd	-	-	-	6,000	60,000	(6,000)	(60,000)	-	-	-	Note 2
Unlisted stocks											
MUTUAL-PAK Technology Co., Ltd.	108	<u>3,590</u>	-	-	-	-	-	108	<u>3,590</u>	-	"
		1,279,177	<u>\$ 1,384,827</u>		1,209,564		(102,961)		2,385,780	<u>\$ 2,757,294</u>	
Valuation adjustment on investment in equity instrument measured at fair value through other comprehensive income											
		<u>105,650</u>			<u>354,595</u>		(88,731)		<u>371,514</u>		
		<u>\$ 1,384,827</u>			<u>\$ 1,564,159</u>		<u>(\$ 191,692)</u>		<u>\$ 2,757,294</u>		

Note 1 : Partial number of shares pledged as collateral for short-term borrowings, book value is \$1,424,250.

Note 2 : Equity instruments at fair value through other comprehensive income transferred to investments accounted for using equity method for the year.

CREATIVE SENSOR INC.
MOVEMENT SUMMARY OF INVESTMENTS ACCOUNTED FOR USING QUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLOARS)

Table 4

Name	Opening balance		Additions		Reductions		Ending balance			Market price or net equity			
	Number of shares (in thousand shares)	Amount	Number of shares (in thousand shares)	Amount	Number of shares (in thousand shares)	Amount	Number of shares (in thousand shares)	Shareholding ratio	Amount	Price per unit (in dollars)	Total amount	Guarantee/pledge	
Creative Sensor Inc.	29,415	\$ 1,681,902	-	\$ 75,818	Note 1 (14,000)	(\$ 404,358)	Note 2	15,415	100%	\$ 1,353,362	\$ 87.80	\$ 1,353,362	None
Creative Sensor (USA) Co.	100	2,349	-	890		(79)	Note 2	100	100%	3,160	31.60	3,160	"
K9 Inc.	845	-	-	-		-		845	33.82%	-	-	-	"
Tien Da Investment Co., Ltd.	-	-	21,340	224,644	Note 1	(24,065)	Note 2	21,340	29.85%	200,579	9.75	208,036	"
TECO Image Systems Co., Ltd.	11,996	<u>245,365</u>	21,412	<u>561,534</u>	Note 1	(<u>49,103</u>)	Note 2	33,408	29.69%	<u>757,796</u>	17.00	567,936	"
		<u>\$ 1,929,616</u>		<u>\$ 862,886</u>		<u>(\$ 477,605)</u>				<u>\$ 2,314,897</u>			

Note 1: It included share of profit (loss) of subsidiary, associates and joint ventures accounted for using equity method, financial statements translation differences of foreign operations, changes in equity unrealized gain on inter-company transactions between parent company and subsidiaries, actuarial gains (losses) on defined benefit plans, acquisition of investments accounted for using equity method, acquisition of associates accounted for using equity method and equity instruments at fair value through other comprehensive income transferred to investments accounted for using equity method for the year.

Note 2: It included financial statements translation differences of foreign operations, proceeds from capital reduction of investments accounted for using equity method, distributed cash dividends, and gain (loss) on valuation of financial assets at fair value through other comprehensive income.

CREATIVE SENSOR INC.
DETAILS OF SHORT-TERM BORROWINGS
DECEMBER 31, 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 5

Nature	Description	Ending Balance	Contract Period	Range of Interest		Collateral	Note
				Rate	Credit Line		
Unsecured borrowings	Bank SinoPac Co., Ltd.	\$ 100,000	2021.11.23 ~ 2022.1.21	1.04%	\$ 100,000	None	None
"	Bank SinoPac Co., Ltd.	35,000	2021.11.15 ~ 2022.1.14	1.04%	38,300	"	"
"	Mega International Commercial Bank	250,000	2021.8.6 ~ 2022.2.2	1.10%	300,000	"	"
"	Hua Nan Commercial Bank, Ltd.	200,000	2021.12.16 ~ 2022.3.16	1.08%	200,000	"	"
"	CTBC Bank Co., Ltd.	199,800	2021.8.20 ~ 2022.2.18	1.30%	200,000	"	"
"	Yuanta Commercial Bank	200,000	2021.12.6 ~ 2022.2.24	0.97%	200,000	"	"
Secured borrowings	CTBC Bank Co., Ltd.	300,000	2021.8.11 ~ 2022.2.11	0.90%	300,000	Stock	"
"	Bank SinoPac Co., Ltd.	150,000	2021.11.9 ~ 2022.2.9	1.04%	150,000	"	"
"	Yuanta Commercial Bank	300,000	2021.11.9 ~ 2022.1.28	1.15%	300,000	"	"
		<u>\$ 1,734,800</u>			<u>\$ 1,788,300</u>		

CREATIVE SENSOR INC.
DETAILS OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLOARS)

Table 6

<u>Items</u>	<u>Amount</u>	<u>Note</u>
Image sensor	\$ <u>3,951,319</u>	

CREATIVE SENSOR INC.
DETAILS OF OPERATING COST
FOR THE YEAR ENDED DECEMBER 31, 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLOARS)

Table 7

<u>Items</u>	<u>Amount</u>	<u>Note</u>
Direct materials		
Raw materials at the beginning	\$ 933	
Add: Raw materials purchased during the year	221,575	
Less: Raw materials at the end	(17,346)	
Reclassification	(142)	
	<u>205,020</u>	
Work in progress		
Work in progress at the beginning	10	
Less: Work in progress at the end	(10)	
	<u>-</u>	
Overhead	<u>30,984</u>	
Cost of goods sold-goods manufactured	<u>236,004</u>	
Cost of goods sold-goods outsourcing		
Goods outsourcing at the beginning	4,184	
Add: Purchase during the year	3,342,204	Note
Less: Goods outsourcing at the end	(2,817)	
Others	<u>8,615</u>	
Cost of goods sold	3,588,190	
Inventory valuation loss	<u>591</u>	
Operating cost	<u>\$ 3,588,781</u>	

Note: Material purchased during the year had eliminated the operating revenue and costs arising from purchasing materials on behalf of foreign third-tier subsidiaries based on related regulations.

CREATIVE SENSOR INC.
DETAILS OF MANUFACTURING EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 8

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Salaries and wages		\$ 11,274	
Bonus		8,796	
Employees' compensation		2,819	
Depreciation		2,062	
Labor and health insurance expense		1,249	
Other expenses		<u>4,784</u>	
		<u>\$ 30,984</u>	

CREATIVE SENSOR INC.
DETAILS OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLOARS)

Table 9

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Notes</u>
Wages and salaries		\$ 17,002	
Consultant fee		10,206	
Bonus		12,504	
Employees' compensation		4,250	
Depreciation expense		2,014	
Others		<u>10,808</u>	
		<u>\$ 56,784</u>	

CREATIVE SENSOR INC.
DETAILS OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 10

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Notes</u>
Wages and salaries		\$ 26,597	
Bonus		23,293	
Professional service fee		18,326	
Consultant fee		8,820	
Stock agent expense		15,891	
Employees' compensation		6,608	
Directors' remuneration		6,235	
Depreciation expense		6,447	
Others		<u>31,187</u>	
		<u>\$ 143,404</u>	

CREATIVE SENSOR INC.
DETAILS OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 11

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Notes</u>
Wages and salaries		\$ 20,557	
Bonus		15,029	
Research and development expenses		2,514	
Employees' compensation		5,136	
Depreciation expense		7,500	
Others		<u>20,256</u>	
		<u>\$ 70,992</u>	