# CREATIVE SENSOR INC. AND SUBSIDIARIES

## CONSOLIDATED FINANCIAL STATEMENTS AND

## REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

## MARCH 31, 2019 AND 2018

------------------------------------------------------------------------------------------------------------

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

## *Introduction*

We have reviewed the accompanying consolidated balance sheets of Creative Sensor Inc. and subsidiaries (the "Group") as at March 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

## *Scope of Review*

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

### *Conclusion*

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

Chang, Shu-Chiung　　　　　　　　Lin, Chun-Yao

For and on behalf of PricewaterhouseCoopers, Taiwan

May 8, 2019

---

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.
As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CREATIVE SENSOR INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of March 31, 2019 and 2018 are reviewed, not audited)

| | Assets | Notes | March 31, 2019 AMOUNT | % | December 31, 2018 AMOUNT | % | March 31, 2018 AMOUNT | % |
|---|---|---|---|---|---|---|---|---|
| | **Current assets** | | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | $ 1,166,353 | 26 | $ 773,409 | 17 | $ 1,105,095 | 24 |
| 1110 | Financial assets at fair value through profit or loss - current | 6(2) | 265,973 | 6 | 276,972 | 6 | 398,271 | 9 |
| 1136 | Financial assets at amortised cost - current, net | 6(4) | 874,057 | 19 | 1,233,141 | 26 | 779,528 | 17 |
| 1170 | Accounts receivable, net | 6(5) | 553,487 | 12 | 636,693 | 14 | 550,513 | 12 |
| 1180 | Accounts receivable - related parties, net | 6(5) and 7 | - | - | 1,653 | - | 178 | - |
| 130X | Inventories, net | 6(6) | 402,268 | 9 | 497,264 | 11 | 312,950 | 7 |
| 1479 | Other current assets | | 39,651 | 1 | 47,654 | 1 | 37,256 | 1 |
| 11XX | **Total current assets** | | 3,301,789 | 73 | 3,466,786 | 75 | 3,183,791 | 70 |
| | **Non-current assets** | | | | | | | |
| 1517 | Non-current financial assets at fair value through other comprehensive income | 6(3) | 329,065 | 7 | 284,042 | 6 | 369,410 | 8 |
| 1550 | Investments accounted for using equity method | 6(7) | 313,030 | 7 | 303,321 | 7 | 332,119 | 7 |
| 1600 | Property, plant and equipment, net | 6(8) | 466,674 | 10 | 485,435 | 10 | 600,265 | 13 |
| 1755 | Right-of-use assets | 6(9) | 46,444 | 1 | - | - | - | - |
| 1780 | Intangible assets | | 6,179 | - | 6,909 | - | 4,773 | - |
| 1840 | Deferred income tax assets | | 23,654 | 1 | 23,213 | 1 | 16,717 | 1 |
| 1900 | Other non-current assets | 6(10) | 26,349 | 1 | 64,598 | 1 | 61,204 | 1 |
| 15XX | **Total non-current assets** | | 1,211,395 | 27 | 1,167,518 | 25 | 1,384,488 | 30 |
| 1XXX | **Total assets** | | $ 4,513,184 | 100 | $ 4,634,304 | 100 | $ 4,568,279 | 100 |

(Continued)

CREATIVE SENSOR INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of March 31, 2019 and 2018 are reviewed, not audited)

| | | | March 31, 2019 | | December 31, 2018 | | March 31, 2018 | |
|---|---|---|---|---|---|---|---|---|
| | Liabilities and Equity | Notes | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| | **Current liabilities** | | | | | | | |
| 2170 | Accounts payable | | $ 601,371 | 13 | $ 789,060 | 17 | $ 650,208 | 14 |
| 2180 | Accounts payable - related parties | 7 | 91,750 | 2 | 115,601 | 3 | 80,397 | 2 |
| 2200 | Other payables | 6(11) | 292,787 | 7 | 345,215 | 7 | 310,219 | 7 |
| 2230 | Income tax payable | | 24,394 | 1 | 24,543 | 1 | 27,170 | - |
| 2280 | Current lease liabilities | | 2,973 | - | - | - | - | - |
| 2300 | Other current liabilities | | 15,476 | - | 10,173 | - | 7,612 | - |
| 21XX | **Total current liabilities** | | 1,028,751 | 23 | 1,284,592 | 28 | 1,075,606 | 23 |
| | **Non-current liabilities** | | | | | | | |
| 2570 | Deferred income tax liabilities | | 111,815 | 2 | 111,553 | 2 | 84,667 | 2 |
| 2580 | Non-current lease liabilities | | 1,093 | - | - | - | - | - |
| 25XX | **Total non-current liabilities** | | 112,908 | 2 | 111,553 | 2 | 84,667 | 2 |
| 2XXX | **Total liabilities** | | 1,141,659 | 25 | 1,396,145 | 30 | 1,160,273 | 25 |
| | **Equity attributable to owners of parent** | | | | | | | |
| | **Share capital** | 6(13) | | | | | | |
| 3110 | Capital stock - common stock | | 1,270,550 | 28 | 1,270,550 | 27 | 1,270,550 | 28 |
| | **Capital surplus** | 6(14) | | | | | | |
| 3200 | Capital surplus | | 677,467 | 15 | 677,467 | 15 | 677,467 | 15 |
| | **Retained earnings** | 6(15) | | | | | | |
| 3310 | Legal reserve | | 439,415 | 10 | 439,415 | 9 | 418,413 | 9 |
| 3320 | Special reserve | | 39,847 | 1 | 39,847 | 1 | 39,847 | 1 |
| 3350 | Unappropriated retained earnings | | 713,739 | 16 | 674,960 | 15 | 694,817 | 15 |
| | **Other equity interest** | 6(16) | | | | | | |
| 3400 | Other equity interest | | 230,507 | 5 | 135,920 | 3 | 306,912 | 7 |
| 31XX | **Equity attributable to owners of the parent** | | 3,371,525 | 75 | 3,238,159 | 70 | 3,408,006 | 75 |
| 3XXX | **Total equity** | | 3,371,525 | 75 | 3,238,159 | 70 | 3,408,006 | 75 |
| 3X2X | **Total liabilities and equity** | | $ 4,513,184 | 100 | $ 4,634,304 | 100 | $ 4,568,279 | 100 |

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

CREATIVE SENSOR INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(REVIEWED, NOT AUDITED)

| | | | Three months ended March 31 | | | |
|---|---|---|---|---|---|---|
| | | | 2019 | | 2018 | |
| | Items | Notes | AMOUNT | % | AMOUNT | % |
| 4000 | **Net revenue** | 6(17) and 7 | $ 1,020,669 | 100 | $ 971,325 | 100 |
| 5000 | **Cost of revenue** | 6(6)(20) and 7 | ( 916,165) | ( 90) | ( 874,742) | ( 90) |
| 5900 | **Gross profit** | | 104,504 | 10 | 96,583 | 10 |
| | **Operating expenses** | 6(20) | | | | |
| 6100 | Selling expenses | | ( 18,787) | ( 2) | ( 21,106) | ( 2) |
| 6200 | General and administrative expenses | | ( 31,975) | ( 3) | ( 32,130) | ( 3) |
| 6300 | Research and development expenses | | ( 15,052) | ( 1) | ( 18,518) | ( 2) |
| 6000 | **Total operating expenses** | | ( 65,814) | ( 6) | ( 71,754) | ( 7) |
| 6900 | **Income from operations** | | 38,690 | 4 | 24,829 | 3 |
| | **Non-operating income and expenses** | | | | | |
| 7010 | Other income | 6(18) | 17,282 | 2 | 15,466 | 2 |
| 7020 | Other gains and losses | 6(19) | ( 6,226) | ( 1) | ( 4,482) | ( 1) |
| 7050 | Finance costs | 6(9) | ( 28) | - | - | - |
| 7060 | Share of (loss) profit of associates and joint ventures accounted for using equity method, net | | ( 1,453) | - | 3,617 | - |
| 7000 | **Total non-operating income and expenses** | | 9,575 | 1 | 14,601 | 1 |
| 7900 | **Profit before income tax** | | 48,265 | 5 | 39,430 | 4 |
| 7950 | Income tax expense | 6(21) | ( 9,486) | ( 1) | ( 34,801) | ( 4) |
| 8200 | **Net income** | | $ 38,779 | 4 | $ 4,629 | - |
| | **Other comprehensive income** | | | | | |
| | **Components of other comprehensive income that will not be reclassified to profit or loss** | | | | | |
| 8316 | Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | 6(3)(16) | $ 45,023 | 4 | ($ 35,623) | ( 3) |
| 8320 | Share of other comprehensive income of associates and joint ventures accounted for using equity method | 6(16) | 10,755 | 1 | 3,048 | - |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | 6(21) | - | - | ( 172) | - |
| 8310 | **Other comprehensive income (loss) that will not be reclassified to profit or loss** | | 55,778 | 5 | ( 32,747) | ( 3) |
| | **Components of other comprehensive income that will be reclassified to profit or loss** | | | | | |
| 8361 | Exchange differences on translation | 6(16) | 38,402 | 4 | 31,239 | 3 |
| 8370 | Share of other comprehensive income of associates and joint ventures accounted for using equity method | 6(16) | 407 | - | 526 | - |
| 8360 | **Other comprehensive income that will be reclassified to profit or loss** | | 38,809 | 4 | 31,765 | 3 |
| 8500 | **Total comprehensive income for the period** | | $ 133,366 | 13 | $ 3,647 | - |
| | **Basic earnings per share** | 6(22) | | | | |
| 9750 | **Total basic earnings per share** | | $ | 0.31 | $ | 0.04 |
| | **Diluted earnings per share** | 6(22) | | | | |
| 9850 | **Total diluted earnings per share** | | $ | 0.30 | $ | 0.04 |

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

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

| | Notes | Capital stock - common stock | Capital surplus: Additional paid-in capital | Capital surplus: Treasury stock transactions | Retained earnings: Legal reserve | Retained earnings: Special reserve | Retained earnings: Unappropriated retained earnings | Other equity interest: Financial statements translation differences of foreign operations | Other equity interest: Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Other equity interest: Unrealized gains (losses) on available-for-sale financial assets | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Equity attributable to owners of the parent | | | | | | | | | |
| Three months ended March 31, 2018 | | | | | | | | | | | |
| Balance at January 1, 2018 | | $1,270,550 | $ 673,471 | $ 3,996 | $ 418,413 | $ 39,847 | $ 693,805 | $ 164,115 | $ - | $ 140,162 | $3,404,359 |
| Effect of retrospective application and restatement | | - | - | - | - | - | ( 3,438 ) | - | 143,600 | ( 140,162 ) | - |
| Balance at January 1 after adjustments | | 1,270,550 | 673,471 | 3,996 | 418,413 | 39,847 | 690,367 | 164,115 | 143,600 | - | 3,404,359 |
| Net income for the period | | - | - | - | - | - | 4,629 | - | - | - | 4,629 |
| Other comprehensive (loss) income for the period | 6(16) | - | - | - | - | - | ( 179 ) | 31,765 | ( 32,568 ) | - | ( 982 ) |
| Total comprehensive income (loss) | | - | - | - | - | - | 4,450 | 31,765 | ( 32,568 ) | - | 3,647 |
| Balance at March 31, 2018 | | $1,270,550 | $ 673,471 | $ 3,996 | $ 418,413 | $ 39,847 | $ 694,817 | $ 195,880 | $ 111,032 | $ - | $3,408,006 |
| Three months ended March 31, 2019 | | | | | | | | | | | |
| Balance at January 1, 2019 | | $1,270,550 | $ 673,471 | $ 3,996 | $ 439,415 | $ 39,847 | $ 674,960 | $ 133,776 | $ 2,144 | $ - | $3,238,159 |
| Net income for the period | | - | - | - | - | - | 38,779 | - | - | - | 38,779 |
| Other comprehensive income for the period | 6(16) | - | - | - | - | - | - | 38,809 | 55,778 | - | 94,587 |
| Total comprehensive income | | - | - | - | - | - | 38,779 | 38,809 | 55,778 | - | 133,366 |
| Balance at March 31, 2019 | | $1,270,550 | $ 673,471 | $ 3,996 | $ 439,415 | $ 39,847 | $ 713,739 | $ 172,585 | $ 57,922 | $ - | $3,371,525 |

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

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

| | Notes | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | $ 48,265 | $ 39,430 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Depreciation | 6(8)(9)(20) | 30,675 | 41,402 |
| Amortization | 6(20) | 1,453 | 1,291 |
| Expected credit impairment (gain) loss | 12(2) | ( 26 ) | 165 |
| Net loss (gain) on financial assets or liabilities at fair value through profit or loss | 6(2)(18) | 81 | ( 16,218 ) |
| Interest expense | 6(9) | 28 | - |
| Share of loss (profit) of associates and joint ventures accounted for using equity method | | 1,453 | ( 3,616 ) |
| Net gain on disposal of property, plant and equipment | 6(19) | - | ( 717 ) |
| Interest income | 6(18) | ( 8,042 ) | ( 4,487 ) |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Financial assets at fair value through profit or loss | | 10,918 | 10,275 |
| Accounts receivable | | 84,885 | ( 18,847 ) |
| Inventories | | 105,155 | 12,330 |
| Other current assets | | 6,992 | ( 533 ) |
| Changes in operating liabilities | | | |
| Accounts payable | | ( 203,656 ) | ( 4,386 ) |
| Accounts payable - related parties | | ( 26,360 ) | ( 3,733 ) |
| Other payables | | ( 50,014 ) | ( 26,832 ) |
| Other current liabilities | | 5,303 | ( 2,380 ) |
| Cash inflow generated from operations | | 7,110 | 23,144 |
| Interest received | | 9,053 | 5,539 |
| Income tax paid | | ( 9,825 ) | ( 3,050 ) |
| Net cash flows from operating activities | | 6,338 | 25,633 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Decrease in financial assets at amortised cost | | 368,728 | 315,720 |
| Acquisition of property, plant and equipment | 6(24) | ( 6,899 ) | ( 24,897 ) |
| Proceeds from disposal of property, plant and equipment | | - | 717 |
| Acquisition of intangible assets | | ( 90 ) | ( 1,271 ) |
| Increase in refundable deposits | | ( 698 ) | ( 520 ) |
| (Increase) decrease in other non-current assets | | ( 3,288 ) | 896 |
| Net cash flows from investing activities | | 357,753 | 290,645 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayments of lease principal | | ( 861 ) | - |
| Net cash flows used in financing activities | | ( 861 ) | - |
| Effect of exchange rate | | 29,714 | 8,932 |
| Net increase in cash and cash equivalents | | 392,944 | 325,210 |
| Cash and cash equivalents at beginning of period | | 773,409 | 779,885 |
| Cash and cash equivalents at end of period | | $ 1,166,353 | $ 1,105,095 |

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

CREATIVE SENSOR INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(REVIEWED, NOT AUDITED)

1. HISTORY AND ORGANIZATION

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

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

These consolidated financial statements were reported to the Board of Directors on May 8, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

IFRS 16, ‘Leases’

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

B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations effective in 2019 as endorsed by the FSC. Accordingly, the Group increased ‘right-of-use asset’ by $46,687, increased ‘lease liability’ by $4,899 and decreased other non-current assets by $41,788 with respect to the lease contracts of lessees on January 1, 2019.

C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

(a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.

(b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

(c) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of $2,295 was recognized in the first quarter of 2019.

(d) The exclusion of initial direct costs for the measurement of ‘right-of-use asset’.

D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 2.625%.

E. The Group recognized lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognized as of January 1, 2019 is as follows:

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

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

None.

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

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

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|---|
| Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material' | January 1, 2020 |
| Amendments to IFRS 3, 'Definition of a business' | January 1, 2020 |
| Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture' | To be determined by International Accounting Standards Board |
| IFRS 17, 'Insurance contracts' | January 1, 2021 |

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the compliance statement, basis of preparation, basis of consolidation and additional policies that are set out below, the rest of the significant accounting policies applied in the preparation of these consolidated financial statements are the same as those disclosed in Note 4 to the consolidated financial statements as of and for the year ended December 31, 2018. The policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

A. These consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the FSC.

B. These consolidated financial statements are to be read in conjunction together with the consolidated financial statements for the year ended December 31, 2018.

(2) Basis of preparation

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

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income.

(c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

The basis for preparation of these consolidated financial statements is the same as that for the preparation of the consolidated financial statements for the year ended December 31, 2018.

B. Subsidiaries included in the consolidated financial statements:

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

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

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

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

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

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

Effective 2019

A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortised 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.

(5) Operating leases (lessee)

Prior to 2019

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

(6) 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.

F. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

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

There was no significant change during this period. Please refer to Note 5 to the consolidated financial statements for the year ended December 31, 2018 for related information.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Cash on hand and revolving funds | $ 340 | $ 373 | $ 299 |
| Checking accounts and demand deposits | 652,170 | 616,013 | 602,646 |
| Time deposits | 513,843 | 157,023 | 502,150 |
| Total | $ 1,166,353 | $ 773,409 | $ 1,105,095 |

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

| Items | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Current items: | | | |
| Financial assets mandatorily measured at fair value through profit or loss | | | |
| Beneficiary certificates | $ 263,563 | $ 273,461 | $ 387,104 |
| Derivative instrument | 443 | 1,802 | 9,222 |
| | 264,006 | 275,263 | 396,326 |
| Valuation adjustment | 1,967 | 1,709 | 1,945 |
| Total | $ 265,973 | $ 276,972 | $ 398,271 |

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

| | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
|---|---|---|
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Beneficiary certificates | $ 360 | $ 423 |
| Derivative instrument | ( 441) | 15,795 |
| Total | ($ 81) | $ 16,218 |

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 liabilities which were not accounted for under hedge accounting. The information is listed below:

| | March 31, 2019 | |
|---|---|---|
| Derivative instruments | Contract amount (Notional principal) (In thousands) | Maturity date of the contract |
| Cross currency swap | USD 5,500 | 2019.04.12 |
| Cross currency swap | USD 1,000 | 2019.04.22 |
| Cross currency swap | USD 2,000 | 2019.05.22 |
| Cross currency swap | USD 1,500 | 2019.06.20 |
| Cross currency swap | USD 3,000 | 2019.06.21 |
| Cross currency swap | USD 2,000 | 2019.07.09 |
| Cross currency swap | USD 1,000 | 2019.07.22 |
| Cross currency swap | USD 4,000 | 2019.08.22 |
| Cross currency swap | USD 2,000 | 2019.08.26 |
| Forward foreign exchange contracts | USD 2,000 | 2019.04.26 |
| Forward foreign exchange contracts | USD 2,000 | 2019.05.21 |
| Forward foreign exchange contracts | USD 2,000 | 2019.06.27 |
| Forward foreign exchange contracts | USD 2,000 | 2019.06.27 |
| Forward foreign exchange contracts | USD 3,000 | 2019.07.23 |
| Forward foreign exchange contracts | USD 1,000 | 2019.07.29 |
| Forward foreign exchange contracts | USD 2,000 | 2019.08.26 |

| Derivative instruments | December 31, 2018<br>Contract amount (Notional principal) (In thousands) | Maturity date of the contract |
|---|---|---|
| Cross currency swap | USD 2,000 | 2019.01.22 |
| Cross currency swap | USD 4,000 | 2019.02.22 |
| Cross currency swap | USD 5,500 | 2019.04.12 |
| Cross currency swap | USD 1,000 | 2019.04.22 |
| Cross currency swap | USD 1,500 | 2019.06.20 |
| Cross currency swap | USD 3,000 | 2019.06.21 |
| Forward foreign exchange contracts | USD 3,000 | 2019.01.23 |
| Forward foreign exchange contracts | USD 2,000 | 2019.01.29 |
| Forward foreign exchange contracts | USD 1,000 | 2019.01.29 |
| Forward foreign exchange contracts | USD 2,000 | 2019.04.26 |
| Forward foreign exchange contracts | USD 2,000 | 2019.05.21 |

| Derivative instruments | March 31, 2018<br>Contract amount (Notional principal) (In thousands) | Maturity date of the contract |
|---|---|---|
| Cross currency swap | USD 1,000 | 2018.04.20 |
| Cross currency swap | USD 1,500 | 2018.04.20 |
| Cross currency swap | USD 3,000 | 2018.04.20 |
| Cross currency swap | USD 1,000 | 2018.05.22 |
| Cross currency swap | USD 4,000 | 2018.05.22 |
| Cross currency swap | USD 2,000 | 2018.06.20 |
| Cross currency swap | USD 5,500 | 2018.07.12 |
| Cross currency swap | USD 2,000 | 2018.09.27 |
| Forward foreign exchange contracts | USD 3,000 | 2018.07.23 |
| Forward foreign exchange contracts | USD 1,000 | 2018.08.29 |
| Forward foreign exchange contracts | USD 4,000 | 2018.09.21 |
| Forward foreign exchange contracts | USD 2,000 | 2018.09.26 |

(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 fair value through other comprehensive income

| Items | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Non-current items: | | | |
| Equity instruments | | | |
| Listed stocks | $ 286,186 | $ 286,186 | $ 286,186 |
| Unlisted stocks | 3,590 | 3,590 | 3,590 |
| | 289,776 | 289,776 | 289,776 |
| Valuation adjustment | 39,289 | ( 5,734) | 79,634 |
| Total | $ 329,065 | $ 284,042 | $ 369,410 |

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 $329,065, $284,042 and $369,410, respectively, as at March 31, 2019, December 31, 2018 and March 31 2018, respectively.

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

| | Three months ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Equity instruments at fair value through other comprehensive income | | |
| Fair value change recognised in other comprehensive income | $ 45,023 | ($ 35,623) |

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

(4) Financial assets at amortised cost

| Items | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Current items: | | | |
| Time deposits with maturity over three months | $ 874,057 | $ 1,233,141 | $ 779,528 |

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

| | Three months ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Interest income | $ 4,500 | $ 2,805 |
| Loss on disposal | - | ( 1,005) |
| | $ 4,500 | $ 1,800 |

B. As at March 31, 2019, December 31, 2018 and March 31, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group were $874,057, $1,233,141 and $779,528, respectively.

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

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

(5) Accounts receivable

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Accounts receivable | $ 553,653 | $ 636,885 | $ 550,678 |
| Accounts receivable due from related parties | - | 1,653 | 178 |
| Less: Loss allowance | ( 166) | ( 192) | ( 165) |
| | $ 553,487 | $ 638,346 | $ 550,691 |

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

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Without past due | $ 548,512 | $ 637,034 | $ 549,825 |
| Up to 30 days | 5,141 | 1,504 | 946 |
| 31 to 90 days | - | - | 85 |
| | $ 553,653 | $ 638,538 | $ 550,856 |

The above ageing analysis was based on past due date.

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

C. As at March 31, 2019, December 31, 2018 and March 31, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were $553,487, $638,346 and $550,691, respectively.

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

(6) Inventories

| | March 31, 2019 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | $ 143,293 | ($ 14,156) | $ 129,137 |
| Work in progress | 33,501 | ( 150) | 33,351 |
| Finished goods | 242,403 | ( 2,623) | 239,780 |
| Total | $ 419,197 | ($ 16,929) | $ 402,268 |

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

| | March 31, 2018 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | $ 175,207 | ($ 3,188) | $ 172,019 |
| Work in progress | 30,621 | ( 27) | 30,594 |
| Finished goods | 117,896 | ( 7,559) | 110,337 |
| Total | $ 323,724 | ($ 10,774) | $ 312,950 |

The cost of inventories recognized as expense for the period:

| | Three months ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Cost of goods sold | $ 911,453 | $ 874,337 |
| Inventory valuation loss | 5,370 | 893 |
| Others | ( 658) | ( 488) |
| Total | $ 916,165 | $ 874,742 |

(7) Investments accounted for using equity method

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| K9 Inc. | $ - | $ - | $ - |
| Teco Image Systems Co., Ltd | 313,030 | 303,321 | 332,119 |
| | $ 313,030 | $ 303,321 | $ 332,119 |

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

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

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

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

Balance sheet

| | Teco Image Systems Co., Ltd. March 31, 2019 | Teco Image Systems Co., Ltd. December 31, 2018 | Teco Image Systems Co., Ltd. March 31, 2018 |
| --- | --- | --- | --- |
| Current assets | $ 1,348,305 | $ 1,504,127 | $ 1,535,557 |
| Non-current assets | 1,198,138 | 1,010,122 | 1,112,907 |
| Current liabilities | ( 651,935) | ( 742,630) | ( 600,904) |
| Non-current liabilities | ( 53,488) | ( 24,805) | ( 29,905) |
| Total net assets | $ 1,841,020 | $ 1,746,814 | $ 2,017,655 |
| | | | |
| Share in associate's net assets | $ 195,994 | $ 186,285 | $ 215,083 |
| Goodwill | 117,036 | 117,036 | 117,036 |
| Carrying amount of the associate | $ 313,030 | $ 303,321 | $ 332,119 |

Statement of comprehensive income

| | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
| --- | --- | --- |
| Revenue | $ 392,711 | $ 461,507 |
| Profit for the period from continuing operations | ( 10,501) | $ 33,939 |
| Other comprehensive income, net of tax | 104,707 | 31,153 |
| Total comprehensive income | $ 94,206 | $ 65,092 |
| Dividends received from associates | $ - | $ - |

C. The Group's material associate, Teco Image Systems Co., Ltd., has quoted market prices. As of March 31, 2019, December 31, 2018 and March 31, 2018, the fair value was $186,538, $167,944 and $224,325, respectively.

D. The Group owns less than 20% of the voting rights in Teco Image Systems Co., Ltd. but holds one-third seats (2 out of 7 board seats) in the Board of Directors of Teco Image. The Group is a substantial shareholder of Teco Image and accounts for its investment under the equity method.

E. In 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 March 31, 2019, December 31, 2018 and March 31, 2018, the Group's shareholding ratio in K9 Inc. was 33.82% and the balance of investment was $0. For the three months ended March 31, 2019 and 2018, the investment income (loss) was $0.

(8) Property, plant and equipment

| | Buildings and structures | Machinery and equipment | Office equipment | Leasehold improvements | Other equipment | Construction in progress and equipment to be inspected | Total |
|---|---|---|---|---|---|---|---|
| At January 1, 2019 | | | | | | | |
| Cost | $ 631,003 | $ 1,492,832 | $ 52,395 | $ 43,763 | $ 31,209 | $ 156 | $ 2,251,358 |
| Accumulated depreciation and impairment | ( 447,756) | ( 1,205,191) | ( 46,259) | ( 37,454) | ( 29,263) | - | ( 1,765,923) |
| | $ 183,247 | $ 287,641 | $ 6,136 | $ 6,309 | $ 1,946 | $ 156 | $ 485,435 |
| 2019 | | | | | | | |
| Opening net book value as at January 1 | $ 183,247 | $ 287,641 | $ 6,136 | $ 6,309 | $ 1,946 | $ 156 | $ 485,435 |
| Additions | - | - | - | - | - | 767 | 767 |
| Transfer | - | 620 | - | - | - | ( 620) | - |
| Depreciation | ( 6,017) | ( 20,892) | ( 801) | ( 1,598) | ( 243) | - | ( 29,551) |
| Net exchange differences | 3,845 | 5,998 | 51 | 74 | 40 | 15 | 10,023 |
| Closing net book value as at March 31 | $ 181,075 | $ 273,367 | $ 5,386 | $ 4,785 | $ 1,743 | $ 318 | $ 466,674 |
| At March 31, 2019 | | | | | | | |
| Cost | $ 644,306 | $ 1,522,373 | $ 53,100 | $ 44,209 | $ 31,808 | $ 318 | $ 2,296,114 |
| Accumulated depreciation and impairment | ( 463,231) | ( 1,249,006) | ( 47,714) | ( 39,424) | ( 30,065) | - | ( 1,829,440) |
| | $ 181,075 | $ 273,367 | $ 5,386 | $ 4,785 | $ 1,743 | $ 318 | $ 466,674 |

| | Buildings and structures | Machinery and equipment | Office equipment | Leasehold improvements | Other equipment | Construction in progress and equipment to be inspected | Total |
|---|---|---|---|---|---|---|---|
| At January 1, 2018 | | | | | | | |
| Cost | $ 640,818 | $ 1,549,118 | $ 49,281 | $ 41,868 | $ 30,547 | $ 396 | $ 2,312,028 |
| Accumulated depreciation and impairment | ( 407,168) | ( 1,186,781) | ( 43,679) | ( 31,784) | ( 28,726) | - | ( 1,698,138) |
| | $ 233,650 | $ 362,337 | $ 5,602 | $ 10,084 | $ 1,821 | $ 396 | $ 613,890 |
| 2018 | | | | | | | |
| Opening net book value as at January 1 | $ 233,650 | $ 362,337 | $ 5,602 | $ 10,084 | $ 1,821 | $ 396 | $ 613,890 |
| Additions | - | - | 3,362 | - | - | 14,100 | 17,462 |
| Transfer | - | 1,422 | - | - | - | ( 1,422) | - |
| Depreciation | ( 11,983) | ( 26,742) | ( 932) | ( 1,460) | ( 285) | - | ( 41,402) |
| Net exchange differences | 3,975 | 6,086 | 72 | 47 | 27 | 108 | 10,315 |
| Closing net book value as at March 31 | $ 225,642 | $ 343,103 | $ 8,104 | $ 8,671 | $ 1,563 | $ 13,182 | $ 600,265 |
| At March 31, 2018 | | | | | | | |
| Cost | $ 652,030 | $ 1,549,401 | $ 53,220 | $ 42,205 | $ 31,022 | $ 13,182 | $ 2,341,060 |
| Accumulated depreciation and impairment | ( 426,388) | ( 1,206,298) | ( 45,116) | ( 33,534) | ( 29,459) | - | ( 1,740,795) |
| | $ 225,642 | $ 343,103 | $ 8,104 | $ 8,671 | $ 1,563 | $ 13,182 | $ 600,265 |

A. The aforementioned property, plant and equipment were all for its own use.

B. The Group has not pledged property, plant and equipment as a collateral or capitalized the interest.

(9) Leasing arrangements - lessee

Effective 2019

A. The Group leases various assets including land use right, buildings and business vehicles. Rental contracts are typically made for periods of 1 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. Short-term leases with a lease term of 12 months or less comprise certain buildings and transportation equipment.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

| | At March 31, 2019 | | Three months ended March 31, 2019 | |
|---|---|---|---|---|
| | Carrying amount | | Depreciation charge | |
| Land use right | $ | 42,391 | $ | 277 |
| Buildings | | 1,774 | | 408 |
| Transportation equipment | | 2,279 | | 439 |
| | $ | 46,444 | $ | 1,124 |

D. For the three months ended March 31, 2019, there was no additions to right-of-use assets.

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

| | Three months ended March 31, 2019 | |
|---|---|---|
| Items affecting profit or loss | | |
| Interest expense on lease liabilities | $ | 28 |
| Expense on short-term lease contracts | | 5,436 |

F. For the three months ended March 31, 2019, the Group's total cash outflow for leases was $6,297.

(10) Other non-current assets

| | March 31, 2019 | | December 31, 2018 | | March 31, 2018 | |
|---|---|---|---|---|---|---|
| Long-term prepaid rents | $ | - | $ | 41,788 | $ | 44,023 |
| Prepayments for equipment | | 2,249 | | 2,245 | | 3,247 |
| Refundable deposits | | 5,327 | | 4,630 | | 4,699 |
| Others | | 18,773 | | 15,935 | | 9,235 |
| | $ | 26,349 | $ | 64,598 | $ | 61,204 |

On June 29, 2007, the Group signed a land use right contract with Gaoxin branch of the Bureau of Land and Resources Bureau in Nanchang City, Jiangxi Province, People's Republic of China with a term of 50 years. All rentals had been paid on the contract date. The Group recognized rental expenses of $278 for the three months ended March 31, 2018.

(11) Other payables

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Accrued employees' compensation and directors' and supervisors' remuneration | $ 43,286 | $ 37,044 | $ 38,636 |
| Royalties payable | 52,191 | 52,191 | 52,191 |
| Bonus payable | 72,265 | 107,266 | 87,626 |
| Wages and salaries payable | 71,197 | 71,034 | 49,993 |
| Service fees payable | 5,485 | 6,798 | 7,031 |
| Payables on equipment | 495 | 6,627 | 13,272 |
| Freight payable | 3,063 | 6,811 | 3,223 |
| Others | 44,805 | 57,444 | 58,247 |
| | $ 292,787 | $ 345,215 | $ 310,219 |

(12) 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 2017 and July 2018, the Department of Labor, Taipei City Government approved that the Company stop contributing to the retirement fund temporarily for 2018 and 2019.

(b) For the aforementioned pension plan, no pension costs was recognized for the three months ended March 31, 2019 and 2018.

(c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2019 amount to $0.

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6 % of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b)The Company's mainland China subsidiaries, Nanchang Creative Sensor Technology Co., Ltd. and Wuxi Creative Sensor Technology Co., Ltd., have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(c) The pension costs under the defined contribution pension plans of the Group for the three months ended March 31, 2019 and 2018 were $4,425 and $4,148, respectively.

(13) Capital stock

A. As of March 31, 2019, the Company's authorized capital was $1,600,000, consisting of 160 million shares of ordinary stock (including 15 million shares reserved for employee stock options), and the paid-in capital was $1,270,550 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

B. For the three months ended March 31, 2019 and 2018, there was no movement in the number of the Company's shares which was both 127,055 thousand shares.

(14) 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.

(15) 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. Details of 2018 earnings appropriation proposed by the Board of Directors on March 25, 2019 and the 2017 earnings appropriation resolved by the stockholders on June 27, 2018 are as follows:

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

The 2018 earnings appropriation proposal has not yet been resolved by the stockholders.

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 (20).

(16) Other equity items

| | Unrealized gains (losses) on valuation | | Currency translation | | Total | |
|---|---|---|---|---|---|---|
| At January 1, 2019 | $ | 2,144 | $ | 133,776 | $ | 135,920 |
| Valuation adjustment: | | | | | | |
| －Group | | 45,023 | | - | | 45,023 |
| －Associates | | 10,755 | | - | | 10,755 |
| Currency translation differences: | | | | | | |
| －Group | | - | | 38,402 | | 38,402 |
| －Associates | | - | | 407 | | 407 |
| At March 31, 2019 | $ | 57,922 | $ | 172,585 | $ | 230,507 |

| | Available-for-sale investment | Currency translation | Total |
|---|---|---|---|
| At January 1, 2018 | $ 140,162 | $ 164,115 | $ 304,277 |
| Effect of retrospective application and retrospective restatement: | | | |
| －Group | ( 3,590) | | ( 3,590) |
| －Associates | 7,028 | | 7,028 |
| Valuation adjustment: | | | |
| －Group | ( 35,623) | - | ( 35,623) |
| －Associates | 3,055 | - | 3,055 |
| Currency translation differences: | | | |
| －Group | - | 31,239 | 31,239 |
| －Associates | - | 526 | 526 |
| At March 31, 2018 | $ 111,032 | $ 195,880 | $ 306,912 |

(17) Operating revenue

| | Three months ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Revenue from contracts with customers | $ 1,020,669 | $ 971,325 |

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the following major geographical regions:

| Three months ended March 31, 2019 | China | Others | Total |
|---|---|---|---|
| Revenue from external customer contracts | $ 447,255 | $ 573,414 | $ 1,020,669 |

| Three months ended March 31, 2018 | China | Others | Total |
|---|---|---|---|
| Revenue from external customer contracts | $ 526,404 | $ 444,921 | $ 971,325 |

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

(18) Other income

| | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
|---|---|---|
| Interest income: | | |
| Interest income from bank deposits | $ 3,542 | $ 1,682 |
| Interest income from financial assets measured at amortized cost | 4,500 | 2,805 |
| Total interest income | 8,042 | 4,487 |
| Rental revenue | 763 | 1,026 |
| Other income | 8,477 | 9,953 |
| | $ 17,282 | $ 15,466 |

(19) Other gains and losses

| | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
|---|---|---|
| Gains on disposal of property, plant and equipment | $ - | $ 717 |
| Foreign exchange losses | ( 5,772) | ( 19,256) |
| (Losses) gains on financial assets (liabilities) at fair value through profit or loss | ( 81) | 16,218 |
| Other gains and losses | ( 373) | ( 2,161) |
| | ($ 6,226) | ($ 4,482) |

(20) Employee benefit expense, depreciation and amortization

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

| | Three months ended March 31, 2019 | | |
|---|---|---|---|
| | Operating costs | Operating expenses | Total |
| Employee benefit expense | | | |
| Wages and salaries | $ 76,410 | $ 32,585 | $ 108,995 |
| Labor and health insurance fees | 8,863 | 2,557 | 11,420 |
| Pension costs | 2,929 | 1,496 | 4,425 |
| Other personnel expenses | 6,714 | 1,829 | 8,543 |
| Depreciation | 25,956 | 4,719 | 30,675 |
| Amortization | 1,098 | 355 | 1,453 |

| | Three months ended March 31, 2018 | | |
|---|---|---|---|
| | Operating costs | Operating expenses | Total |
| Employee benefit expense | | | |
| Wages and salaries | $ 67,463 | $ 33,118 | $ 100,581 |
| Labor and health insurance fees | 7,156 | 2,801 | 9,957 |
| Pension costs | 2,535 | 1,613 | 4,148 |
| Other personnel expenses | 1,882 | 1,740 | 3,622 |
| Depreciation | 36,749 | 4,653 | 41,402 |
| Amortization | 885 | 406 | 1,291 |

A. According to the Articles of Incorporation of the Company, the profit before deduction of employees' compensation and directors' and supervisors' remuneration and after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall account for 5%~15% for employees' compensation and shall not be higher than 5% for directors' and supervisors' remuneration.

B. For the three months ended March 31, 2019 and 2018, employees' compensation were accrued at $4,681 and $625, respectively; directors' and supervisors' remuneration were accrued at $1,561 and $208, respectively. The aforementioned amounts were recognized in salary expenses.

For the three months ended March 31, 2019, employees' compensation and directors' and supervisors' remuneration were estimated based on the current profit, and the amounts for 2018 resolved by the Board of Directors were in agreement with the amounts recorded in the 2018 financial statements of $27,783 and $9,261, respectively. Employees' compensation would be distributed in the form of cash. However, related compensation has not yet been distributed.

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.

(21) Income tax

A. Income tax expense

(a) Components of income tax expense:

| | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
|---|---|---|
| Current tax: | | |
| Total current tax | $ 9,193 | $ 8,504 |
| Prior year income tax under estimation | - | 1,700 |
| Total current tax | 9,193 | 10,204 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 296 | 1,350 |
| Impact of change in tax rate | - | 23,007 |
| Effect of exchange rate | ( 3) | 240 |
| Total deferred tax | 293 | 24,597 |
| Income tax expense | $ 9,486 | $ 34,801 |

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

| | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
|---|---|---|
| Impact of change in tax rate | $ - | $ 172 |

B. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

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

(22) Earnings per share

| | Three months ended March 31, 2019 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 38,779 | 127,055 | $ 0.31 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 38,779 | 127,055 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 1,337 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 38,779 | 128,392 | $ 0.30 |

| | Three months ended March 31, 2018 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 4,629 | 127,055 | $ 0.04 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 4,629 | 127,055 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 953 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 4,629 | 128,008 | $ 0.04 |

(23) Operating leases

Prior to 2019

The Group leases in operational assets under non-cancellable operating lease agreements. The lease terms are between 1 and 5 years, and all these lease agreements are renewable at the end of the lease period. Rental is increased every 3 to 5 years to reflect market rental rates. The Group recognized rental expenses of $4,861 for these leases in profit or loss for the three months ended March 31, 2018. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | December 31, 2018 | March 31, 2018 |
|---|---|---|
| Not later than one year | $ 17,691 | $ 17,660 |
| Later than one year but not later than five years | 1,556 | 891 |
| Total | $ 19,247 | $ 18,551 |

(24) Supplemental cash flow information

Investing activities with partial cash payments:

| | Three months ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Purchase of property, plant and equipment | $ 767 | $ 17,462 |
| Add: Opening balance of payable on equipment | 6,627 | 20,707 |
| Less: Ending balance of payable on equipment | ( 495) | ( 13,272) |
| Cash paid during the period | $ 6,899 | $ 24,897 |

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

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

(2) Significant related party transactions and balances

A. Operating revenue

| | Three months ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Sales of goods: | | |
| －Associates | $ - | $ 1,330 |

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

B. Purchases

| | Three months ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Purchases of goods: | | |
| —The Group's key management | | |
| —KROM ELECTRONICS | $ 92,773 | $ 80,971 |

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

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Accounts receivable: | | | |
| —Associates | $ - | $ 1,653 | $ 178 |

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

D. Payables to related parties

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Accounts payable: | | | |
| —The Group's key management | | | |
| —KROM ELECTRONICS | $ 91,750 | $ 115,601 | $ 80,397 |

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

(3) Key management compensation

For the three months ended March 31, 2019 and 2018, the key management compensation (including salaries and other short-term employee benefits) paid to directors, supervisors, general manager and vice general manager was $13,768 and $12,081, respectively, including employees' compensation and directors' and supervisors' remuneration accrued in profit or loss for the three months ended March 31, 2019 and 2018.

## 8. PLEDGED ASSETS

None.

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

None.

## 10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUNT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

There is no significant change in this period. Please refer to Note 12 to the consolidated financial statements as of and for the year ended December 31, 2018 for the related information.

(2) Financial instruments

A. Financial instruments by category

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Financial assets | | | |
| Financial assets at fair value through profit or loss | | | |
| Financial assets mandatorily measured at fair value through profit or loss | $ 265,973 | $ 276,972 | $ 398,271 |
| Financial assets at fair value through other comprehensive income | | | |
| Designation of equity instrument | 329,065 | 284,042 | 369,410 |
| Financial assets at amortized cost | | | |
| Cash and cash equivalents | 1,166,353 | 773,409 | 1,105,095 |
| Accounts receivable (including related parties) | 553,487 | 638,346 | 550,691 |
| Guarantee deposits paid | 5,327 | 4,630 | 4,699 |
| Financial assets at amortized cost | 874,057 | 1,233,141 | 779,528 |
| | $ 3,194,262 | $ 3,210,540 | $ 3,207,694 |
| Financial liabilities | | | |
| Accounts payable (including related parties) | $ 693,121 | $ 904,661 | $ 730,605 |
| Other payables | 292,787 | 345,215 | 310,219 |
| Lease liability (including current and noncurrent portion) | 4,066 | - | - |
| | $ 989,974 | $ 1,249,876 | $ 1,040,824 |

B. Financial risk management policies

There is no significant change in this period. Please refer to Note 12 to the consolidated financial statements as of and for the year ended December 31, 2018 for the related information.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group use cross currency swap and forward foreign exchange contracts, transacted with Group treasury.

iii. The Group hedges foreign exchange rate by using forward exchange contracts and cross currency swap. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).

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:

| | March 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | | | | 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)** | | | | | | |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD：NTD | $ 54,046 | 30.85 | $ 1,667,319 | 1% | $ 16,673 | $ - |
| RMB：NTD | 2,371 | 4.58 | 10,859 | 1% | 109 | - |
| USD：RMB | 32,567 | 6.73 | 1,004,692 | 1% | 10,047 | - |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD：NTD | $ 31,854 | 30.85 | $ 982,696 | 1% | $ 9,827 | $ - |
| USD：RMB | 19,023 | 6.73 | 586,860 | 1% | 5,869 | - |

| | December 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | | | | 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)** | | | | | | |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD：NTD | $ 55,185 | 30.79 | $ 1,699,146 | 1% | $ 16,991 | $ - |
| RMB：NTD | 2,371 | 4.49 | 10,646 | 1% | 106 | - |
| USD：RMB | 36,882 | 6.86 | 1,135,597 | 1% | 11,356 | - |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD：NTD | $ 35,593 | 30.79 | $ 1,095,908 | 1% | $ 10,959 | $ - |
| USD：RMB | 25,114 | 6.86 | 773,260 | 1% | 7,733 | - |

| | March 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | | | | 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)** | | | | | | |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD：NTD | $ 54,055 | 29.15 | $ 1,575,703 | 1% | $ 15,757 | $ - |
| RMB：NTD | 3,945 | 4.64 | 18,305 | 1% | 183 | - |
| USD：RMB | 32,743 | 6.29 | 954,458 | 1% | 9,545 | - |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD：NTD | $ 31,946 | 29.15 | $ 931,226 | 1% | $ 9,312 | $ - |
| USD：RMB | 20,681 | 6.29 | 602,851 | 1% | 6,029 | - |

v. The total exchange gain (loss), including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group were ($5,772) and ($19,256) for the three months ended March 31, 2019 and 2018, 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, financial assets at fair value through other comprehensive income and available-for-sale financial assets. 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 three months ended March 31, 2019 and 2018 would have increased/decreased by \$26,553 and \$38,905, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. For the three months ended March 31, 2019, other components of equity would have increased/decreased by \$32,907 and \$36,941, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

i The Group's interest rate risk arises from short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

ii. As of March 31, 2019 and 2018, the borrowing facilities have not been drawn by the Group.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.

ii. The Group manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.

iv. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vi. The Group classifies customers' accounts receivable in accordance with customer types. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.

vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. As of March 31, 2019, December 31, 2018 and March 31, 2018, the Group had no written-off financial assets that are still under recourse procedures.

viii. The Group's accounts receivable arose from customers with excellent credit, and the expected loss rate was 0.03%. On March 31, 2019, December 31, 2018 and March 31, 2018, the total book value of accounts receivable and loss allowance were $553,653, $638,538, $550,855 and $166, $192, $165, respectively.

ix. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

| | March 31, 2019 |
|---|---|
| | Accounts receivable (including related parties) |
| At January 1 | $ 192 |
| Reversal of impairment loss | ( 26) |
| At March 31 | $ 166 |

| | March 31, 2018 |
|---|---|
| | Accounts receivable (including related parties) |
| At January 1 | $ - |
| Provision for impairment | 165 |
| At March 31 | $ 165 |

For the three months ended March 31, 2019 and 2018, the impairment gains (losses) arising from customers' contracts are $26 and ($165), respectively.

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

| | March 31, 2019 | | | |
|---|---|---|---|---|
| | | Lifetime | | |
| | 12 months | Significant increase in credit risk | Impairment of credit | Total |
| Financial assets at amortized cost | $ 874,057 | $ - | $ - | $ 874,057 |

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

| | March 31, 2018 | | | |
|---|---|---|---|---|
| | | Lifetime | | |
| | 12 months | Significant increase in credit risk | Impairment of credit | Total |
| Financial assets at amortized cost | $ 779,528 | $ - | $ - | $ 779,528 |

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

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

ii. The table below analyzes the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

| March 31, 2019 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years |
|---|---|---|---|
| Accounts payable (including related parties) | $ 693,121 | $ - | $ - |
| Other payables | 292,787 | - | - |
| Lease liability | 3,033 | 1,107 | - |

Non-derivative financial liabilities

| December 31, 2018 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years |
|---|---|---|---|
| Accounts payable (including related parties) | $ 904,661 | $ - | $ - |
| Other payables | 345,215 | - | - |

Non-derivative financial liabilities

| March 31, 2018 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years |
|---|---|---|---|
| Accounts payable (including related parties) | $ 730,605 | $ - | $ - |
| Other payables | 310,219 | - | - |

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, other financial assets - current, guarantee deposits paid, 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:

| March 31, 2019 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Beneficiary certificates | $ 265,530 | $ - | $ - | $ 265,530 |
| Derivative instruments | - | 443 | - | 443 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | 329,065 | - | - | 329,065 |
| Total | $ 594,595 | $ 443 | $ - | $ 595,038 |

| December 31, 2018 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Beneficiary certificates | $ 275,170 | $ - | $ - | $ 275,170 |
| Derivative instruments | - | 1,802 | - | 1,802 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | 284,042 | - | - | 284,042 |
| Total | $ 559,212 | $ 1,802 | $ - | $ 561,014 |

| March 31, 2018 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Beneficiary certificates | $ 389,049 | $ - | $ - | $ 389,049 |
| Derivative instruments | - | 9,222 | - | 9,222 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | 369,410 | - | - | 369,410 |
| Total | $ 758,459 | $ 9,222 | $ - | $ 767,681 |

(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:

| | Listed shares | Open-end fund |
|---|---|---|
| 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 three months ended March 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

A. Loans to others: None.

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

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

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

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

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

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

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

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

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

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

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

## 14. SEGMENT INFORMATION

### (1) General information

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

### (2) Segment information

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

| | Three months ended March 31, 2019 | | |
|---|---|---|---|
| | Single operating segment | Reconciliation and elimination | Total |
| Reportable segments income | | | |
| Revenue from external customers | $ 1,020,669 | $ - | $ 1,020,669 |
| Total | $ 1,020,669 | $ - | $ 1,020,669 |
| Reportable segments profit | $ 48,265 | $ - | $ 48,265 |
| Reportable segments income | | | |
| Segments profit, including: | | | |
| Interest income | $ 8,042 | $ - | $ 8,042 |
| Depreciation and amortization | $ 32,128 | $ - | $ 32,128 |
| Share of profit of associates and joint ventures accounted for using equity method | ($ 1,453) | $ - | ($ 1,453) |
| Income tax expense | $ 9,486 | $ - | $ 9,486 |

| | Three months ended March 31, 2018 | | |
|---|---|---|---|
| | Single operating segment | Reconciliation and elimination | Total |
| Reportable segments income | | | |
| Revenue from external customers | $ 971,325 | $ - | $ 971,325 |
| Total | $ 971,325 | $ - | $ 971,325 |
| | | | |
| Reportable segments profit | $ 39,430 | $ - | $ 39,430 |
| | | | |
| Reportable segments income | | | |
| Segments profit, including: | | | |
| Interest income | $ 4,487 | $ - | $ 4,487 |
| Depreciation and amortization | $ 42,693 | $ - | $ 42,693 |
| Share of profit of associates and joint venturess accounted for using equity method | $ 3,617 | $ - | $ 3,617 |
| Income tax expense | $ 34,801 | $ - | $ 34,801 |

(3) Reconciliation for segment income

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

| | Three months ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Reportable segments income | $ 48,265 | $ 39,430 |
| Income before tax from continuing operations | $ 48,265 | $ 39,430 |

Creative Sensor Inc. and Subsidiaries

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

Three months ended March 31, 2019

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

| | | | | | As of March 31, 2019 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Securities held by | Marketable securities categories (Note 1) | Marketable securities | Relationship with the securities issuer | General ledger account | Number of shares (in thousands) | Book value (Note 2) | Ownership (%) | Fair value | Footnote |
| The Company | Beneficiary certificate | Mega Diamond Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,642 | $ 45,668 | - | $ 45,668 | |
| 〃 | 〃 | Prudential Financial Money Market Fund | - | 〃 | 1,776 | 28,092 | - | 28,092 | |
| 〃 | 〃 | FSITC Money Market Fund | - | 〃 | 227 | 40,428 | - | 40,428 | |
| 〃 | 〃 | FSITC Taiwan Money Market Fund | - | 〃 | 3,313 | 50,676 | - | 50,676 | |
| 〃 | 〃 | Allianz Global Investors Taiwan Money Market Fund | - | 〃 | 1,623 | 20,333 | - | 20,333 | |
| 〃 | 〃 | Jih Sun Money Market Fund | - | 〃 | 4,070 | 60,284 | - | 60,284 | |
| 〃 | 〃 | Union Money Market Fund | - | 〃 | 1,519 | 20,049 | - | 20,049 | |
| | | | | | | $ 265,530 | | $ 265,530 | |

| | | | | | As of March 31, 2019 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Securities held by | Marketable securities categories (Note 1) | Marketable securities | Relationship with the securities issuer | General ledger account | Number of shares (in thousands) | Book value (Note 2) | Ownership (%) | Fair value | Footnote |
| The Company | Stock | TECO ELECTRIC & MACHINERY CO., LTD. | A company which accounts the Company using equity method | Financial assets at fair value through other comprehensive income- non-current | 10,000 | $ 210,000 | 0.50% | $ 210,000 | |
| 〃 | 〃 | Koryo Electronics Co., Ltd. | - | 〃 | 2,871 | 79,527 | 5.54% | 79,527 | |
| 〃 | 〃 | MUTUALPAK | - | 〃 | 108 | - | 0.89% | - | |
| 〃 | 〃 | Taiwan Pelican Express Co., Ltd. | - | 〃 | 1,781 | 39,538 | 1.87% | 39,538 | |
| | | | | | | $ 329,065 | | $ 329,065 | |

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

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

Creative Sensor Inc. and Subsidiaries

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

Three months ended March 31, 2019

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

| | | | Transaction | | | | Differences in transaction terms compared to third party transactions (Note) | | Notes/accounts receivable (payable) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Purchaser/seller | Counterparty | Relationship with the counterparty | Purchases (sales) | Amount | Percentage of total purchases (sales) | Credit term | Unit price | Credit term | Balance | Percentage of total notes/accounts receivable (payable) | Footnote |
| The Company | Wuxi Creative Sensor Technology Co., Ltd. | The Company's third-tier subsidiary | Purchases | $ 158,828 | 17% | 75~90 days after monthly billing | $ - | Note | ($ 139,218) | 15% | - |
| 〃 | Nanchang Creative Sensor Technology Co., Ltd. | 〃 | 〃 | 792,362 | 83% | 75~90 days after monthly billing | - | Note | ( 792,549) | 85% | - |

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

Creative Sensor Inc. and Subsidiaries

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

Three months ended March 31, 2019

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

| Creditor | Counterparty | Relationship with the counterparty | Balance as at March 31, 2019 | Turnover rate | Overdue receivables | | Amount collected subsequent to the balance sheet date | Allowance for doubtful accounts |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Action taken | | |
| Wuxi Creative Sensor Technology Co., Ltd. | The Company | Parent company | $ 139,218 | 4.56 | $ - | - | $ 50,942 | $ - |
| Nanchang Creative Sensor Technology Co., Ltd. | 〃 | 〃 | 792,549 | 3.74 | - | - | 347,765 | - |

Creative Sensor Inc. and Subsidiaries
Significant inter-company transactions during the reporting period
Three months ended March 31, 2019

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

| | | | | Transaction | | | |
|---|---|---|---|---|---|---|---|
| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | General ledger account | Amount | Transaction terms | Percentage of consolidated total operating revenues or total assets (Note 3) |
| 0 | The Company | Wuxi Creative Sensor Technology Co., Ltd. | 1 | Accounts payable | $ 139,218 | 75~90 days after monthly billing | 3.08% |
| 〃 | 〃 | 〃 | 〃 | Purchases | 158,828 | 〃 | 15.56% |
| 〃 | 〃 | Nanchang Creative Sensor Technology Co., Ltd. | 〃 | Accounts payable | 792,549 | 75~90 days after monthly billing | 17.56% |
| 〃 | 〃 | 〃 | 〃 | Purchases | 792,362 | 〃 | 77.63% |

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1) Parent company is ‘0’.
(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to:
(1) Parent company to subsidiary.
(2) Subsidiary to parent company.
(3) Subsidiary to subsidiary.

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

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

Creative Sensor Inc. and Subsidiaries
Information on investees
Three months ended March 31, 2019

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

| Investor | Investee | Location | Main business activities | Initial investment amount: Balance as at March 31, 2019 | Initial investment amount: Balance as at December 31, 2018 | Shares held as at March 31, 2019: Number of shares | Shares held as at March 31, 2019: Ownership (%) | Shares held as at March 31, 2019: Book value | Net profit (loss) of the investee for the three months ended March 31, 2019 | Investment income (loss) recognised by the Company for the three months ended March 31, 2019 (Note) | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|
| The Company | Creative Sensor Inc. | British Virgin Islands | Holding company | $ 974,576 | $ 974,576 | 29,414,994 | 100 | $ 2,697,643 | $ 14,397 | $ 14,397 | 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 | 3,121 | 12 | 12 | Subsidiary |
| The Company | K9 Inc. | South Korea | Packaging for image sensor module | 32,314 | 32,314 | 845,000 | 33.82 | - | - | - | Investee accounted for using equity method |
| The Company | Teco Image Systems Co., Ltd. | Taiwan | Design, manufacturing and trading of multi-function printer, fax machine and scanner | 271,728 | 271,728 | 11,996,000 | 10.66 | 313,030 | ( 10,501) | ( 1,453) | Investee accounted for using equity method |
| Creative Sensor Inc. | Creative Sensor Co., Ltd. | Hong Kong | Holding company | 977,388 | 977,388 | 29,501,368 | 100 | 1,915,938 | 7,890 | - | Subsidiary |

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

Creative Sensor Inc. and Subsidiaries
Information on investments in Mainland China
Three months ended March 31, 2019

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

A. Information on reinvestment in Mainland Area

| Investee in Mainland China | Main business activities | Paid-in capital (Note 2) | Investment method (Note 1) | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019 (Note 3) | Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the three months ended March 31, 2019: Remitted to Mainland China | Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the three months ended March 31, 2019: Remitted back to Taiwan | Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2019 (Note 3) | Net income of investee for the three months ended March 31, 2019 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the three months ended March 31, 2019 （Note 4） | Book value of investments in Mainland China as of March 31, 2019 | Accumulated amount of investment income remitted back to Taiwan as of March 31, 2019 | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Wuxi Creative Sensor Technology Co., Ltd. | Image Sensor | $ 567,653 | Note 1 | $ 460,053 | $ - | $ - | $ 460,053 | $ 1,850 | 100 | $ 1,850 | $ 735,272 | $ 149,550 | None |
| Nanchang Creative Sensor Technology Co., Ltd. | Image Sensor | 995,018 | Note 1 | 447,253 | - | - | 447,253 | 5,943 | 100 | 5,943 | 1,130,497 | - | " |

Note 1: Through investing in an existing company in the third area (Creative Sensor Inc.), which then invested in the investee in Mainland China.
Note 2: The paid-in capital of two investee companies in the original currency amounted to RMB$123,920 thousand and RMB$217,215 thousand, respectively.
Note 3: Wuxi Creative Sensor Technology Co., Ltd.'s accumulated amount of remittance from Taiwan to Mainland China as of January 1 and March 31, 2019 in the original currency was both US$14,915 thousand. Nanchang Creative Sensor Technology Co., Ltd.'s accumulated amount of remittance from Taiwan to Mainland China as of January 1 and March 31, 2019 in the original currency was both US$14,500 thousand.
Note 4: Investment income (loss) recognised for the three months ended March 31, 2019 was evaluated and disclosed based on the financial statements reviewed by R.O.C. parent company’s CPA.

B. Ceiling on reinvestments in Mainland Area

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2019 | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA |
|---|---|---|---|
| The Company | $ 907,306 | $ 910,082 | $ 2,022,915 |

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2019 in original currency amounted to US$29,415 thousand.
Note 2: Investment amount in the original currency approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) amounted to US$29,505 thousand.
Furthermore, Wuxi Creative Sensor Technology Co., Ltd. distributed dividends to Creative Sensor Co., Ltd., then invested US$15,300 thousand in Nanchang Creative Sensor Technology Co., Ltd.