

**CREATIVE SENSOR INC. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
MARCH 31, 2020 AND 2019**

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, 2020 and 2019, 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, 2020 and 2019, 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 13, 2020

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, 2020 and 2019 are reviewed, not audited)

Assets	Notes	March 31, 2020		December 31, 2019		March 31, 2019		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 1,299,818	30	\$ 1,216,519	28	\$ 1,166,353	26
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		169,950	4	186,271	4	265,973	6
1136	Financial assets at amortised cost -	6(3)						
	current, net		1,057,982	24	934,749	22	874,057	19
1170	Accounts receivable, net	6(4)	370,374	9	533,634	12	553,487	12
1180	Accounts receivable - related	6(4) and 7						
	parties, net		-	-	100	-	-	-
1210	Other receivables - related parties,	7						
	net		5,689	-	-	-	-	-
130X	Inventories, net	6(5)	308,764	7	311,531	7	402,268	9
1479	Other current assets		73,655	2	37,625	1	39,651	1
11XX	Total current assets		<u>3,286,232</u>	<u>76</u>	<u>3,220,429</u>	<u>74</u>	<u>3,301,789</u>	<u>73</u>
Non-current assets								
1517	Non-current financial assets at fair	6(6)						
	value through other comprehensive							
	income		349,922	8	389,477	9	329,065	7
1550	Investments accounted for using	6(7)						
	equity method		227,958	5	256,665	6	313,030	7
1600	Property, plant and equipment, net	6(8)	346,956	8	371,289	8	466,674	10
1755	Right-of-use assets	6(9)	85,566	2	86,841	2	46,444	1
1780	Intangible assets		6,111	-	6,170	-	6,179	-
1840	Deferred income tax assets	6(22)	17,976	-	16,802	-	23,654	1
1900	Other non-current assets		26,205	1	25,509	1	26,349	1
15XX	Total non-current assets		<u>1,060,694</u>	<u>24</u>	<u>1,152,753</u>	<u>26</u>	<u>1,211,395</u>	<u>27</u>
1XXX	Total assets		<u>\$ 4,346,926</u>	<u>100</u>	<u>\$ 4,373,182</u>	<u>100</u>	<u>\$ 4,513,184</u>	<u>100</u>

(Continued)

CREATIVE SENSOR INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of March 31, 2020 and 2019 are reviewed, not audited)

Liabilities and Equity	Notes	March 31, 2020		December 31, 2019		March 31, 2019		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(10)	\$ 250,000	6	\$ -	-	\$ -	-
2120	Financial liabilities at fair value	6(11)						
	through profit or loss - current		6,883	-	1,563	-	-	-
2170	Accounts payable		403,905	9	516,100	12	601,371	13
2180	Accounts payable - related parties	7	69,297	2	85,048	2	91,750	2
2200	Other payables	6(12)	206,581	5	256,323	6	292,787	7
2230	Income tax payable		32,337	1	38,582	1	24,394	1
2280	Current lease liabilities		13,728	-	12,309	-	2,973	-
2300	Other current liabilities		9,703	-	10,533	-	15,476	-
21XX	Total current liabilities		<u>992,434</u>	<u>23</u>	<u>920,458</u>	<u>21</u>	<u>1,028,751</u>	<u>23</u>
Non-current liabilities								
2570	Deferred income tax liabilities	6(22)	112,312	2	119,303	3	111,815	2
2580	Non-current lease liabilities		33,899	1	35,838	1	1,093	-
25XX	Total non-current liabilities		<u>146,211</u>	<u>3</u>	<u>155,141</u>	<u>4</u>	<u>112,908</u>	<u>2</u>
2XXX	Total liabilities		<u>1,138,645</u>	<u>26</u>	<u>1,075,599</u>	<u>25</u>	<u>1,141,659</u>	<u>25</u>
Equity attributable to owners of parent								
Share capital								
3110	Capital stock - common stock	6(14)	1,270,550	29	1,270,550	29	1,270,550	28
Capital surplus								
3200	Capital surplus	6(15)	677,467	16	677,467	15	677,467	15
Retained earnings								
3310	Legal reserve	6(16)	459,995	11	459,995	11	439,415	10
3320	Special reserve		39,847	1	39,847	1	39,847	1
3350	Unappropriated retained earnings		662,155	15	672,914	15	713,739	16
Other equity interest								
3400	Other equity interest	6(17)	98,267	2	176,810	4	230,507	5
31XX	Equity attributable to owners of the parent		<u>3,208,281</u>	<u>74</u>	<u>3,297,583</u>	<u>75</u>	<u>3,371,525</u>	<u>75</u>
3XXX	Total equity		<u>3,208,281</u>	<u>74</u>	<u>3,297,583</u>	<u>75</u>	<u>3,371,525</u>	<u>75</u>
3X2X	Total liabilities and equity		<u>\$ 4,346,926</u>	<u>100</u>	<u>\$ 4,373,182</u>	<u>100</u>	<u>\$ 4,513,184</u>	<u>100</u>

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

CREATIVE SENSOR INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings (losses) per share amount)
(REVIEWED, NOT AUDITED)

Items	Notes	Three months ended March 31				
		2020		2019		
		AMOUNT	%	AMOUNT	%	
4000	Net revenue	6(18)	\$ 571,419	100	\$ 1,020,669	100
5000	Cost of revenue	6(5)(21) and 7	(531,101)	(93)	(916,165)	(90)
5900	Gross profit		<u>40,318</u>	<u>7</u>	<u>104,504</u>	<u>10</u>
	Operating expenses	6(21)				
6100	Selling expenses		(14,702)	(3)	(18,787)	(2)
6200	General and administrative expenses		(30,922)	(5)	(31,975)	(3)
6300	Research and development expenses		(15,386)	(3)	(15,052)	(1)
6000	Total operating expenses		<u>(61,010)</u>	<u>(11)</u>	<u>(65,814)</u>	<u>(6)</u>
6900	(Loss) income from operations		<u>(20,692)</u>	<u>(4)</u>	<u>38,690</u>	<u>4</u>
	Non-operating income and expenses					
7010	Other income	6(19)	14,068	3	17,282	2
7020	Other gains and losses	6(20)	(21)	-	(6,226)	(1)
7050	Finance costs	6(9)(10)	(336)	-	(28)	-
7060	Share of loss of associates and joint ventures accounted for using equity method, net	6(7)	(5,475)	(1)	(1,453)	-
7000	Total non-operating income and expenses		<u>8,236</u>	<u>2</u>	<u>9,575</u>	<u>1</u>
7900	(Loss) profit before income tax		<u>(12,456)</u>	<u>(2)</u>	<u>48,265</u>	<u>5</u>
7950	Income tax expense	6(22)	1,697	-	(9,486)	(1)
8200	Net (loss) income		<u>(\$ 10,759)</u>	<u>(2)</u>	<u>\$ 38,779</u>	<u>4</u>
	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(6)(17)	(\$ 39,555)	(7)	\$ 45,023	4
8320	Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method	6(17)	(23,062)	(4)	10,755	1
8310	Other comprehensive (loss) income that will not be reclassified to profit or loss		<u>(62,617)</u>	<u>(11)</u>	<u>55,778</u>	<u>5</u>
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation	6(17)	(15,756)	(3)	38,402	4
8370	Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method	6(17)	(170)	-	407	-
8360	Other comprehensive (loss) income that will be reclassified to profit or loss		<u>(15,926)</u>	<u>(3)</u>	<u>38,809</u>	<u>4</u>
8500	Total comprehensive (loss) income for the period		<u>(\$ 89,302)</u>	<u>(16)</u>	<u>\$ 133,366</u>	<u>13</u>
	Basic earnings (losses) per share (in dollars)	6(23)				
9750	Total basic earnings (losses) per share		<u>(\$ 0.08)</u>		<u>\$ 0.31</u>	
	Diluted earnings (losses) per share (in dollars)	6(23)				
9850	Total diluted earnings (losses) per share		<u>(\$ 0.08)</u>		<u>\$ 0.30</u>	

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	Equity attributable to owners of the parent								Total equity
		Capital surplus			Retained earnings			Other equity interest		
		Capital stock - common stock	Additional paid- in capital	Treasury stock transactions	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	
<u>Three months ended March 31, 2019</u>										
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(17)	-	-	-	-	-	-	38,809	55,778	94,587
Total comprehensive income		-	-	-	-	-	38,779	38,809	55,778	133,366
Balance at March 31, 2019		<u>\$ 1,270,550</u>	<u>\$ 673,471</u>	<u>\$ 3,996</u>	<u>\$ 439,415</u>	<u>\$ 39,847</u>	<u>\$ 713,739</u>	<u>\$ 172,585</u>	<u>\$ 57,922</u>	<u>\$ 3,371,525</u>
<u>Three months ended March 31, 2020</u>										
Balance at January 1, 2020		\$ 1,270,550	\$ 673,471	\$ 3,996	\$ 459,995	\$ 39,847	\$ 672,914	\$ 54,873	\$ 121,937	\$ 3,297,583
Net loss for the period		-	-	-	-	-	(10,759)	-	-	(10,759)
Other comprehensive loss for the period	6(17)	-	-	-	-	-	-	(15,926)	(62,617)	(78,543)
Total comprehensive loss		-	-	-	-	-	(10,759)	(15,926)	(62,617)	(89,302)
Balance at March 31, 2020		<u>\$ 1,270,550</u>	<u>\$ 673,471</u>	<u>\$ 3,996</u>	<u>\$ 459,995</u>	<u>\$ 39,847</u>	<u>\$ 662,155</u>	<u>\$ 38,947</u>	<u>\$ 59,320</u>	<u>\$ 3,208,281</u>

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	
		2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) profit before tax		(\$ 12,456)	\$ 48,265
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(9)(21)	28,123	30,675
Amortization	6(21)	1,433	1,453
Expected credit impairment loss	12(2)	(52)	(26)
Net loss on financial assets or liabilities at fair value through profit or loss	6(2)(11)(20)	8,462	81
Interest expense	6(9)(10)	336	28
Share of loss of associates and joint ventures accounted for using equity method	6(7)	5,475	1,453
Net gain on disposal of property, plant and equipment	6(20)	(714)	-
Interest income	6(19)	(8,066)	(8,042)
Reversal of impairment loss on non-financial assets	6(8)(20)	(788)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		13,179	10,918
Accounts receivable		163,412	84,885
Inventories		(182)	105,155
Other current assets		(36,677)	6,992
Changes in operating liabilities			
Accounts payable		(109,047)	(203,656)
Accounts payable - related parties		(15,228)	(26,360)
Other payables		(50,316)	(50,014)
Other current liabilities		(830)	5,303
Cash (outflow) inflow generated from operations		(13,936)	7,110
Interest received		3,024	9,053
Interest paid		(336)	(28)
Income tax paid		(12,874)	(9,825)
Net cash flows (used in) from operating activities		(24,122)	6,310
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase) decrease in financial assets at amortised cost		(128,793)	368,728
Acquisition of property, plant and equipment	6(24)	(2,061)	(6,899)
Proceeds from disposal of property, plant and equipment		1,502	-
Acquisition of intangible assets		(605)	(90)
Decrease (increase) in refundable deposits		8	(698)
Increase in other non-current assets		(3,776)	(3,288)
Net cash flows (used in) from investing activities		(133,725)	357,753
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(25)	250,000	-
Repayments of lease principal	6(10)	(3,780)	(833)
Net cash flows from (used in) financing activities		246,220	(833)
Effect of exchange rate		(5,074)	29,714
Net increase in cash and cash equivalents		83,299	392,944
Cash and cash equivalents at beginning of period		1,216,519	773,409
Cash and cash equivalents at end of period		\$ 1,299,818	\$ 1,166,353

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, 2020 AND 2019

(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 13, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure initiative-definition of material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020

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

(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 IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or noncurrent'	January 1, 2022
The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.	

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the compliance statement, basis of preparation and basis of consolidation 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, 2019. 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, 2019.

(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, 2019.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		
			March 31, 2020	December 31, 2019	March 31, 2019
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.

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, 2019 for related information.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	March 31, 2020	December 31, 2019	March 31, 2019
Cash on hand and revolving funds	\$ 242	\$ 222	\$ 340
Checking accounts and demand deposits	690,285	564,017	652,170
Time deposits	609,291	652,280	513,843
Total	<u>\$ 1,299,818</u>	<u>\$ 1,216,519</u>	<u>\$ 1,166,353</u>

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

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

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

Items	March 31, 2020	December 31, 2019	March 31, 2019
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Beneficiary certificates	\$ 165,932	\$ 169,490	\$ 263,563
Derivative instrument	<u>3,494</u>	<u>15,787</u>	<u>443</u>
	169,426	185,277	264,006
Valuation adjustment	<u>524</u>	<u>994</u>	<u>1,967</u>
Total	<u>\$ 169,950</u>	<u>\$ 186,271</u>	<u>\$ 265,973</u>

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,	
	2020	2019
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 178	\$ 360
Derivative instrument	<u>72</u>	<u>(441)</u>
Total	<u>\$ 250</u>	<u>(\$ 81)</u>

B. The Group has no financial assets at fair value through profit or loss pledged to others.

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

	March 31, 2020	
Derivative instruments	Contract amount (Notional principal) (In thousands)	Maturity date of the contract
Cross currency swap	USD 5,500	2020.04.13
Cross currency swap	USD 2,000	2020.08.27
Cross currency swap	USD 2,000	2020.08.27

December 31, 2019		
Derivative instruments	Contract amount (Notional principal) (In thousands)	Maturity date of the contract
Cross currency swap	USD 2,000	2020.01.20
Cross currency swap	USD 2,000	2020.01.20
Cross currency swap	USD 2,000	2020.01.21
Cross currency swap	USD 1,000	2020.01.21
Cross currency swap	USD 1,000	2020.02.19
Cross currency swap	USD 4,000	2020.02.24
Cross currency swap	USD 3,000	2020.02.24
Cross currency swap	USD 5,500	2020.04.13
Forward foreign exchange contracts	USD 2,000	2020.02.26
Forward foreign exchange contracts	USD 2,000	2020.04.29
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

(a) Cross currency swap

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

(b) Forward foreign exchange contracts

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

accounted for under hedge accounting.

(3) Financial assets at amortized cost

Items	March 31, 2020	December 31, 2019	March 31, 2019
Current items:			
Time deposits with maturity over three months	\$ 1,057,982	\$ 934,749	\$ 874,057

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

	Three months ended March 31,	
	2020	2019
Interest income	\$ 4,832	\$ 4,500

B. As at March 31, 2020, December 31, 2019 and March 31, 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Group were \$1,057,982, \$934,749 and \$874,057, respectively.

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

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

(4) Accounts receivable

	March 31, 2020	December 31, 2019	March 31, 2019
Accounts receivable	\$ 370,485	\$ 533,797	\$ 553,653
Accounts receivable due from related parties	-	100	-
Less: Loss allowance	(111)	(163)	(166)
	<u>\$ 370,374</u>	<u>\$ 533,734</u>	<u>\$ 553,487</u>

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

	March 31, 2020	December 31, 2019	March 31, 2019
Without past due	\$ 308,959	\$ 508,858	\$ 548,512
Up to 30 days	58,962	22,180	5,141
31 to 90 days	2,564	2,859	-
	<u>\$ 370,485</u>	<u>\$ 533,897</u>	<u>\$ 553,653</u>

The above ageing analysis was based on past due date.

B. As at March 31, 2020, December 31, 2019 and March 31, 2019, accounts receivable were all from contracts with customers. As of January 1, 2019, the balance of receivables from contracts with customers amounted to \$638,346.

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

D. As at March 31, 2020, December 31, 2019 and March 31, 2019, 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 \$370,374, \$533,734 and \$553,487, respectively.

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

(5) Inventories

	March 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 177,411	(\$ 4,091)	\$ 173,320
Work in progress	28,588	(759)	27,829
Finished goods	139,505	(31,890)	107,615
Total	\$ 345,504	(\$ 36,740)	\$ 308,764

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

	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

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

	Three months ended March 31,	
	2020	2019
Cost of goods sold	\$ 510,268	\$ 911,453
Inventory valuation loss	21,039	5,370
Others	(206)	(658)
Total	\$ 531,101	\$ 916,165

B. The Group has no inventories pledged to others.

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

<u>Items</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Non-current items:			
Equity instruments			
Listed stocks	\$ 286,186	\$ 286,186	\$ 286,186
Unlisted stocks	3,590	3,590	3,590
	<u>289,776</u>	<u>289,776</u>	<u>289,776</u>
Valuation adjustment	60,146	99,701	39,289
Total	<u>\$ 349,922</u>	<u>\$ 389,477</u>	<u>\$ 329,065</u>

- A. The Group has elected to classify abovementioned shares that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$349,922, \$389,477 and \$329,065, as at March 31, 2020, December 31, 2019 and March 31, 2019, respectively.
- B. Amounts recognized in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 39,555)	\$ 45,023

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

(7) Investments accounted for using equity method

	<u>March 31, 2020</u>		<u>December 31, 2019</u>		<u>March 31, 2019</u>	
	<u>Book value</u>	<u>Shareholding ratio</u>	<u>Book value</u>	<u>Shareholding ratio</u>	<u>Book value</u>	<u>Shareholding ratio</u>
Associate:						
K9 Inc.	\$ -	33.82%	\$ -	33.82%	\$ -	33.82%
Teco Image Systems Co., Ltd. (Teco Image)	227,958	10.66%	256,665	10.66%	313,030	10.66%
	<u>\$ 227,958</u>		<u>\$ 256,665</u>		<u>\$ 313,030</u>	

	Three months ended March 31,			
	2020		2019	
	Share of loss of associates and joint ventures accounted for using equity method, net	Other comprehensive loss after tax	Share of loss of associates and joint ventures accounted for using equity method, net	Other comprehensive income after tax
Associate:				
K9 Inc.	\$ -	\$ -	\$ -	\$ -
Teco Image Systems Co., Ltd. (Teco Image)	(5,475)	(23,232)	(1,453)	11,162
	<u>(\$ 5,475)</u>	<u>(\$ 23,232)</u>	<u>(\$ 1,453)</u>	<u>\$ 11,162</u>

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

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Method of measurement
		March 31, 2020	December 31, 2019		
Teco Image Systems Co., Ltd.	Taiwan	10.66%	10.66%	Note 4	Equity method

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Method of measurement
		March 31, 2019	December 31, 2019		
Teco Image Systems Co., Ltd.	Taiwan	10.66%	10.66%	Note 4	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, 2020	December 31, 2019	March 31, 2019
Current assets	\$ 1,144,139	\$ 1,235,009	\$ 1,348,305
Non-current assets	1,110,556	1,232,239	1,198,138
Current liabilities	(673,246)	(616,623)	(651,935)
Non-current liabilities	(43,690)	(43,568)	(53,488)
Total net assets	<u>\$ 1,537,759</u>	<u>\$ 1,807,057</u>	<u>\$ 1,841,020</u>
Share in associate's net assets	\$ 163,922	\$ 192,629	\$ 195,994
Goodwill	64,036	64,036	117,036
Carrying amount of the associate	<u>\$ 227,958</u>	<u>\$ 256,665</u>	<u>\$ 313,030</u>

Statement of comprehensive income

	Three months ended March 31,	
	2020	2019
Revenue	\$ 217,348	\$ 392,711
Loss for the period from continuing operations	(\$ 51,360)	(\$ 10,501)
Other comprehensive (loss) income, net of tax	(217,938)	104,707
Total comprehensive (loss) income	(\$ 269,298)	\$ 94,206
Dividends received from associates	\$ -	\$ -

- C. The Group's material associate, Teco Image, has quoted market prices. As of March 31, 2020, December 31, 2019 and March 31, 2019, the fair value was \$154,748, \$163,745 and \$186,538, respectively.
- D. The Group owns less than 20% of the voting rights in Teco Image but holds one-fifth seats (2 out of 9 board seats) in the Board of Directors of Teco Image. The Group is a substantial shareholder of Teco Image and accounts for its investment under the equity method.
- E. In 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, 2020, December 31, 2019 and March 31, 2019, 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, 2020 and 2019, the investment income (loss) was both \$0.
- F. The Group has no investments accounted for using equity method pledged to others.

(8) Property, plant and equipment

	2020						
	Buildings and structures	Machinery and equipment	Office equipment	Leasehold improvements	Other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1</u>							
Cost	\$ 605,258	\$ 1,041,598	\$ 45,157	\$ 42,898	\$ 26,392	\$ -	\$ 1,761,303
Accumulated depreciation and impairment	(452,167)	(829,715)	(41,685)	(41,253)	(25,194)	-	(1,390,014)
	<u>\$ 153,091</u>	<u>\$ 211,883</u>	<u>\$ 3,472</u>	<u>\$ 1,645</u>	<u>\$ 1,198</u>	<u>\$ -</u>	<u>\$ 371,289</u>
Opening net book value as at January 1	\$ 153,091	\$ 211,883	\$ 3,472	\$ 1,645	\$ 1,198	\$ -	\$ 371,289
Additions	-	-	736	1,820	-	78	2,634
Disposals	-	(788)	-	-	-	-	(788)
Gain on reversal of impairment	-	788	-	-	-	-	788
Depreciation	(4,048)	(18,829)	(666)	(234)	(171)	-	(23,948)
Net exchange differences	(1,364)	(1,632)	(1)	(12)	(9)	(1)	(3,019)
Closing net book value as at March 31	<u>\$ 147,679</u>	<u>\$ 191,422</u>	<u>\$ 3,541</u>	<u>\$ 3,219</u>	<u>\$ 1,018</u>	<u>\$ 77</u>	<u>\$ 346,956</u>
<u>At March 31</u>							
Cost	\$ 599,627	\$ 1,051,773	\$ 45,504	\$ 44,529	\$ 26,164	\$ 77	\$ 1,767,674
Accumulated depreciation and impairment	(451,948)	(860,351)	(41,963)	(41,310)	(25,146)	-	(1,420,718)
	<u>\$ 147,679</u>	<u>\$ 191,422</u>	<u>\$ 3,541</u>	<u>\$ 3,219</u>	<u>\$ 1,018</u>	<u>\$ 77</u>	<u>\$ 346,956</u>

2019

	Buildings and structures	Machinery and equipment	Office equipment	Leasehold improvements	Other equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1</u>							
Cost	\$ 631,003	\$ 1,492,832	\$ 52,395	\$ 43,763	\$ 31,209	\$ 156	\$ 2,251,358
Accumulated depreciation and impairment	(447,756)	(1,205,191)	(46,259)	(37,454)	(29,263)	-	(1,765,923)
	<u>\$ 183,247</u>	<u>\$ 287,641</u>	<u>\$ 6,136</u>	<u>\$ 6,309</u>	<u>\$ 1,946</u>	<u>\$ 156</u>	<u>\$ 485,435</u>
Opening net book value as at January 1	\$ 183,247	\$ 287,641	\$ 6,136	\$ 6,309	\$ 1,946	\$ 156	\$ 485,435
Additions	-	-	-	-	-	767	767
Transfer	-	620	-	-	-	(620)	-
Depreciation	(6,017)	(20,892)	(801)	(1,598)	(243)	-	(29,551)
Net exchange differences	<u>3,845</u>	<u>5,998</u>	<u>51</u>	<u>74</u>	<u>40</u>	<u>15</u>	<u>10,023</u>
Closing net book value as at March 31	<u>\$ 181,075</u>	<u>\$ 273,367</u>	<u>\$ 5,386</u>	<u>\$ 4,785</u>	<u>\$ 1,743</u>	<u>\$ 318</u>	<u>\$ 466,674</u>
<u>At March 31</u>							
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)
	<u>\$ 181,075</u>	<u>\$ 273,367</u>	<u>\$ 5,386</u>	<u>\$ 4,785</u>	<u>\$ 1,743</u>	<u>\$ 318</u>	<u>\$ 466,674</u>

- A. The aforementioned property, plant and equipment were all for its own use.
- B. For the three months ended March 31, 2020 and 2019, no impairment loss was recognized after assessing and comparing the carrying amount and recoverable amount of property, plant and equipment. The gain on reversal of impairment was \$788 and \$0, respectively.
- C. The Group has not pledged property, plant and equipment as collateral or capitalized the interest.

(9) Leasing arrangements - lessee

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

	<u>Land use right</u>	<u>Building</u>	<u>Transportation equipment</u>	<u>Total</u>
At January 1, 2020	\$ 39,040	\$ 46,839	\$ 962	\$ 86,841
Additions	-	895	2,370	3,265
Depreciation	(262)	(3,363)	(550)	(4,175)
Net exchange differences	(359)	(6)	-	(365)
At March 31, 2020	<u>\$ 38,419</u>	<u>\$ 44,365</u>	<u>\$ 2,782</u>	<u>\$ 85,566</u>

	<u>Land use right</u>	<u>Building</u>	<u>Transportation equipment</u>	<u>Total</u>
At January 1, 2019	\$ 41,788	\$ 2,182	\$ 2,717	\$ 46,687
Depreciation	(277)	(408)	(439)	(1,124)
Net exchange differences	880	-	1	881
At March 31, 2019	<u>\$ 42,391</u>	<u>\$ 1,774</u>	<u>\$ 2,279</u>	<u>\$ 46,444</u>

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

	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 332	\$ 28
Expense on short-term lease contracts	18	5,436

- E. For the three months ended March 31, 2020 and 2019, the Group's total cash outflow for leases was \$4,130 and \$6,297, respectively.
- F. On June 29, 2007, the Group signed a land use right contract with Gaoxin branch of the Bureau of Land and Resources Bureau in Nanchang City, Jiangxi Province, People's Republic of China with a term of 50 years. All rentals had been paid on the contract date. The aforementioned amounts were recognized in right-of-use assets – land use right.

(10) Short-term borrowings

<u>Type of borrowings</u>	<u>March 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	<u>\$ 250,000</u>	1.05%	None

A. For the three months ended March 31, 2020, the Group's interest expense recognized in profit or loss amounted to \$4.

B. The Group has no short-term borrowings as of December 31, 2019 and March 31, 2019.

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

<u>Items</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Current items:			
Financial liabilities mandatorily measured at fair value through profit or loss			
Derivative instrument	<u>\$ 6,883</u>	<u>\$ 1,563</u>	<u>\$ -</u>

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

	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Financial liabilities mandatorily measured at fair value through profit or loss		
Derivative instrument	<u>(\$ 8,712)</u>	<u>\$ -</u>

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

	<u>March 31, 2020</u>	
<u>Derivative instruments</u>	<u>Contract amount (Notional principal) (In thousands)</u>	<u>Maturity date of the contract</u>
Cross currency swap	USD 2,000	2020.4.29
Cross currency swap	USD 2,000	2020.7.21
Cross currency swap	USD 3,000	2020.7.21
Forward foreign exchange contracts	USD 1,000	2020.5.20
Forward foreign exchange contracts	USD 2,000	2020.5.21
Forward foreign exchange contracts	USD 1,000	2020.5.21
Forward foreign exchange contracts	USD 1,000	2020.5.26
Forward foreign exchange contracts	USD 4,000	2020.6.24
Forward foreign exchange contracts	USD 3,000	2020.6.24

Derivative instruments	December 31, 2019	
	Contract amount (Notional principal) (In thousands)	Maturity date of the contract
Forward foreign exchange contracts	USD 2,000	2020.1.21
Forward foreign exchange contracts	USD 3,000	2020.1.21

(a) Cross currency swap

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

(b) Forward foreign exchange contracts

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

(12) Other payables

	March 31, 2020	December 31, 2019	March 31, 2019
Accrued employees' compensation and directors' and supervisors' remuneration	\$ 31,269	\$ 31,269	\$ 43,286
Royalties payable	52,191	52,191	52,191
Bonus payable	42,158	69,329	72,265
Wages and salaries payable	33,083	49,659	71,197
Service fees payable	5,450	5,405	5,485
Payables on equipment	573	-	495
Freight payable	2,099	3,029	3,063
Others	39,758	45,441	44,805
	<u>\$ 206,581</u>	<u>\$ 256,323</u>	<u>\$ 292,787</u>

(13) Pensions

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

- (b) For the aforementioned pension plan, no pension costs was recognized for the three months ended March 31, 2020 and 2019.
- (c) Expected contributions to the defined benefit pension plan of the Group for the year ending December 31, 2020 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, 2020 and 2019 were \$2,412 and \$4,425, respectively.

(14) Capital stock

A. As of March 31, 2020, 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, 2020 and 2019, there was no movement in the number of the Company’s shares which was both 127,055 thousand shares.

(15) Capital surplus

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

(16) Retained earnings

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

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

- 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 2019 earnings appropriation proposed by the Board of Directors on March 18, 2020 and the 2018 earnings appropriation resolved by the stockholders on June 25, 2019 are as follows:

	Years ended December 31,			
	2019		2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 18,370	\$ -	\$ 20,580	\$ -
Cash dividends	152,466	1.2	165,171	1.3
Total	<u>\$ 170,836</u>		<u>\$ 185,751</u>	

The 2019 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 (21).

(17) Other equity items

	2020		
	Unrealized gains (losses) on valuation	Currency translation	Total
At January 1	\$ 121,937	\$ 54,873	\$ 176,810
Valuation adjustment:			
— Group	(39,555)	-	(39,555)
— Associates	(23,062)	-	(23,062)
Currency translation differences:			
— Group	-	(15,756)	(15,756)
— Associates	-	(170)	(170)
At March 31	<u>\$ 59,320</u>	<u>\$ 38,947</u>	<u>\$ 98,267</u>
	2019		
	Unrealized gains (losses) on investment	Currency translation	Total
At January 1	\$ 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	<u>\$ 57,922</u>	<u>\$ 172,585</u>	<u>\$ 230,507</u>

(18) Operating revenue

	Three months ended March 31,	
	2020	2019
Revenue from contracts with customers	\$ 571,419	\$ 1,020,669

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the following major geographical regions:

Three months ended March 31, 2020	China	Philippines	Thailand	Others	Total
Revenue from external customer contracts	\$ 211,273	\$ 87,838	\$ 93,313	\$ 178,995	\$ 571,419

Three months ended March 31, 2019	China	Philippines	Thailand	Others	Total
Revenue from external customer contracts	\$ 447,255	\$ 215,565	\$ 220,575	\$ 137,274	\$ 1,020,669

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

(19) Other income

	Three months ended March 31,	
	2020	2019
Interest income:		
Interest income from bank deposits	\$ 3,234	\$ 3,542
Interest income from financial assets measured at amortized cost	4,832	4,500
Total interest income	8,066	8,042
Rental revenue	661	763
Government grants	3,257	-
Other income	2,084	8,477
	\$ 14,068	\$ 17,282

(20) Other gains and losses

	Three months ended March 31,	
	2020	2019
Gains on disposal of property, plant and equipment	\$ 714	\$ -
Foreign exchange gains (losses)	7,222 (5,772)
Losses on financial assets (liabilities) at fair value through profit or loss	(8,462) (81)
Gains on reversal of impairment loss recognized in profit or loss - property, plant and equipment	788	-
Other gains and losses	(283) (373)
	<u>(\$ 21)</u>	<u>(\$ 6,226)</u>

(21) Employee benefit expense, depreciation and amortization

For the three months ended March 31, 2020 and 2019, employee benefit expense, depreciation and amortization categorized by function were summarized as follows:

	Three months ended March 31, 2020		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Wages and salaries	\$ 48,462	\$ 30,007	\$ 78,469
Labor and health insurance fees	2,994	2,517	5,511
Pension costs	1,255	1,157	2,412
Other personnel expenses	3,322	1,281	4,603
Depreciation	21,742	6,381	28,123
Amortization	1,032	401	1,433
	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

- 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, 2020 and 2019, employees' compensation were accrued at \$0 and \$4,681, respectively; directors' and supervisors' remuneration were accrued at \$0 and \$1,561, respectively. The aforementioned amounts were recognized in salary expenses, and estimated based on the current profit.

For the three months ended March 31, 2020, the Group did not accrue employees' compensation and directors' and supervisor' remuneration due to operating loss. The employees' compensation and directors' and supervisors' remuneration for 2019 as resolved by the Board of Directors were in agreement with the amounts recorded in the 2019 financial statements of \$23,452 and \$7,817, respectively. Employees' compensation would be distributed in the form of cash.

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

(22) Income tax

A. Income tax expense

Components of income tax expense:

	Three months ended March 31,	
	2020	2019
Current tax:		
Total current tax	\$ 6,629	\$ 9,193
Deferred tax:		
Origination and reversal of temporary differences	(8,165)	(179)
Effect of exchange rate	(161)	472
Total deferred tax	(8,326)	293
Income tax expense	(\$ 1,697)	\$ 9,486

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

	2020			
	January 1	Recognized		March 31
		loss	in profit or comprehensive income	
Temporary differences:				
— Deferred tax assets:				
Unrealized gain on affiliates	\$ 162	(\$ 35)	\$ -	\$ 127
Unrealized inventory valuation losses	4,142	5,251	-	9,393
Unrealized expenses	9,140	(4,367)	-	4,773
Loss on scraps of property, plant and equipment	971		-	962
Unrealized grant revenue	1,087	(9)	-	949
Unrealized valuation gain on financial assets	-	(138)	-	-
Impairment loss on property, plant and equipment	-	678	-	678
	<u>1,300</u>	<u>(206)</u>	<u>-</u>	<u>1,094</u>
	<u>16,802</u>	<u>1,174</u>	<u>-</u>	<u>17,976</u>
— Deferred tax liabilities:				
Unrealized exchange gain	(1,489)	1,047	-	(442)
Gain on investments accounted for using equity method	(112,728)	3,099	-	(109,629)
Unrealized valuation gain on financial assets	(2,845)	2,845	-	-
Defined benefit plan	<u>(2,241)</u>	<u>-</u>	<u>-</u>	<u>(2,241)</u>
	<u>(119,303)</u>	<u>6,991</u>	<u>-</u>	<u>(112,312)</u>
	<u>(\$ 102,501)</u>	<u>\$ 8,165</u>	<u>\$ -</u>	<u>(\$ 94,336)</u>

	2019			
	January 1	Recognized		March 31
		in profit or loss	in other comprehensive income	
Temporary differences:				
– Deferred tax assets:				
Unrealized gain on affiliates	\$ 321	(\$ 33)	\$ -	\$ 288
Unrealized inventory valuation losses	3,017	55	-	3,072
Unrealized expenses	11,481	242	-	11,723
Loss on scraps of property, plant and equipment	1,720	36	-	1,756
Unrealized grant revenue	1,703	36	-	1,739
Impairment loss on property, plant and equipment	<u>4,971</u>	<u>105</u>	<u>-</u>	<u>5,076</u>
	<u>23,213</u>	<u>441</u>	<u>-</u>	<u>23,654</u>
– Deferred tax liabilities:				
Unrealized exchange gain	(676)	326	-	(350)
Gain on investments accounted for using equity method	(108,321)	(2,879)	-	(111,200)
Unrealized valuation gain on financial assets	(360)	271	-	(89)
Defined benefit plan	<u>(2,196)</u>	<u>2,020</u>	<u>-</u>	<u>(176)</u>
	<u>(111,553)</u>	<u>(262)</u>	<u>-</u>	<u>(111,815)</u>
	<u>(\$ 88,340)</u>	<u>\$ 179</u>	<u>\$ -</u>	<u>(\$ 88,161)</u>

C. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(23) Earnings (losses) per share

	<u>Three months ended March 31, 2020</u>		
		Weighted average number of ordinary shares outstanding (shares in thousands)	Losses per share (in dollars)
	<u>Amount after tax</u>		
<u>Basic losses per share</u>			
Loss attributable to ordinary shareholders of the parent	<u>(\$ 10,759)</u>	<u>127,055</u>	<u>(\$ 0.08)</u>
<u>Diluted losses per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 10,759)	127,055	
Assumed conversion of all dilutive potential ordinary shares Employees' compensation	<u>-</u>	<u>-</u>	
Loss attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>(\$ 10,759)</u>	<u>127,055</u>	<u>(\$ 0.08)</u>
	<u>Three months ended March 31, 2019</u>		
		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
	<u>Amount after tax</u>		
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 38,779</u>	<u>127,055</u>	<u>\$ 0.31</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 38,779	127,055	
Assumed conversion of all dilutive potential ordinary shares Employees' compensation	<u>-</u>	<u>1,337</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 38,779</u>	<u>128,392</u>	<u>\$ 0.30</u>

(24) Supplemental cash flow information

Investing activities with partial cash payments:

	Three months ended March 31,	
	2020	2019
Purchase of property, plant and equipment	\$ 2,634	\$ 767
Add: Opening balance of payable on equipment	-	6,627
Less: Ending balance of payable on equipment	(573)	(495)
Cash paid during the period	<u>\$ 2,061</u>	<u>\$ 6,899</u>

(25) Changes in liabilities from financing activities

	2020		
	Short-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1	\$ -	\$ 48,147	\$ 48,147
Changes in cash flow from financing activities	250,000	(3,780)	246,220
Increase in lease liabilities	-	3,265	3,265
Interest amortized in lease liabilities	-	332	332
Interest paid in lease liabilities	-	(332)	(332)
Impact of changes in foreign exchange rate	-	(5)	(5)
At March 31	<u>\$ 250,000</u>	<u>\$ 47,627</u>	<u>\$ 297,627</u>

	2019		
	Lease liabilities	Liabilities from financing activities-gross	
At January 1	\$ 4,899	\$ 4,899	
Changes in cash flow from financing activities	(883)	(883)	
Increase in lease liabilities	-	-	
Interest amortized in lease liabilities	28	28	
Interest paid in lease liabilities	(28)	(28)	
At March 31	<u>\$ 4,016</u>	<u>\$ 4,016</u>	

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

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

(2) Significant related party transactions and balances

A. Purchases

	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Purchases of goods:		
– The Group's key management		
– KROM ELECTRONICS	\$ <u>66,803</u>	\$ <u>92,773</u>

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

B. Receivables from related parties

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Accounts receivable:			
– Associates	\$ <u>-</u>	\$ <u>100</u>	\$ <u>-</u>
	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Other accounts receivable:			
– Associates			
– Teco Image Systems Co., Ltd.	\$ <u>5,689</u>	\$ <u>-</u>	\$ <u>-</u>

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

C. Payables to related parties

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Accounts payable:			
– The Group's key management			
– KROM ELECTRONICS	\$ <u>69,297</u>	\$ <u>85,048</u>	\$ <u>91,750</u>

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.

D. Other income

	Three months ended March 31, 2020	Year ended December 31, 2019	Three months ended March 31, 2019
Associates — Teco Image Systems Co., Ltd.	<u>\$ 5,645</u>	<u>\$ -</u>	<u>\$ -</u>

(3) Key management compensation

For the three months ended March 31, 2020 and 2019, the key management compensation (including salaries and other short-term employee benefits) recognized for directors, supervisors, general manager and vice general manager was \$5,583 and \$15,735, including employees' compensation and directors' and supervisors' remuneration accrued in profit or loss of \$0 and \$1,560, respectively.

8. PLEGGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

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, 2019 for the related information.

(2) Financial instruments

A. Financial instruments by category

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 169,950	\$ 186,271	\$ 265,973
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	349,922	389,477	329,065
Financial assets at amortized cost			
Cash and cash equivalents	1,299,818	1,216,519	1,166,353
Accounts receivable (including related parties)	370,374	533,734	553,487
Other accounts receivable (including related parties)	5,689	-	-
Guarantee deposits paid	4,680	4,688	5,327
Financial assets at amortized cost	<u>1,057,982</u>	<u>934,749</u>	<u>874,057</u>
	<u>\$ 3,258,415</u>	<u>\$ 3,265,438</u>	<u>\$ 3,194,262</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	\$ 6,883	\$ 1,563	\$ -
Financial liabilities at amortized cost			
Short-term borrowings	250,000	-	-
Accounts payable (including related parties)	473,202	601,148	693,121
Other payables	<u>206,581</u>	<u>256,323</u>	<u>292,787</u>
	<u>\$ 936,666</u>	<u>\$ 859,034</u>	<u>\$ 985,908</u>
Lease liability (including current and noncurrent portion)	<u>\$ 47,627</u>	<u>\$ 48,147</u>	<u>\$ 4,066</u>

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, 2019 for the related information.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

March 31, 2020						
			<u>Sensitivity analysis</u>			
Foreign currency amount (in thousands)		Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$	47,757	30.21	\$ 1,442,739	1%	\$ 14,427 \$ -
RMB : NTD		2,404	4.26	10,241	1%	102 -
USD : RMB		18,219	7.09	550,396	1%	5,504 -
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$	17,912	30.21	\$ 541,122	1%	\$ 5,411 \$ -
USD : RMB		13,061	7.09	394,573	1%	3,946 -

December 31, 2019

	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 50,927	30.02	\$ 1,528,829	1%	\$ 15,288	\$ -
RMB : NTD	2,393	4.30	10,290	1%	103	-
USD : RMB	27,893	6.98	837,348	1%	8,373	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 26,063	30.02	\$ 782,411	1%	\$ 7,824	\$ -
USD : RMB	19,584	6.98	587,912	1%	5,879	-

March 31, 2019

	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
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	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 31,854	30.85	\$ 982,696	1%	\$ 9,827	\$ -
USD : RMB	19,023	6.73	586,860	1%	5,869	-

- v. For the three months ended March 31, 2020 and 2019, the total exchange gain (loss), including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group were \$7,222 and (\$5,772), respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise beneficiary certificates, domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had

increased/decreased by 10% with all other variables held constant, post-tax profit for the three months ended March 31, 2020 and 2019 would have increased/decreased by \$16,646 and \$26,553, 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, 2020, other components of equity would have increased/decreased by \$34,992 and \$32,907, 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 fixed rates expose the Group to fair value interest rate risk.
- ii. If the borrowing interest rate had increased / decreased by 1% with all other variables held constant, profit net of tax for the three months ended March 31, 2020 would have decreased / increased by \$500. The main factor is that changes in interest expense result from floating rate borrowings.

(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, 2020, December 31, 2019 and March 31, 2019, 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, 2020, December 31, 2019 and March 31, 2019, the total book value of accounts receivable and loss allowance were \$370,485, \$533,897, \$553,653 and \$111, \$163, \$166, respectively.
- ix. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2020	2019
	Accounts receivable (including related parties)	Accounts receivable (including related parties)
At January 1	\$ 163	\$ 192
Reversal of impairment loss	(52)	(26)
At March 31	<u>\$ 111</u>	<u>\$ 166</u>

For the three months ended March 31, 2020 and 2019, the reversal of impairment loss arising from customers' contracts are \$52 and \$26, respectively.

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

	March 31, 2020			
		Lifetime		
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortized cost	<u>\$ 1,057,982</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,057,982</u>
	December 31, 2019			
		Lifetime		
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortized cost	<u>\$ 934,749</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 934,749</u>

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

The financial assets at amortized 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, 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Short-term borrowings	\$ 250,972	\$ -	\$ -
Accounts payable (including related parties)	473,202	-	-
Other payables	206,581	-	-
Lease liability	14,830	12,748	22,391

Derivative financial liabilities

March 31, 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Cross currency swap	\$ 1,887	\$ -	\$ -
Forward foreign exchange contracts	4,996	-	-

Non-derivative financial liabilities

<u>December 31, 2019</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Accounts payable (including related parties)	\$ 601,148	\$ -	\$ -
Other payables	256,323	-	-
Lease liability	12,991	12,065	24,838

Derivative financial liabilities

<u>December 31, 2019</u>			
Forward foreign exchange contracts	\$ 1,563	\$ -	\$ -

Non-derivative financial liabilities

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

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

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

- B. Financial instruments not measured at fair value

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

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

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

<u>March 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 166,456	\$ -	\$ -	\$ 166,456
Derivative instruments	-	3,494	-	3,494
Financial assets at fair value through other comprehensive income				
Equity securities	<u>349,922</u>	<u>-</u>	<u>-</u>	<u>349,922</u>
Total	<u>\$ 516,378</u>	<u>\$ 3,494</u>	<u>\$ -</u>	<u>\$ 519,872</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instruments	<u>\$ -</u>	<u>\$ 6,883</u>	<u>\$ -</u>	<u>\$ 6,883</u>
<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 170,484	\$ -	\$ -	\$ 170,484
Derivative instruments	-	15,787	-	15,787
Financial assets at fair value through other comprehensive income				
Equity securities	<u>389,477</u>	<u>-</u>	<u>-</u>	<u>389,477</u>
Total	<u>\$ 559,961</u>	<u>\$ 15,787</u>	<u>\$ -</u>	<u>\$ 575,748</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instruments	<u>\$ -</u>	<u>\$ 1,563</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

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

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

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

D. For the three months ended March 31, 2020 and 2019, 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, 2020 are as follows:

A. Loans to others: None.

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

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

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

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

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

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

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

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

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

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

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

(4) Major shareholders information

Major shareholders information: Please refer to table 7.

14. SEGMENT INFORMATION

(1) General information

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

(2) Segment information

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

	<u>Three months ended March 31, 2020</u>		
	<u>Single operating segment</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
Reportable segments income			
Revenue from external customers	\$ 571,419	\$ -	\$ 571,419
Total	\$ 571,419	\$ -	\$ 571,419
Reportable segments profit	(\$ 12,456)	\$ -	(\$ 12,456)
Reportable segments income			
Segments profit, including:			
Interest income	\$ 8,066	\$ -	\$ 8,066
Depreciation and amortization	\$ 29,556	\$ -	\$ 29,556
Share of loss of associates and joint ventures accounted for using equity method	(\$ 5,475)	\$ -	(\$ 5,475)
Income tax benefit	(\$ 1,697)	\$ -	(\$ 1,697)

	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	<u>\$ 1,020,669</u>	<u>\$ -</u>	<u>\$ 1,020,669</u>
Reportable segments profit	<u>\$ 48,265</u>	<u>\$ -</u>	<u>\$ 48,265</u>
Reportable segments income			
Segments profit, including:			
Interest income	<u>\$ 8,042</u>	<u>\$ -</u>	<u>\$ 8,042</u>
Depreciation and amortization	<u>\$ 32,128</u>	<u>\$ -</u>	<u>\$ 32,128</u>
Share of loss of associates and joint venturers accounted for using equity method	<u>(\$ 1,453)</u>	<u>\$ -</u>	<u>(\$ 1,453)</u>
Income tax expense	<u>\$ 9,486</u>	<u>\$ -</u>	<u>\$ 9,486</u>

(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,	
	2020	2019
Reportable segments (loss) income	<u>(\$ 12,456)</u>	<u>\$ 48,265</u>
Loss (income) before tax from continuing operations	<u>(\$ 12,456)</u>	<u>\$ 48,265</u>

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, 2020

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

					As of March 31, 2020				
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	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss - current	115	\$ 20,556	-	\$ 20,556	
"	"	FSITC Taiwan Money Market Fund	-	"	2,006	30,853	-	30,853	
"	"	CTBC Hua Win Money Market Fund	-	"	1,359	15,047	-	15,047	
"	"	Yuanta Taiwan High-yield Leading Company Fund	-	"	10,000	100,000	-	100,000	
						<u>\$ 166,456</u>		<u>\$ 166,456</u>	
					As of March 31, 2020				
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	\$ 241,000	0.51%	\$ 241,000	
"	"	Koryo Electronics Co., Ltd.	-	"	2,871	61,726	5.54%	61,726	
"	"	MUTUALPAK	-	"	108	-	0.65%	-	
"	"	Taiwan Pelican Express Co., Ltd.	-	"	1,781	47,196	1.87%	47,196	
						<u>\$ 349,922</u>		<u>\$ 349,922</u>	

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

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

Creative Sensor Inc. and Subsidiaries
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Three months ended March 31, 2020

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note)			Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
The Company	Nanchang Creative Sensor Technology Co., Ltd.	The Company's third-tier subsidiary	Purchases	\$ 493,281	100%	75~90 days after monthly billing	\$ -	Note	(\$ 490,747)	99.54%	-

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
 March 31, 2020

Table 3

Expressed in thousands of NTD
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at March 31, 2020	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Nanchang Creative Sensor Technology Co., Ltd.	The Company	Parent company	\$ 490,747	3.23	\$ -	-	\$ 193,509	\$ -

Creative Sensor Inc. and Subsidiaries
 Significant inter-company transactions during the reporting period
 Three months ended March 31, 2020

Table 4

Expressed in thousands of NTD
 (Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	The Company	Nanchang Creative Sensor Technology Co., Ltd.	1	Accounts payable	\$ 490,747	75~90 days after monthly billing	11.29%
"	"	"	"	Purchases	493,281	"	86.33%

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, 2020

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2020				Net profit (loss) of the investee for the three months ended March 31, 2020	Investment income (loss) recognized by the Company for the three months ended March 31, 2020 (Note)	Footnote
				Balance as at March 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value				
The Company	Creative Sensor Inc.	British Virgin Islands	Holding company	\$ 974,576	\$ 974,576	29,414,994	100	\$ 2,597,393	(\$ 15,494)	(\$ 15,494)	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	3,067	(3)	(3)	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	227,958	(51,360)	(5,475)	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	1,767,485	(24,270)	-	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, 2020

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

A. Information on reinvestment in Mainland Area

Investee in Mainland China	Main business activities	Paid-in capital (Note 2)	Investment method (Note 1)	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the three months ended March 31, 2020			Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2020 (Note 3)	Net income of investee for the three months ended March 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the three months ended March 31, 2020 (Note 4)	Book value of investments in Mainland China as of March 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2020	Footnote
				Remitted to Mainland China	Remitted back to Taiwan	as of January 1, 2020 (Note 3)							
Wuxi Creative Sensor Technology Co., Ltd.	Image Sensor	\$ 528,292	Note 1	\$ 450,508	\$ -	\$ -	\$ 450,508	(\$ 3,820)	100	(\$ 3,820)	\$ 639,542	\$ 149,550	None
Nanchang Creative Sensor Technology Co., Ltd.	Image Sensor	926,025	Note 1	437,973	-	-	437,973	(21,755)	100	(21,755)	1,055,300	-	"

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, 2020 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, 2020 in the original currency was both US\$14,500 thousand.

Note 4: Investment income (loss) recognised for the three months ended March 31, 2020 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, 2020	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	\$ 888,480	\$ 740,174	\$ 1,924,969

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2020 in original currency amounted to US\$29,415 thousand.

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

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

Creative Sensor Inc. and Subsidiaries

Major shareholders information

March 31, 2020

Table 7

Major shareholders name	Ownership	Ownership (%)
Teco Image Systems Co., Ltd.	21,928,260	17.25%
Teco International Investment Co., Ltd.	7,913,310	6.22%

- (a) The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may differ from the actual number of shares in dematerialised form due to the difference of calculation basis.
- (b) If the aforementioned data contains shares which were kept at the trust by the shareholders, the data was disclosed as separate account of client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio including the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.