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

Creative Sensor Inc.

2017 Annual Report
Printed on: May 22, 2018

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

Spokesperson: Yuan-Sheng Wang	Deputy of the Spokesperson: Chien-Lung Chen
Title: Assistant Manager of the Finance Department	Title: Vice President and Chief Technology Officer of the Research and Development Department
Tel: (02)8912-1289	Tel: (02)8912-1289
e-Mail: spokesperson@csi-sensor.com.tw	

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

Name	Address	Tel
Headquarters	9F., No.501, Sec. 6, Nanjing E. Rd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)	(02)8912-1289

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

Name: Registrar Department of Yuanta Securities

Address: B1F., No.210, Sec. 3, Chengde Rd., Datong Dist., Taipei City 103, Taiwan (R.O.C.)

Official website: http://www.yuanta.com

Tel: 02-2586-5859

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

Name: CPA Shu-Chiung Chang and CPA Hui-Chin Tseng

Accounting firm: PwC Taiwan

Address: 27F., No.333, Sec. 1, Keelung Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)

Official website: http://www.pwc.com/tw

Tel: (02)2729-6666

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

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

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I. Letter to Shareholders

一、2017 operational overview

The 2017 revenues had fallen by 8% compared to 2016 mainly due to increased sales of low-end models at customers' request, increased in-house production among customers, and intensive competition from peers that resulted in the drop of market share. Meanwhile, gross profit decreased by 17% partly because of lower revenues, which reduced marginal benefits, and partly because of tightened passive component supply, which resulted in a surge in component pricing. Below is an analysis of consolidated business performance and profitability for 2017:

Unit: NTD thousands

Year / Item	2017	2016	Growth rate
Net operating revenues	3,957,862	4,309,299	-8%
Gross profit	551,959	257,536	-17%
EPS	1.65	2.03	-18%

(I) Revenue, profit and loss:

2017 revenues amounted to NT$3.958 billion, down 8% from the NT$4.309 billion in 2016. Net income totaled NT$210 million, which was equivalent to an EPS of NT$1.65.

(II) R&D results:

The Company had 5 patents reviewed and approved in 2017.

二、2018 Outlook

The U.S. economy should expand further in 2018 due to tax reform and improved corporate fundamentals. In the Eurozone, economic growth is steadily recovering due to stabilized domestic demand and improved trade balance, but movements of right wing extremists and outcome of UK's exit still need to be monitored closely. Japan's prolonged economic slump has finally ended, and should steadily recover growth momentum as domestic demand expands in preparation for 2020 Tokyo Olympics. China, on the other hand, should experience a slowdown of economic growth due to rising financial risk, ongoing trade conflict with the United States, as well as slowdown and construction activities. The United States is likely to raise interest rate three to four times in response to the expanding economy, which may undermine investor and consumer confidence to a certain degree. Overall, the global economy should exhibit moderate expansion throughout 2018.

Although economic activities have recovered in comparison to the previous year, demand for multifunction printers is expected to remain unchanged due to increasing popularity of online applications, cloud computing, and rising awareness towards paperless process and environmental protection. In terms of supply, raw material costs have increased due to rising price of passive components and PCBs, and enforcement of environmental laws in China. Furthermore, following the latest amendment of Income Tax Act in Taiwan, the business income tax rate was increased from 17% to 20%, which brings even more challenges to the business environment. In 2018, the Company will focus on competing for production orders to increase market share, while at the same time enforce proper quality control for higher customer satisfaction and refine factory management for higher profitability. The Company will also actively explore other applications of CIS, and develop new products for applications such as Internet of things (IoT) and Industry 4.0 as new sources of revenue.

The following will be the focuses of the Company's operations in 2018:

1. Maintain leadership position in CIS. Extend proprietary technology and engage main customers in new product development. Offer vertically integrated CIS solutions.
2. Adjust factory production strategy in ways that increase the level of automated production and yield. Control costs and expenses for higher profits.
3. The Company will take initiative in developing optoelectronic products to accommodate two new global trends, namely IoT and Industry 4.0, and continue exploring new markets, customers and product variety.
4. Additional R&D resources will be invested to develop new applications of the Company's optical sensors and enhance competitiveness of core technologies.
5. In response to the volatile price and inconsistent supply of parts, the Company will actively seek out alternative suppliers to secure future supply.

Chairman IKUJIN KO

II. Company Profile

1. Founded Date: June, 15th, 1998.
2. Corporate Milestones

1998	- The Company was founded in Wenshan District, Taipei City. The registered capital was NTD40 million and the paid-in capital was NTD10 million.
1999	- The Company moved to Xizhi City, Taipei County.
	- The cash capital increase was NTD50 million and the paid-in capital was NTD60 million.
2000	- The cash capital increase was NTD300 million and the paid-in capital reached NTD360 million. The Company then carried out supplemental public issuance.
	- The Company moved to Xindian City, Taipei County.
	- The company obtained the ISO9001 certificate.
2001	- The Company entered into the “Development Project of New Leading Products” agreement with the Industrial Development Bureau, Ministry of Economic Affairs.
2002	- The Company finished a complete strategic alliance arrangement in the CIS industry with global leading manufacturers and customers.
	- The English name of the Company was changed to “CREATIVE SENSOR INC.”.
	- The cash capital increase was NTD140 million and the paid-in capital reached NTD500 million.
	- A subsidiary was founded in Wuxi, China, in line with the marketing strateg and lower production cost.
	- The cash capital increase was NTD200 million and the paid-in capital reached NTD700 million.
2003	- The Company developed a 2400 DPI High Resolution Chromatic CIS. It was the first developed and mass-produced leading model of 2400 DPI in the market.
2004	- Our Wuxi 2nd factory in China was launched officially.
	- The Company obtained the ISO14001 certificate.
2005	- The Company was approved by the Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan, to list as a public company.
	- The first domestic unsecured convertible bonds amounting to NTD200 million was issued.
	- The Company invested and founded a subsidiary in the USA.
2006	- The Company obtained the qualification of business operation

headquarters.

- The Company obtained the TS16949 quality system certificate in the automobile industry.
- The first liquid lens in the world was put into mass production successfully.

2007
- The Company invested in and founded the NanChang Creative Sensor Technology CO.,LTD..
- The Company obtained the technology research and development project from the Ministry of Economic Affair (research and development project of autofocus liquid lens module).

2008
- NanChang Creative Sensor Technology CO.,LTD. Was launched.

2009
- Wuxi Creative Sensor Technology CO.,LTD. passed the high-tech enterprise certification.

2010
- Part of the ELCC new packaging process for sensors entered the mass production stage.

2012
- NanChang Creative Sensor Technology CO.,LTD. passed the high-tech enterprise certification.

2013
- The Company received the 2012 best quality award for suppliers from Brother.

2014
- The Company received the 2013 remarkable supplier award from Epson.
- The Company moved to Neihu District, Taipei City.

2015
- The company received the 2015 remarkable quality and process supplier award from HP.

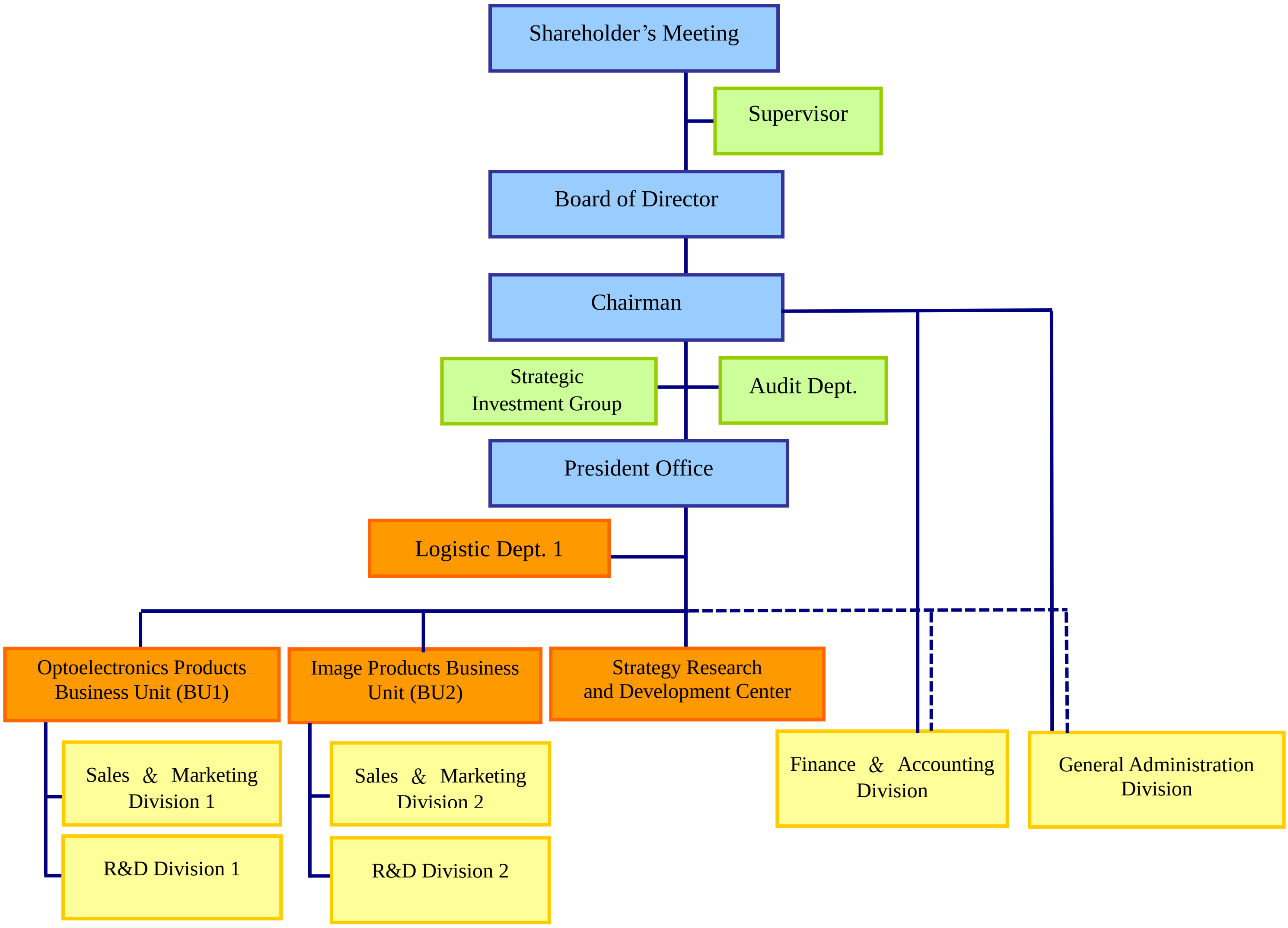
2016
- The Company received the 2016 quality advancement supplier award from HP.
- The Company received the 2016 quality advancement award from Samsung.
- The Company received the 2016 remarkable supplier award from Brother.
- The Company received the 2016 remarkable supplier award from Epson.

2017
- The Company successfully developed infrared thermal imaging ceramic packaging technology.
- The Company successfully developed independent sensor light sources and it entered the mass production stage.

III. Corporate Governance Report

3.1. Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Functions

Business Unit	Opreation
Audit Dept.	Internal review to assess the company control system, the establishment and implementation of the revised internal audit system and audit of the internal management system works and to make periodic reports.
President Office	Planning, formulation of the company's vision, business policy as well as medium and long term development strategy.
Optoelectronics Products Business Unit (BU1)	1. responsible for driving business development company optoelectronic products, customer development and maintenance, market information collection, analysis and product development and design. 2. based on the company strategic direction, market information, customer demand, the development of marketing strategies. 3. Customer data, quotation and order management, sales reports and RMA progress control. 4. Shipment Notices Issue, sell, and contact with customers. 5. Assist in the exploration and improvement of process problems. 6. Development of test systems and establishment of maintenance systems.
Image Products Business Unit (BU2)	1. responsible for driving business development of the company's imaging products, customer development and maintenance, market information collection, analysis and product development and design. 2. based on the company strategic direction, market information, customer demand, the development of marketing strategies. 3. Customer data, quotation and order management, sales reports and RMA progress control. 4. Shipment Notices Issue, sell, and contact with customers. 5. Assist in the exploration and improvement of process problems. 6. Development of test systems and establishment of maintenance systems.
Strategic R&D Center	1. Responsible for promoting the R&D and business development of the company's new products. 2. The convergence of new products, new equipment, new technology introduction, and plans to reduce production costs. 3. The collection, analysis and response of product market trends, technologies and other information. 4. Development, design and specification of materials and fixtures for new products.
Finance & Accounting Division	1. Comprehensive management of the company's financial, accounting, cost, stock, transfer of investment and board of directors matters. 2. responsible for investment analysis, budget management, operational effectiveness analysis and strategy, business planning and other services.
General Administration Division	1. Comprehensive management of the company's human resources, general administration, asset management, legal and information management services. 2. Provide support and services that meet the needs of various departments, and promote the improvement of business performance.

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

3.2.1 Directors, Supervisors

April 28, 2018

Title	Nationality /Companies Registry	Name	Gender	Date of Election (Appointment)	Term (years)	Date First Elected	Shareholding when Elected		Current shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Concurrent positions in the Company or in other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
					(Year)		Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chairman	R.O.C.	TECO Image Systems Co., Ltd.		104.6.24	3	92.6.20	21,928,260	17.26%	21,928,260	17.26%	0	0	0	0	Chairman and president of TECO Image Systems Co., Ltd. CEO of TECO Group, IT Business Unit M.E.E. of Columbia University	(Note 2)	-	-	-
	Janpan	Representative: IKUJIN KO	M	104.6.24	3	92.6.20	0	0.00%	0	0.00%	0	0	0	0			-	-	-
Director	R.O.C.	TECO Electric & Machinery Co., Ltd.		104.6.24	3	95.6.14	2,137,044	1.68%	2,137,044	1.68%	0	0	0	0	Deputy President of TECO Electric & Machinery Co., Ltd. Master, Stevens Institute of Technology		-	-	-
	R.O.C.	Representative: Chao-Chih Lien	M	104.6.24	3	94.1.05	0	0.00%	0	0.00%	0	0	0	0			-	-	-
Director	R.O.C.	TECO Image Systems Co., Ltd.		104.6.24	3	92.6.20	21,928,260	17.26%	21,928,260	17.26%	0	0	0	0	Emeritus Chair Professor of Chang Jung Christian University Doctor of Department of Psychology, University of Wyoming		-	-	-
	R.O.C.	Representative: Chiang Hsu	M	104.6.24	3	95.6.14	0	0.00%	0	0.00%	0	0	0	0			-	-	-
Director	R.O.C.	KROM Electronics Co., Ltd.		104.6.24	3	101.6.13	100,000	0.08%	100,000	0.08%	0	0	0	0	Doctor of International Judicial Science of University of International Business and Economics, Beijing Chairman of KROM Electronics Co., Ltd.		-	-	-
	R.O.C.	Representative: Ying-Sheng Hsieh	M	104.6.24	3	98.6.16	0	0.00%	0	0.00%	0	0	0	0			-	-	-
Director	R.O.C.	TECO Capital Investment Co., Ltd. (Note 1)		104.6.24	3	89.4.11	7,913,310	6.23%	7,913,310	6.23%	0	0	0	0	Bachelor of Department of Electronic Engineering, Chung Yuan Christian University CTO of Planning Division, TECO Image Systems Co., Ltd.		-	-	-
	R.O.C.	Representative: Yao-Ming Wei	M	104.6.24	3	101.6.13	0	0.00%	0	0.00%	0	0	0	0			-	-	-
Independent Director	R.O.C.	Semi Wang	M	104.6.24	3	98.6.16	0	0.00%	0	0.00%	0	0	0	0	Chairman of Ming Shing Creativity Management Consultant Co., Ltd. MBA, University of Leicester		-	-	-
Independent Director	R.O.C.	James Wang	M	104.6.24	3	95.6.14	0	0.00%	0	0.00%	0	0	0	0	President of Sercomm Corporation MBA, Harvard Business School		-	-	-
Supervisor	R.O.C.	KUANG YUANG ENTERPISE CO.,LTD		104.6.24	3	92.6.20	789,530	0.62%	789,530	0.62%	0	0	0	0	Chairman of TECNOS International Consultant Co., Ltd. MBA of College of Management, National Taiwan University		-	-	-
	R.O.C.	Representative: Hui-Mei, Wu	F	104.6.24	3	101.11.5	0	0.00%	0	0.00%	0	0	0	0			-	-	-
Supervisor	R.O.C.	Ko-Hsin Hsu (Note 2)	F	104.6.24	3	104.6.24	0	0.00%	0	0.00%	0	0	0	0	Director of Financial Division, TECO Electric & Machinery Co., Ltd. Master, University of Michigan		-	-	-
Supervisor	R.O.C.	Min-Yu Chang	F	104.6.24	3	93.06.07	13,000	0.01%	13,000	0.01%	0	0	0	0	Reorganizer of First International Telecom Corp. Director of Chang Hwa Commercial Bank, Ltd. Chairman, president of Qi Dun Consultant Co., Ltd. Supervisor of Leo Systems, Inc. Partner of Deloitte Touche Tohmatsu Limited Department of Accounting, Tamkang University		-	-	-

Note 1: Tong An Investment Co., Ltd. has never held the position as director or supervisor of the Company from June 16, 2007 to June 12, 2012.
Note 2: Supervisor Ko-Hsin Hsu resigned as a supervisor of the Company and director of Financial Division, TECO Electric & Machinery Co., Ltd. on February 22, 2018

Data for Directors

Criteria / Name	Has at least five years of relevant working experience and the following professional qualifications			Compliance of independence (Note 1)										Number of positions as an Independent Director in other public listed companies s
	Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the Company's operations in a public or private tertiary institution	Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the Company's operations in a public or private tertiary institution	Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the Company's operations in a public or private tertiary institution	1	2	3	4	5	6	7	8	9	10	
TECO Image Systems Co., Ltd. Representative: IKUJIN KO			✓			✓	✓			✓	✓	✓		無
TECO Image Systems Co., Ltd. Representative: Chiang Hsu	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓		無
TECO Electric & Machinery Co., Ltd. Representative: Chao-Chih Lien			✓			✓	✓			✓	✓	✓		無
KROM Electronics Co., Ltd. Representative: Ying-Sheng Hsieh			✓			✓	✓		✓	✓	✓	✓		無
TECO Capital Investment Co., Ltd. Representative: Yao-Ming Wei			✓			✓	✓		✓	✓	✓	✓		無
Semi Wang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	無
James Wang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	無
KUANG YUANG ENTERPISE CO.,LTD Representative: Hui-Mei, Wu			✓			✓	✓		✓	✓	✓	✓		無
Ko-Hsin Hsu			✓			✓	✓		✓	✓	✓	✓	✓	無
Min-Yu Chang		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	1

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

(1) Not an employee of the company or an affiliate.
(2) Not a director or supervisor of the Company or any of its affiliates (the same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).
(3) Not a natural-person shareholder who holds shares, together with those held by the person and his/her spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.
(4) Not a spouse, relative within the second degree of kinship, or direct blood relative within the fifth degree of kinship of a person listed in the three foregoing paragraphs.
(5) Is not the director, supervisor, or employee of an institutional shareholder directly holding more than 5% of the Company's total outstanding shares, nor is the director, supervisor, or employee of one of the five largest institutional shareholders in terms of shareholdings.
(6) Is neither a director, supervisor, manager, nor a shareholder holding more than 5% of the outstanding shares, of a certain company or organization that has a financial or business relationship with the company.
(7) Is not a professional providing business, legal, financial, accounting, or consulting services to the company or an affiliate, nor an owner, partner, director, supervisor, or manager, or the spouse of any of the foregoing, of a sole proprietorship, partnership, company, or organization providing such services to the company or an affiliate. However, this shall not apply to the remuneration committee members who exercise their powers in accordance with the Regulations on the Establishment of Remuneration Committees in Article 7 by TWSE/TPEx Listed Companies and their Exercise of Powers.
(8) Is not the spouse or relative within the second degree of kinship of another director.
(9) Is not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.
(10) Has not been elected as a government unit, institution, or their representative as prescribed in Article 27 of the Company Act.

3.2.2 Management Team

April 28, 2018

Title	Nationality	Name	Gender	Date of Election (Appointment)	Shareholding		Shareholdings of spouse and underage children		Shareholding under another		Education and selected past positions	Currently Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
President	R.O.C.	Chi-Chang Yang	M	2015.11.09	464	0.0004%	0	0	0	0	Sales Director of Sunplus Technology Co., Ltd. MBA of Keio University	Director of Wuxi Creative Sensor Technology Co.,Ltd.; Director of Creative Sensor (USA) Co.	-	-	-
Vice President and CTO	R.O.C.	Chien-Lung Chen	M	2017.02.15	0	0	0	0	0	0	Vice President of TECO Image Systems Co., Ltd. EMBA of National Taiwan University	Chairman of Teco Image Systems (Dong Guang)	-	-	-
Video and Image Products Dept. Vice President	R.O.C.	Ho-Hsin Chen	M	2017.02.20	0	0	0	0	0	0	President of EPISKY corporation (Changzhou) Ltd. EMBA of Department of Industrial and Business Management, Pacific Western University	President of NanChang Creative Sensor Technology Co., Ltd. Director of Wuxi Creative Sensor Technology Co.,Ltd.	-	-	-
Optical Electrics Dept. Assistant Vice President	R.O.C.	Hung-Chi Chen	M	2017.02.15	50,000	0.04%	0	0	0	0	Vice President of NanChang Creative Sensor Technology Co., Ltd. Department of Electronic Engineering, Hwa Hsia University of Technology	President of Wuxi Creative Sensor Technology Co., Ltd. Director of NanChang Creative Sensor Technology Co.,Ltd.	-	-	-
Financial Dept. Assistant Vice President	R.O.C.	Yuan-Sheng Wang	F	2014.09.15	0	0	0	0	0	0	Finanicial Director of Qisda Corporation Master of Finance, Golden Gate University	Director of Creative Sensor (USA) Co.	-	-	-

3.2.3 Remuneration of Directors, President and Vice President

3.2.3.1 Remuneration of Directors (Including Independent Directors)

Unit: NT$ thousands

No.	Title	Name	Remuneration to directors								Sum of A, B, C, and D as percentage of net income (%)		Sum of A, B, C, and D as percentage of net income (%)								Sum of A, B, C, D, E, F and G as percentage of net income (%)		Remuneration from investees beyond subsidiaries
			Remuneration (A)		Pension (B)		Remuneration to directors (C)		For professional practice (D)				Salary, Bonuses and special allowances (E)		Pension (F)		Employee Compensation (G)						
			The Company	The Company	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company		Companies included into the financial statement		The Company	Companies included into the financial statement	
																	Cash dividend	Stock dividend	Cash dividend	Stock dividend			
1	Chairman	TECO Image Systems Co., Ltd.	7,477	7,477	0	0	6,731	6,731	200	225	6.86%	6.87%	0	0	0	0	0	0	0	0	6.86%	6.87%	Yes
2		Representative: IKUJIN KO																					
3	Director	TECO Image Systems Co., Ltd. Representative: Chiang Hsu																					
4	Director	TECO Electric & Machinery Co., Ltd.																					
5		Representative: Chao-Chih Lien																					
6	Director	KROM Electronics Co., Ltd.																					
7		Representative: Ying-Sheng Hsieh																					
8	Director	TECO Capital Investment Co., Ltd.																					
9		Representative: Yao-Ming Wei																					
10	Independent Director	Semi Wang																					
11	Independent Director	James Wang																					

Bracket	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Companies included into the financial statement I	The Company	All investees included into the financial statement J
Under NT$ 2,000,000	1、3、4、5、6、7、8、9、10、11	1、3、4、5、6、7、8、9、10、11	1、3、4、5、6、7、8、9、10、11	1、3、4、5、6、7、8、9、10、11
2,000,000 (inclusive) ~ 5,000,000 (exclusive)	—	—	—	—
5,000,000 (inclusive) ~ 10,000,000 (exclusive)	2	2	2	2
10,000,000 (inclusive) ~ 15,000,000 (exclusive)	—	—	—	—
15,000,000 (inclusive) ~ 30,000,000 (exclusive)	—	—	—	—
30,000,000 (inclusive) ~ 50,000,000 (exclusive)	—	—	—	—
50,000,000 (inclusive) ~ 100,000,000 (exclusive)	—	—	—	—
Over NT$100,000,000	—	—	—	—
Total	11	11	11	11

＊Expressed by each director No.

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

3.2.3.2 Remuneration of Supervisors

Unit:NTD thousands

No.	Title	Name	Remuneration to supervisors						Sum of A, B and C as percentage of net income (%)		Remuneration from investees beyond subsidiaries
			Remuneration (A)		Compensation (B)		For professional practice (C)				
			The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	
1	Supervisor	KUANG YUANG ENTERPISE CO.,LTD	0	0	860	860	0	0	0.41%	0.41%	None
2	Supervisor	Representative: Hui-Mei, Wu	0	0	0	0	25	25	0.01%	0.01%	
3	Supervisor	Ko-Hsin Hsu	0	0	1,860	1,860	55	55	0.91%	0.91%	None
4	Supervisor	Min-Yu Chang									

酬金級距表

Bracket	Name of Supervisor	
	Total of (A+B+C)	
	The Company	All investees included into the financial statement D
Under NT$ 2,000,000	1、2、3、4	1、2、3、4
2,000,000 (inclusive) ~ 5,000,000 (exclusive)	—	—
5,000,000 (inclusive) ~ 10,000,000 (exclusive)	—	—
10,000,000 (inclusive) ~ 15,000,000 (exclusive)	—	—
15,000,000 (inclusive) ~ 30,000,000 (exclusive)	—	—
30,000,000 (inclusive) ~ 50,000,000 (exclusive)	—	—
50,000,000 (inclusive) ~ 100,000,000 (exclusive)	—	—
Over NT$100,000,000	—	—
Total	4	4

* Expressed by each supervisor No.
* Remuneration disclosed herein is different from the term “income” as defined in the Income Tax Act; this table is for information disclosure, and not for taxation purposes.

3.3 Compensation of President and Vice President

Unit: NTD thousands

<table>
<tr><th rowspan="3">No.</th><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary (A)</th><th colspan="2">Pension (B) (Note 1)</th><th colspan="2">Bonuses and special allowances (C)</th><th colspan="4">Employee Compensation (D)</th><th colspan="2">Sum of A, B, C, and D as percentage of net income (%)</th><th colspan="2">Quantity of shares entitled under employee stock option</th><th colspan="2">Quantity of new restricted employee shares</th><th rowspan="3">Remuneration from investees beyond subsidiaries</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">Companies included into the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">Companies included into the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">Companies included into the financial statement</th><th colspan="2">The Company</th><th colspan="2">Companies included into the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">Companies included into the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">Companies included into the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">Companies included into the financial statement</th></tr>
<tr><th>Cash dividend</th><th>Stock dividend</th><th>Cash dividend</th><th>Stock dividend</th></tr>
<tr><td>1</td><td>President</td><td>Chi-Chang Yang</td><td rowspan="3">8,495</td><td rowspan="3">8,495</td><td rowspan="3">305</td><td rowspan="3">305</td><td rowspan="3">3,372</td><td rowspan="3">3,372</td><td rowspan="3">5,928</td><td rowspan="3">0</td><td rowspan="3">5,928</td><td rowspan="3">0</td><td rowspan="3">8.62%</td><td rowspan="3">8.62%</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">None</td></tr>
<tr><td>2</td><td>Vice President</td><td>Chien-Lung Chen</td></tr>
<tr><td>3</td><td>Vice President</td><td>Ho-Hsin Chen</td></tr>
</table>

Note 1: The pension paid actually in 2017 was NT$0 thousand, while the expenditure of pension as provided or allocated was NT$305 thousand.

<table>
<tr><th rowspan="2">Bracket</th><th colspan="2">Name of Presidents and vice presidents</th></tr>
<tr><th>The Company</th><th>Companies included into the financial statement</th></tr>
<tr><td>Under NT$ 2,000,000</td><td>—</td><td>—</td></tr>
<tr><td>2,000,000 (inclusive) ~ 5,000,000 (exclusive)</td><td>2、3</td><td>2、3</td></tr>
<tr><td>5,000,000 (inclusive) ~ 10,000,000 (exclusive)</td><td>1</td><td>1</td></tr>
<tr><td>10,000,000 (inclusive) ~ 15,000,000 (exclusive)</td><td>—</td><td>—</td></tr>
<tr><td>15,000,000 (inclusive) ~ 30,000,000 (exclusive)</td><td>—</td><td>—</td></tr>
<tr><td>30,000,000 (inclusive) ~ 50,000,000 (exclusive)</td><td>—</td><td>—</td></tr>
<tr><td>50,000,000 (inclusive) ~ 100,000,000 (exclusive)</td><td>—</td><td>—</td></tr>
<tr><td>Over NT$100,000,000</td><td>—</td><td>—</td></tr>
<tr><td>Total</td><td>3</td><td>3</td></tr>
</table>

* Expressed by each managerial officer No.

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

Employee Bonus to Executive Officers

Unit: NTD thousands

	Title	Name	Stock dividend	Cash dividend	Total	As percentage of net income after tax (%)
經理人	President	Chi-Chang Yang	0	8,278 (Projected)	8,278 (Projected)	3.94%
	Vice President	Chien-Lung Chen (Note 2)				
	Vice President	Ho-Hsin Chen (Note 3)				
	Assistant Vice President	Hung-Chi Chen (Note 4)				
	Assistant Vice President	Yuan-Sheng Wang				
	Assistant Vice President	Sheng-Chih Ou (Note 5)				

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

Note 2: Hold the position on January 17, 2017 and appointed as Vice President on February 15, 2017.

Note 3: Hold the position on February 20, 2017 and appointed as Vice President on February 15, 2017.

Note 4: Promoted as Assistant Vice President on February 15, 2017.

Note 5: Discharged as Chief Accountant and transferred as Advisor on March 22, 2017.

3.2.4 Comparison of Remuneration for Directors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

Title	The remuneration to directors, supervisors, presidents and vice presidents of the Company paid by the Company and companies included in the individual financial statements in proportion to the net income after tax referred to in the individual financial statements in 2016.	The remuneration to directors, supervisors, presidents and vice presidents of the Company paid by the Company and companies included in the individual financial statements in proportion to the net income after tax referred to in the individual financial statements in 2017.
Director	20.68% (Note 1)	16.82%
Supervisor		
President		
Vice President		

Note 1: The total remuneration 2016 included the remuneration to the Company’s management ranking assistant vice president.

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

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

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors

A total of 6 meetings of the board of directors were held in 2017, director attendance was as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (B/A) (%) (Note 2)	Remarks (Note 1)
Chairman	TECO Image Systems Co., Ltd. Representative: IKUJIN KO	6	0	100	Reelected
Director	TECO Electric & Machinery Co., Ltd. Representative: Chao-Chih Lien	4	2	67	Reelected
Director	TECO Image Systems Co., Ltd. Representative: Chiang Hsu	5	1	83	Reelected
Director	KROM Electronics Co., Ltd. Representative: Ying-Sheng Hsieh	5	1	83	Reelected
Director	TECO Capital Investment Co., Ltd.Representative: Yao-Ming Wei	6	0	100	Reelected
Independent Director	Semi Wang	4	2	67	Reelected
Independent Director	James Wang	6	0	100	Reelected

Other items to be stated:

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

(I) The circumstances referred to in Article 14-3 of the Securities and Exchange Act: None.

(II) Any other resolution(s) passed but with independent directors voicing opposing or qualified opinions on the record or in writing: None.

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

Date of Directors' Meeting	Name of Directors	Motion	Cause of recusal for conflict of interest	Participation in voting
2018.03.21	Independent director of Semi Wang, Independent director of James Wang	Nomination of independent director candidates	Independent director Semi Wang and Independent director James Wang were the Independent director candidates nominated by the Board of Directors.	Independent director Semi Wang and Independent director James Wang recused themselves from the voting for conflict of interest. The motion was approved upon resolution by the other present directors.
2018.05.11	Independent director of Semi Wang, Independent director of James Wang	Review on qualifications of Independent director candidates	Independent director Semi Wang and Independent director James Wang were nominated by the Board of Directors as the Independent director candidates for next term.	Independent director Semi Wang and Independent director James Wang recused themselves from the voting for conflict of interest. The motion was approved upon resolution by the other present directors.

III.	The goal to improve the functions of the Board of Directors in the current and most recent years: The Company elected 2 independent directors voluntarily according to the Securities and Exchange Act to complete the corporate governance, enforce the independence and functions of directors, and improve the the Board of Directors' operational efficiency. In addition, the Company has amended the rules of procedure for Board of Directors' meetings in accordance with the laws and regulations and operated accordingly. The Company established the Remuneration Committee on December 21, 2011, which is responsible for the performance evaluation of the directors, supervisors and managers; the strategy, system, standard, structure and assessment of the salary remuneration; and the determination of the remuneration for the directors, supervisors and managers.

Note 1: The directors and supervisors were reelected at the Company's general shareholders' meeting on June 27, 2018.

3.4.2 Participation status of the supervisors in the meeting of the Board of Directors

1. A total of 6 meetings of the board of directors were held in 2017, director attendance was as follows:

Title	Name	Actual attendance (B)	Actual attendance rate (%) (B/A) (Note 2)	Remarks
Supervisor	KUANG YUANG ENTERPISE CO.,LTD Representative: Hui-Mei, Wu	5	83	Reelected
Supervisor	Ko-Hsin Hsu	5	83	Resigned on February 22, 2017
Supervisor	Min-Yu Chang	6	100	Reelected

Other items to be stated:

I. Composition and responsibilities of supervisors:

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

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

1. The chief auditor submitted an audit report to the Superiors in the month before the audit of items was completed and attended the regular Board of Directors' meeting to report the auditing matters. No supervisor had dissent.
2. Supervisors may at any time communicate with the internal chief auditor and CPA regarding the financial and business status of the Company. They also attend the Board of Directors' meetings to hear business reports from the Board of Directors and the management, participate in discussions, and make decisions.

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

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

3.4.3 Corporate Governance Execution Status and Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"

Items	Status			Deviations from "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
Has the Company established and disclosed the governance practice principles according to the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies?	✓		We have established the "Corporate Governance Best Practice Principles" in the 3rd meeting of the 7th Board of Directors (November 9, 2015) and has disclosed it in the Market Observation Post System and on the website of the Company.	In compliance with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
I. Equity structure and shareholders' rights of the Company (I) Has the Company defined some internal operating procedure to deal with suggestions, questions, disputes and legal actions from shareholders, and implemented the procedure?	✓		We have established the shareholder service and spokesperson systems. The spokesperson or the deputy of the spokesperson will handle the suggestions, questions and disputes from the shareholders.	In compliance with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
(II) Does the Company have the list of the major shareholders who actually control the Company and the persons who control the major shareholders?	✓		We report on a monthly basis any change of the shareholding status of the directors, supervisors, managers and shareholders who hold more than 10% of the shares in the Market Observation Post System designated by the competent authority according to Article 25 of the Securities and Exchange Act.	
(III) Has the Company established or implemented some risk control and firewall mechanisms between the Company and its affiliates?	✓		We have established the "Regulations Governing Operations Related to Financial Transactions with Affiliated Companies" to ensure sound financial transactions with affiliated companies and the prevention of any abnormality or improper transfer of benefits between affiliated companies in sales and purchasing transactions, acquisition and disposal of assets, endorsements and guarantees, and loans.	
(I) Has the Company established internal regulations to prohibit Company insiders from using information not available to the market to trade securities?	✓		(IV) We have established the "Management Procedures for Prevention of Insider Trading" and "Code of Ethical Conduct for Directors and Managers" to prohibit Company insiders from using information not available to the market to trade securities. They also serve as the basis for the handling and disclosing mechanism of our important information to prevent insider trading from happening.	
III. Composition and responsibilities of board of directors: (I) Has the Company formulated a policy of diversity for the formation of the Board of Directors and implemented it thoroughly?		✓	(I) Our Board of Directors has not established a policy on the diversity of its members, yet the directors have expertise in different fields and are very helpful for the development and operation of the	We will act depending on the needs of the Company and the regulations of the law in the future.

Items	Status			Deviations from "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
			Company.	
(II) Is the Company, in addition to establishing the remuneration committee and audit committee, pursuant to laws, willing to voluntarily establish any other functional committees?		✓	(II) We set up the Remuneration Committee according to the laws, and have not set up other functional committees.	
(III) Has the Company established guidelines for evaluating the performance of the Board of Directors and conducted regular performance evaluations every year?		✓	(III) We have not formulated the performance evaluation methods and measures for the Board of Directors, but we regularly review the efficiency of the Board of Directors and boost the corporate governance phase by phase.	We will act depending on the needs of the Company and the regulations of the law in the future.
(IV) Does the Company assess the CPAs for their independence on a regular basis?	✓		(IV) We evaluate the independence and suitability of the CPAs regularly every year, examining whether they are shareholders or have received salary from the Company to ensure they are not our stakeholders. We also make sure that they are not involved in any lawsuit and work with the accounting firm to change CPAs regularly.	In compliance with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
IV. Do TWSE/GTSM Listed Companies set up designated (concurrent) corporate governance units or personnel responsible for related matters (including but not limited to providing information required for directors and supervisors to perform their duties, handling matters related to Board of Directors' and shareholders' meetings, dealing with company and change registration, and making minutes of the Board of Directors' and shareholders' meetings, etc.)?	✓		We have shareholder service personnel who are responsible for corporate governance-related affairs.	In compliance with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
V. Does the Company establish channels for communication with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), design special web pages for the stakeholders on the website, and appropriately respond to important CSR issues of interest to the stakeholders?	✓		We have a spokesperson, deputy spokesperson and service personnel. We also have contact information on our website to communicate directly with the stakeholders, giving them knowledge on our operational status. The "Stakeholder" page was set up on the website of the Company.	In compliance with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
VI. Does the Company commission a professional registrar to deal with the affairs of shareholders' meetings?	✓		We commission the Registrar Department of Yuanta Securities as the professional shareholder service agency to deal with the affairs regarding the shares on behalf of the Company. We also establish the "Management	In compliance with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies

Items	Status			Deviations from "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
			for Share Business Operation" to regulate related matters.	
VII. Information Disclosure: (I) Has the Company built a website to disclose the financial and corporate governance information of the Company?	✓		(I) We have set up the "Financial Statement", "Investor Relations", "Corporate Governance" and "Stakeholder" pages to disclose financial business and corporate governance information.	In compliance with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
(II) Does the Company use other information disclosure methods (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, and the broadcasting of investor conferences via the company website)?	✓		(II) We have set up our English website and have designated personnel responsible for collecting and announcing all kinds of information and put the spokesperson system into practice.	
VIII. Does the Company have additional important information that is helpful to understand the operation of the corporate governance (including but not limited to the interests and care of employees, investor relationships, supplier relationships, rights of stakeholders, further education of directors and supervisors, implementation of risk management policies and risk assessment standards, implementation of customer policies, and liability insurance coverage for directors and supervisors & social responsibility)?	✓		(1) The interests and care of employees: We have always treated our employees sincerely. Through all kinds of employee welfare measures and education training courses, we build a fine relationship with our employees. Please refer to the "Relations Between Laborers and Employer" description of this annual report on (pp51 to 53) (2) Investor relations: We set up the investor relations page on our website to provide access to our information to the investors. We also have a spokesperson handling the shareholders' suggestions. (3) Supplier relations: We always maintain a good relationship with our suppliers. (4) Rights of stakeholders: Stakeholders can communicate with us and give us advice to protect their legal rights. (5) Continuing Education for Directors and Supervisors: The directors and supervisors have been taking continuing education according to the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies" (note). (6) Implementation of risk management policies and risk assessment standards: Please refer to the "Risk Assessment Evaluation" description of this annual report on (pp67 to 71). (7) Implementation of customer policies: We always maintain stable and good relationships with our customers to create profits for the Company. (8) Liability insurance coverage for directors and supervisors & social responsibility: The	In compliance with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies In compliance with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies

Items	Status			Deviations from "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
			Company has bought liability insurance for all the directors and supervisors.	

Ⅸ. Please state the improvement based on the corporate governance evaluation result released by the Corporate Governance Center of TWSE in the most recent year, and provide the priority to be improved and measures against the deficiencies remaining unimproved. (Not required, if the Company is not included into the companies to be evaluated.)

The Company ranked in the place between 66%~80% based on the corporate governance evaluation result in 2017. In 2018, the Company has already made the following improvement: (1) disclose the important messages in English on the MOPS at the same time; (2) adopt e-Vote comprehensively this year; (3) has a majority of directors (including no less than one independent director) no less than one supervisor, if supervisors are appointed, attend the general shareholders' meeting. The expected improvements planned by the Company include: (1) upload the annual report, meeting handbook and supplementary meeting information in English; (2) disclose the corporate ethical management best-practice principles and corporate social responsibility best-practice principles established by the Company on the MOPS and the Company's official website.

Note: 1. Directors and Supervisors' Continuing Education in 2017

Title	Name	Course date	Organizing agency	Course name	Course hours
Chairman	IKUJIN KO	2017/12/6	Taiwan Corporate Governance Association	Antitrust laws - The Fair Trade Act and Practice	3
		2017/12/22	Taiwan Institute of Directors	The Latest Platform Trend of Corporate Governance, Gaining Momentum for Corporate Transformation	3
Director	Chao-Chih Lien	2017/8/11	Taiwan Corporate Governance Association	How Directors and Supervisors Supervise the Company on Information Security and Risk Management and Enforce Corporate Governance	3
		2017/12/22	Taiwan Institute of Directors	The Latest Platform Trend of Corporate Governance, Gaining Momentum for Corporate Transformation	3
Director	Chiang Hsu	2017/5/10	Taiwan Corporate Governance Association	Corporate Governance, Competence of the Board of Directors, and Evaluation of Effectiveness	3
		2017/11/13		Operation and Responsibility of the Board of Directors	3
Director	Ying-Sheng Hsieh	2017/8/11	Taiwan Corporate Governance Association	How Directors and Supervisors Supervise the Company on Information Security and Risk Management and Enforce Corporate Governance	3
		2017/12/22	Taiwan Institute of Directors	The Latest Platform Trend of Corporate Governance, Gaining Momentum for Corporate Transformation	3
Director	Yao-Ming Wei	2017/12/6	Taiwan Corporate Governance Association	Antitrust laws - The Fair Trade Act and Practice	3
		2017/12/22	Taiwan Institute of Directors	The Latest Platform Trend of Corporate Governance, Gaining Momentum for Corporate Transformation	3
Director	Semi Wang	2017/3/15	Association of Taiwan Listed Companies	Interpersonal Relation on the Internet	3
		2017/5/15		Path to Realize Value	3
		2017/8/15		Interpersonal Relation on the Internet	3
		2017/12/28		The Economic Mission and Social Responsibility of an Entrepreneur	3
Supervisor	Hui-Mei Wu	2017/8/11	Taiwan Corporate Governance Association	How Directors and Supervisors Supervise the Company on Information Security and Risk Management and Enforce Corporate Governance	3
		2017/12/22	Taiwan Institute of Directors	The Latest Platform Trend of Corporate Governance, Gaining Momentum for Corporate Transformation	3
Supervisor	Ko-Hsin Hsu	2017/8/11	Taiwan Corporate Governance Association	How Directors and Supervisors Supervise the Company on Information Security and Risk Management and Enforce Corporate Governance	3
		2017/12/22	Taiwan Institute of Directors	The Latest Platform Trend of Corporate Governance, Gaining Momentum for Corporate Transformation	3
Supervisor	Min-Yu Chang	2017/10/17	Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	The Impact of the Recent Major Change in the Tax System on the Corporations and the Response Policy	3
		2017/10/19		The Transformation of the Takeover Bid Legal System and the Responsibility of the Directors - A Discussion on the Labor Act Change from the Corporate Governance Point of View	3

2. Managers' Continuing Education

Title	Name	Course date	Organizing agency	Course name	Course hours
President	Chi-Chang Yang	2017/12/6	Taiwan Corporate Governance Association	Antitrust laws - The Fair Trade Act and Practice	3
Vice President	Chien-Lung Chen	2017/12/6	Taiwan Corporate Governance Association	Antitrust laws - The Fair Trade Act and Practice	3
Vice President	Ho-Hsin Chen	2017/12/6	Taiwan Corporate Governance Association	Antitrust laws - The Fair Trade Act and Practice	3
Assistant Vice President	Hung-Chi Chen	2017/12/6	Taiwan Corporate Governance Association	Antitrust laws - The Fair Trade Act and Practice	3
Assistant Vice President	Yuan-Sheng Wang	2017/7/10	Accounting Research and Development Foundation	Continuing Education Program for the First-Term Accounting Managers of Issuers, Securities Firms, and Securities Exchanges	30
		2017/12/6	Taiwan Corporate Governance Association	Antitrust laws - The Fair Trade Act and Practice	3

3.4.4 Compensations Committee

(1)Information on Members of Compensations Committee

Title (Note 1)	Conditions / Name	Has at least five years of relevant working experience and the following professional qualifications			Compliance of independence (Note 2)								Number of positions as a Remuneration Committee Member in other public listed companies	Remarks (Note 3)
		Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holder of professional qualification relevant to the Company's operations	Commercial, legal, financial, accounting or other work experience required to perform the assigned duties	1	2	3	4	5	6	7	8		
Independent Director	Semi Wang			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	James Wang			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Others	Yi-Feng Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

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

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

(1) Not an employee of the company or an affiliate.
(2) Not a director or supervisor of the company or an affiliate. However, when the person is an independent director appointed by the Company, its parent company, or a subsidiary pursuant to the Securities and Exchange Act or the local laws and regulations.
(3) The director, or his or her spouse or minor child, does not hold, in his or her own name or in another name, more than 1% of the Company's total outstanding shares, nor is one of the Company's ten largest natural-person shareholders.
(4) Not a spouse, relative within the second degree of kinship, or direct blood relative within the third degree of kinship of a person listed in the three foregoing paragraphs.
(5) Is not the director, supervisor, or employee of an institutional shareholder directly holding more than 5% of the Company's total outstanding shares, nor is the director, supervisor, or employee of one of the five largest institutional shareholders in terms of shareholdings.
(6) Is neither a director, supervisor, manager, nor a shareholder holding more than 5% of the outstanding shares, of a certain company or organization that has a financial or business relationship with the company.
(7) Is not a professional providing business, legal, financial, accounting, or consulting services to the company or an affiliate, nor an owner, partner, director, supervisor, or manager, or the spouse of any of the foregoing, of a sole proprietorship, partnership, company, or organization providing such services to the company or an affiliate.
(8) Is not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.

(2) Information on Members of Compensations Committee

A. There are three members in Compensations Committee.

B. The term of the current members: August 11, 2015 - June 23, 2018. 2 (A) meetings of the Committee have been convened in the most recent year. The qualification of the members and their attendance status are described below:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note)	Remarks
Convener	Semi Wang	2	0	100%	Reelected
Member	James Wang	2	0	100%	Reelected
Member	Yi-Feng Chen	2	0	100%	Newly appointed on August 11, 2015
Other items to be stated: 一、The Board of Directors does not accept or modify the suggestions of the Remuneration Committee: None. 二、For resolution(s) made by the remuneration committee with the committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, opinions of all members and the company's handling of the said opinions: None.					

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

3.4.5 Social Responsibility

Items	Status: Yes	Status: No	Status: Summary	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
I. Exercise corporate governance (I) Has the Company developed CSR policies or systems and reviewed their implementation?	✓		(I) We have approved and established the "Corporate Social Responsibility Best Practice Principles" in the 18th meeting of the 7th Board of Directors and disclosed it in the Market Observation Post System and on the website of the Company.	In compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
(II) Does the Company periodically organize any corporate social responsibility education and training program?	✓		(II) We convene meetings to disseminate our corporate governance philosophy and the importance of corporate social responsibility regularly every month.	In compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
(III) Has the Company set up a dedicated (concurrent) unit for promotion of the corporate social responsibility? Has the Board of Directors of the Company authorized the management to handle relevant matters and report to the Board of Directors?		✓	(III) The Company has not set up a dedicated unit for promotion of the corporate social responsibility promotion. For now, each department fulfills the corporate social responsibility within the scope of its functions.	Setup depending on the operation status and scale of the Company.
(IV) Has the Company defined some reasonable compensation policy, integrated corporate social responsibility with employees' performance evaluation, and established some clear and effective reward/disciplinary system?	✓		(IV) We continue to disseminate our corporate governance philosophy at all meetings and establish a staff code of conduct and performance incentive regulations for employees to provide an explicit reward and punishment standard.	In compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies
II. Foster a sustainable environment (I) Does the Company endeavor to upgrade the efficient use of available resources, and the use of environmental-friendly materials?	✓		(I) We endeavor to disseminate the efficient use of available resources. We also do classification, recycling and reduction of garbage to realize the environmental awareness of a green earth.	In compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies
(II) Has the Company established environmental policies suitable for the Company's industrial characteristics?	✓		(II) We do not have any production activity in Taiwan. The production activity of oversea subsidiaries in China have passed all the inspections conducted by the environmental agencies and no air, water, waste, poison, noise and other hazardous elements that damage the environment are produced. The department that is responsible for the matters related to environmental management regularly reviews if we comply with related environmental regulations.	

Items	Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
(III) Does the Company pay attention to the effects of climate change on its operations? Does the Company maintain a greenhouse gas inventory and develop policies regarding energy saving and carbon/greenhouse gas reduction?	✓		(III) Our air conditioner system has the timer setting, and the subsidiaries overseas set up the operating regulations based on temperature. We also disseminate energy conservation and carbon reduction measures such as turning off lights when leaving and garbage recycle.	
III. Preserve public welfare (I) Does the Company develop management policies and procedures in accordance with relevant regulations and international human rights conventions?	✓		(I) We follow the related labor laws and handle the rights of employees according to the laws and our policies to ensure their legal rights and that the employment policies have no differentiated treatment. We have clear communication channels between employers and employees for us to actively understand and fulfill the reasonable needs of our employees. An employee benefits committee was established in accordance with the laws to handle matters related to employee benefits regularly.	In compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies
(II) Has the Company established any employee complaint mechanism and channel, and takes care of such complaints adequately?	✓		(II) The mailbox for employees' opinions and the "Employee Complaint Management System" were set up to provide channels for employees to give opinions and enhance the cooperation between employers and employees.	
(III) Does the Company provide a safe and healthy work environment for its employees? Does the Company regularly provide its employees with safety and health education?	✓		(III) The "Safety and Health Work Rules" and other regulated operation procedures were set up. We commission external companies to undergo labor safety and health inspection monthly; drinking water inspection biannually; lighting, fire control and carbon dioxide detection annually; and thorough sterilization of the working environment regularly to provide a safe and healthy working environment for the employees. We also organize staff health checkups and educational training on labor safety and health every year.	
(IV) Has the Company established a mechanism for periodic communication with employees, and notification to employees of the circumstances that might materially affect the operation in a reasonable manner?	✓		(IV) We hold staff meetings monthly to report our operation achievements and disseminate our important measures and policies to all employees. Important information is announced on the real time electronic bulletin board to make the operation status clearly understood by every employee.	

Items	Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
(V) Has the Company established some effective career development training plan for employees?	✓		(V) We organize supervisor training and courses that help improve their core and professional ability. Related course information is announced on the real time electronic bulletin board for employees to make good arrangement of their career development.	
(VI) Has the Company established the related consumer protection policies and complaints procedures toward the R&D, procurement, production, operation and service procedures?	✓		(VI) Our website provides information related to our products and service, and we also have designated personnel and an email account serving as channels for receiving customer complaints.	In compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies
(VII) Does the Company market and label products and services in accordance with the related laws and international practices?	✓		(VII) We brought in the EU Restriction of Hazardous Substances in Electrical and Electronic Equipment (RoHS). All of our products comply with the RoHS regulations, ISO14001 and related REACH regulations. Moreover, our suppliers have also established regulations in line with the RoHS and dedicated themselves to promoting corporate social responsibility along with us.	
(VIII)Does the Company has assessed the supplier's record in environmental protection and society before trading with the supplier?	✓		(VIII)We appoint the Electronic Industry Citizenship Coalition (EICC) team to assess the suppliers regularly.	
(IX) Does the contract between the Company and its main supplier include the provision stating that where the supplier is suspected of violating its corporate social responsibility policies or renders remarkable effect to the environment and society adversely, the Company may terminate or rescind the contract?	✓		(IX) All of our suppliers follow the corporate social responsibility policies and we ask for improvement if any supplier causes remarkable effect on the environment and society.	
IV. Enhancing Information Disclosure (I) Enhancing Information Disclosure Whether the Company discloses relevant and reliable information relating to corporate social responsibility on its website or Market Observation Post System?	✓		We disclose the implementation of corporate social responsibility in the annual report and illustrate our corporate social responsibility on our website.	In compliance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies
V. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the principles and their implementation: No difference.				
VI. Other information material to the understanding of the corporate social responsibility: 1. Environmental protection: We have the ISO14001 environmental management system certificate. Our environment policies are: (1) Following and complying with environmental laws and other requirements. (2) Promoting recycling and reuse of resources, and endeavoring to reduce industrial waste to prevent pollution. (3) Reducing the use of hazardous materials, being thorough on pollution control and management, and endeavoring on the design and manufacturing of green products. (4) Preventing accidents and disasters and enhancing disaster prevention drill. Moreover, we take measures such as recycling and reduction of garbage and conservation of				

Items	Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
water and electricity to realize the environmental awareness of a green earth. 2. Community participation, society contribution, and social service and welfare: We made a donation to sponsor the Chinese National Association of Industry and Commerce, Taiwan, Chang Jung Christian University and TECO technology foundation in 2017. 3. Consumers' rights: We have designated personnel providing product consulting and assistance for each costumer to maintain a stable and fine relationship with the costumers. 4. Human rights: We established the "Measures of Prevention, Correction and Punishment of Sexual Harassment" to defend gender equality and human dignity, and report it to the competent authority for reference. 5. Safety and health: The "Safety and Health Work Rules" and other regulated operation procedures were set up. We commission external companies to undergo labor safety and health inspection monthly; drinking water inspection biannually; lighting, fire control and carbon dioxide detection annually; and thorough sterilization of the working environment regularly to provide a safe and healthy working environment for the employees. We also organize staff health checkup and educational training of labor safety and health every year.				
VII. If the company's corporate social responsibility reports have met the assurance standards of relevant certification institutions, they should be stated below: Both of our Wuxi Creative Sensor Technology CO.,LTD. and NanChang Creative Sensor Technology CO.,LTD. passed the ISO9001 quality certification and ISO14001 environmental certification.				

3.4.6 Adherence to the Ethical Corporate Management and Measures

Items	Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
I. Enactment of ethical management policy and program (1) Whether the Company expressly states the corporate ethical management policy and rules, and its fulfillment by the Board of Directors and the management in its Articles of Incorporation and public documents? (2) Whether the Company defines the policy against unethical conduct, and expressly states the SOP, guidelines and reward and disciplinary & complaining systems for misconduct, and implements the policy precisely?	✓ ✓		(1) The Group has resolved at 19th meeting of the Board of Directors of 7th term to establish the "Corporate Ethical Management Best-Practice Principles" and disclosed the same on the MOPS and the Company's website. (2) The Group's "Work Rules", "Business Secrets Management Regulations" and "Reward & Punishment Rules" have defined the policy against unethical conduct. The Company's overseas subsidiaries also established the same and performed employees' educational training and promotion periodically to enable the employees to understand the Company's determination, policy and preventive program for ethical management, and the consequence of unethical conduct.	No major difference

Items	Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
(III)Has the Company taken any preventative measures against the operating activities involving highly unethical conduct under Paragraph 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"or within other operating areas?	✓		(3) The Group has established the "Work Rules" and a series of ethical systems requiring that employees shall not accept money or financial gift from customers or suppliers, and any employee violating the Rules under the circumstance deemed material, the Company may discharge the employee without prior notice and the employee should indemnify the Company against the loss therefor.	
II. Implementation of ethical management (I) Has the Company assessed a trading counterpart's ethical management record, and expressly states the ethical management clause in the contract to be signed with the trading counterpart?	✓		(1) The Group would check the financial and credit positions of the customers to avoid trading with anyone with unethical conduct record, and also set forth the ethical conduct-related provisions in its business contracts.	No major difference
(2) Whether the Company establishes a unit dedicated to (concurrently engaged in) promoting ethical corporate management under supervision by the Board of Directors who shall be responsible for reporting the status thereof to the Board of Directors?	✓		(2) The Group appointed its Audit Office to act as the unit dedicated to promoting ethical corporate management, which shall be responsible for reporting the status thereof to the Board of Directors periodically, and also urged its HR Section to handle the amendments, execution, interpretation and advice about ethical management rules.	No major difference
(III)Has the Company defined any policy against conflict of interest, provides adequate channel thereof, and fulfills the same precisely?	✓		(3) The employment agreement between the Group and its employees provided the non-competition provisions. The overseas subsidiaries also set up the conflict of interest reporting system under which the employees may declare the conflict of interest independently. Meanwhile, the directors would recuse themselves from any motions proposed at a directors' meeting, which had conflict with their own interest or the interest of the juristic persons represented by them pursuant to laws to prevent conflict of interest. Meanwhile, the Group set up the mailbox for workers and "employees' complaining management system" to provide the employees with appropriate channels to state their own opinion.	

Items	Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
(IV) Has the Company fulfilled the ethical management by establishing an effective accounting system and internal control system, and had an internal audit unit conduct periodic audits, or appointed an external auditor to conduct audits? (V) Has the Company organized internal/external education training program for ethical management periodically?	✓ ✓		(4) In order to ensure the fulfillment of ethical management, the Group established an effective accounting system and internal control system, and had its internal audit officers audit the compliance with the accounting system and internal control system periodically, and report the status thereof to the Board of Directors on a quarterly basis. (5) The Group organized the relevant programs periodically for propagation to enable its employees to verify the idea and regulations about ethical management.	No major difference
III. Status of the Company's complaint system (I) Has the Company defined a specific complaints and rewards system, and established some convenient complaint channel, and assigned competent dedicated personnel to deal with the situation? (II) Has the Company defined the standard operating procedure and nondisclosure mechanism toward the investigation of complaints as accepted? (III)Has the Company adopted any measures to prevent the complainants from being abused after filing complaints?	✓ ✓ ✓		(1) The Group has established the "Operating Procedure for Handling the Complaints Against Illegal and Unethical or Dishonest Conduct", and set up the complaining mailbox and hotline, delegated the dedicated personnel by different issues, and had its HR unit render reward or punishment based on the investigation result. (2) The Group would keep all complaints in confidence, and also provided the non-disclosure obligation in the non-disclosure agreement signed with the employees. (3) The Company adopted strict measures to keep the complainant's information in confidence and prevent the complainant from being abused or treated unfairly.	No major difference
IV. Enhancing Information Disclosure (I) Has the Company has disclosed the Ethical Management Principles and effect of implementation thereof on its website and Market Observation Post System?		✓	The Group set up its official website to disclose the Group's overview of business, product information and financial information, disclosed the Company's information on the MOPS timely and openly, and engaged in business activities in a fair and transparent manner.	The Company will deal with it, if necessary or per laws and regulations.
V. If the Company has established ethical management principles based on "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the principles and their implementation: None.				
VI. Other information material to the understanding of ethical management operation (e.g. discussion of an amendment to the ethical management best practice principles defined by the Company): The Group would arrange directors/supervisors to attend the educational training related to ethical management and corporate governance, and the competition which the directors/supervisors and managerial officers were engaged in was already reported to and approved by shareholders' meetings and Board of Directors meetings.				

3.4.7 Corporate Governance Guidelines and Regulations

Please visit the Company’s website at www.csi-sensor.com.tw and MOPS at mops.tse.com.tw.

3.4.8 Other Important Information Regarding Corporate Governance

Please visit the Company’s website at www.csi-sensor.com.tw and MOPS at mops.tse.com.tw.

3.4.9 Internal Control System

Please refer to page 30 of the Chinese annual report.

3.4.10 In the recent year and up to the publication of the annual report, legal penalties for the company and internal staffers, penalties of internal staffers by the company for violation of internal control system and regulation, major defects and improvement status

None

3.4.11 Major Resolutions of Shareholders’ Meeting and Board Meetings

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

Date	Resolution	Implementation status
2017.6.15	Acknowledged 2016 business report and financial statement.	Acknowledged by all present shareholders unanimously upon inquiry by the chairperson.
	Acknowledged 2016 earnings appropriation	1. Acknowledged by all present shareholders unanimously upon inquiry by the chairperson. 2. The cash dividend to be allocated was NT$1.6 per share. The ex-dividend date was set as July 14, 2017, and the cash dividend to be allocated on July 31, 2017.
	Approved the amendments to the Company's “Operating Procedure for Acquisition or Disposition of Assets”.	Approved by all present shareholders unanimously upon inquiry by the chairperson.

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

Date	Important resolution	Dissent and qualified opinion by independent directors
2017.05.08	1.Approved termination of the non-competition restriction imposed on the Company's managerial officers.	No comment.
2017.11.09	1.Approved the Company’s 2018 Audit Plan. 2.Approved the amendments to the Company's “Parliamentary Rules for Directors’ Meetings”.	No comment. No comment.
2017.11.30	1.Approved the Company’s 2018 Budget. 2.Approved the amendment to the financing agreement signed by the Company and Mega Bank in 2017. 3.Approved the renewal of the Company’s 2018 financing agreement with the Bank. 4.Approved the evaluation on the independence and competency of the Company's CPAs. 5.Approved the Company’s planning to reward employees.	No comment. No comment. No comment. No comment. No comment.

Date	Important resolution	Dissent and qualified opinion by independent directors
2018.03.21	1.Approved the Company's 2017 business report and financial statements. 2.Approved the Company's 2017 allocation of remuneration to directors, supervisors and employees. 3.Approved 2017 earnings appropriation 4.Approved the Company's 2017 "Statement of Declaration for Internal Control System". 5.Approved the nomination of independent director candidates. 6.Approved termination of the non-competition restriction imposed on the Company's new directors of 8th term and their representatives. 7.Approved organization of 2018 general shareholders' meeting 8.Approved establishment of the Company's "Corporate Social Responsibility Best-Practice Principles".	No comment. No comment. No comment. No comment. Recused from the discussion No comment. No comment. No comment.
2018.05.11	1.Approved the review on qualifications of independent director candidates. 2.Approved the amendments to the Company's "Articles of Incorporation". 3.Approved establishment of the Company's "Corporate Ethical Management Best-Practice Principles" and "Operating Procedure for Corporate Ethical Management and Guidelines of Conduct". 4.Approved addition of the cause for organization of 2018 general shareholders' meeting	Recused from the discussion No comment. No comment. No comment.

3.4.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors

None

3.4.13 Resignation or Dismissal of Personnel Involved in Preparation of Financial Reports

None

3.5 Information on CPA fee

3.5.1 Accountant Information

Accounting firm name	Name of accountant		Audit period	Remarks
Pricewaterhouse Coopers Certified Public Accountants	Shu-Chiung Chang	Hui-Chin Tseng	01/01/2017 ~ 12/31/2017	Pricewaterhouse Coopers Certified Public Accountants

3.5.2 Table of Brackets for CPA Fees

Unit: NTD thousands

Fee brackets \ Fee items		Audit Fee	Non-Audit Fees	Total
1	Below NT$2,000,000		✓	
2	NT$2,000,000 (inclusive) ~ NT$4,000,000	✓		✓
3	NT$4,000,000 (inclusive) ~ NT$6,000,000			
4	NT$6,000,000 (inclusive) ~ NT$8,000,000			
5	NT$8,000,000 (inclusive) ~ NT$10,000,000			
6	Over NT$10,000,000 (inclusive)			

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

Amount Unit: NTD thousands

Accounting firm name	Name of accountant	Audit Fee	Non-Audit Fees					Audit period	Remarks
			System Design	Business Registration	Human Resources	Others (Note 2)	Subtotal		
Pricewaterhouse Coopers Certified Public Accountants	Shu-Chiung Chang Hui-Chin Tseng	3,250	0	0	0	72	72	01/01/2017 ~ 12/31/2017	Other non-audit fees are mainly the Declaration service fees of the subsidies

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

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

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

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

3.6 Information on replacement of CPA: Not applicable

3.7 Information on service of the company's chairman, president, and financial or accounting managers at the accounting firm or its affiliates: Nil

3.8 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

單位：股

Title	Name	2017		Ending April 29, 2018	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Director	TECO Image Systems Co., Ltd.	0	0	0	0
Director	IKUJIN KO	0	0	0	0
Director	Chiang Hsu	0	0	0	0
Director	TECO Electric & Machinery Co., Ltd.	0	0	0	0
Director	Chao-Chih Lien	0	0	0	0
Director	KROM Electronics Co., Ltd.	0	0	0	0
Director	Ying-Sheng Hsieh	0	0	0	0
Director	TECO Capital Investment Co., Ltd.	0	0	0	0
Director	Yao-Ming Wei	0	0	0	0
Independent Director	Semi Wang	0	0	0	0
Independent Director	James Wang	0	0	0	0
Supervisor	KUANG YUANG ENTERPISE CO.,LTD	0	0	0	0
Supervisor	Hui-Mei Wu	0	0	0	0
Supervisor	Ko-Hsin Hsu (Note 1)	0	0	0	0
Supervisor	Min-Yu Chang	0	0	0	0
President	Chi-Chang Yang	0	0	0	0
Vice President	Chien-Lung Chen (Note 2)	0	0	0	0
Vice President	Ho-Hsin Chen (Note 3)	0	0	0	0
Assistant Vice President	Hung-Chi Chen (Note 4)	0	0	0	0
Assistant Vice President	Yuan-Sheng Wang	0	0	0	0
Assistant Vice President	Sheng-Chih Ou (Note 5)	0	0	0	0

Note 1: Resigned on February 22, 2018
Note 2: Hold the position on January 17, 2017 and appointed as Vice President on February 15, 2017.
Note 3: Hold the position on February 20, 2017 and appointed as Vice President on February 15, 2017.
Note 4: Promoted as Assistant Vice President on February 15, 2017.
Note 5: Discharged as Chief Accountant and transferred as Advisor on March 22, 2017.

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

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

3.9 Information Disclosing the Relationship between any of the Company's Top Ten Shareholders

April 28, 2018

Unit: shares; %

Name (note 1)	Shareholdings by oneself		Shareholdings of spouse & minor		Shareholding using other's name		Disclosure of information on related parties or spouse relationship or relations within second degree of kinship, among top ten shareholders, including their names and name relationships		Remarks
	SHARES	%	SHARES	%	SHARES	%	NAME	RELATIONSHIP	
Teco image systems co., ltd. Representative: IKUJIN KO	21,928,260	17.26%	0	0	0	0	TECO Capital Investment Co., Ltd.	Chairman of TECO Capital Investment Co., Ltd. and Chairman of TECO Image System Co., Ltd. are father and son.	-
							TECO INTERNATIONAL INVESTMENT CO., LTD.	1. Chairman of TECO International Investment Co., Ltd. and Chairman of TECO Image System Co., Ltd. are father and son. 2. TECO International Investment Co., Ltd. is a director of TECO Image System Co., Ltd..	
							KUANG YUANG ENTERPISE CO.,LTD	KUANG YUANG ENTERPISE CO.,LTD is a supervisor of TECO Image System Co., Ltd..	
TECO Capital Investment Co., Ltd. Representative: mao- hsiung huang	7,913,310	6.23%	0	0	0	0	TECO IMAGE SYSTEMS CO., LTD.	Chairman of TECO Image System Co., Ltd. and Chairman of TECO Capital Investment Co., Ltd. are father and son.	-
							TECO INTERNATIONAL INVESTMENT CO., LTD.	1. Chairman of TECO International Investment Co., Ltd. and Chairman of Tong-An Investment Co., Ltd. are the same person. 2. TECO International Investment Co., Ltd. is a supervisor of TECO Capital Investment Co., Ltd..	
							TECO ELECTRIC & MACHINERY CO., LTD.	1. TECO Capital Investment Co., Ltd. is an investee of TECO Electric & Machinery Co., Ltd. Evaluated under equity method. 2. ECO Electric & Machinery Co., Ltd. is a director of TECO Capital Investment Co., Ltd..	
Hermes invested master fund north america (cayman islands) managed by bank of taiwan in trust	6,369,000	5.01%	0	0	0	0	-	-	-
Teco international investment co., ltd. Representative: mao- hsiung huang	4,326,447	3.41%	0	0	0	0	TECO IMAGE SYSTEMS CO., LTD.	Chairman of TECO Image System Co., Ltd. and Chairman of TECO International Investment Co., Ltd. are father and son.	-
							TECO Capital Investment Co., Ltd.	Chairman of TECO Capital Investment Co., Ltd. and Chairman of TECO International Investment Co., Ltd. are the same person.	
							TECO ELECTRIC & MACHINERY CO., LTD.	1. TECO International Investment Co., Ltd. is an investee of TECO Electric & Machinery Co., Ltd. evaluated under equity method. 2. ECO Electric & Machinery Co., Ltd. is a director of TECO International Investment Co., Ltd..	
Koryo Co., Ltd. trust property account managed by Yuanta Bank in trust	3,787,000	2.98%	0	0	0	0	-	-	-
Fidelity funds investment account managed by standard chartered bank in trust	3,110,000	2.45%	0	0	0	0	-	-	-
Teco electric & machinery co., ltd. Representative: chun-chih chiu	2,137,044	1.68%	0	0	0	0	TECO CAPITAL INVESTMENT CO., LTD.	TECO CAPITAL INVESTMENT CO., LTD. is an investee of TECO Electric & Machinery Co., Ltd. Evaluated under equity method.	-
							TECO INTERNATIONAL INVESTMENT CO., LTD.	ECO International Investment Co., Ltd. is an investee of TECO Electric & Machinery Co., Ltd. evaluated under equity method.	
							KUANG YUANG ENTERPISE CO.,LTD	KUANG YUANG ENTERPISE CO.,LTD. is a director of TECO Electric & Machinery Co., Ltd. evaluated under equity method.	
Fidelity funds - asia focus fund investment account managed by jpmorgan chase bank in trust	1,919,000	1.51%	0	0	0	0	-	-	-
A-chung hou	1,640,000	1.29%	0	0	0	0	-	-	-
Dfa emerging market core securities investment account managed by citibank in trust	1,138,000	0.90%	0	0	0	0	-	-	-

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

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

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

March 31, 2018 / Unit: Thousand shares

Invested	Investment made by the company		Investment by directors, Supervisors and managers or by directly or indirectly controlled enterprises		Total investment	
	Shares	%	Shares	%	Shares	%
Creative Sensor Inc.(BVI)	29,415	100%	0	0	29,415	100%
Creative Sensor (USA) Co	100	100%	0	0	100	100%
Creative Sensor Co., LTD. (Hong Kong)	0	0	29,501	100%	29,501	100%
Wuxi Creative Sensor Technology Co.,Ltd.	0	0	Investment certificate	100%	Investment certificate	100%
NanChang Creative Sensor Technology Co.,Ltd.	0	0	Investment certificate	100%	Investment certificate	100%

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

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Equity Capital sources

April 28, 2018
Unit: NT$1,000; 1,000 shares

Date	Issue price (NTD)	Authorized capital stock		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Equity Capital sources	Offset against the equity capital by property other than cash	Others
1998.06	10.0	4,000	40,000	1,000	10,000	Incorporated	No	—
1999.05	10.0	6,000	60,000	6,000	60,000	Capital increase in cash by NT$50,000 thousand	No	—
2000.06	12.5	72,000	720,000	36,000	360,000	Capital increase in cash by NT$300,000 thousand	No	Note 1
2002.06	12.5	72,000	720,000	50,000	500,000	Capital increase in cash by NT$140,000 thousand	No	Note 2
2002.11	18.0	72,000	720,000	70,000	700,000	Capital increase in cash by NT$200,000 thousand	No	Note 3
2004.07	10.0	112,900	1,129,000	78,239	782,390	Recapitalized from earnings by NT$82,390 thousand	No	Note 4
2005.06	10.0	112,900	1,129,000	87,331	873,316	Recapitalized from earnings by NT$90,926 thousand	No	Note 5
2005.11	43.0	112,900	1,129,000	98,968	989,686	Capital increase in cash by NT$116,370 thousand	No	Note 6
2006.03	55.8	112,900	1,129,000	99,821	998,216	Conversion of domestic unsecured convertible corporate bonds into common stock totaling 853,030 shares	No	—
2006.08	10.0	160,000	1,600,000	123,027	1,230,277	Recapitalized from earnings by NT$232,060 thousand	No	Note 7
2007.01	36.23	160,000	1,600,000	123,560	1,235,603	Conversion of domestic unsecured convertible corporate bonds into common stock totaling 532,690 shares	No	—
2007.04	36.23	160,000	1,600,000	126,663	1,266,627	Conversion of domestic unsecured convertible corporate bonds into common stock totaling 3,102,351 shares	No	—
2007.07	36.23	160,000	1,600,000	126,682	1,266,820	Conversion of domestic unsecured convertible corporate bonds into common stock totaling 19,320 shares	No	—
2008.08	10.0	160,000	1,600,000	130,000	1,300,000	Recapitalized from earnings by NT$33,180 thousand	No	Note 8
2009.02	10.0	160,000	1,600,000	127,000	1,270,000	Annulment of treasury stock by NT$30,000 thousand	No	Note 9
2010.04	30.1	160,000	1,600,000	127,035	1,270,350	Conversion of employee stock warrant to common stock totaling 35,000 shares	No	—
2011.04	28.94	160,000	1,600,000	127,055	1,270,550	Conversion of employee stock warrant to common stock totaling 20,000 shares	No	—

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

April 28, 2018
Units: 1,000 shares

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

Note 1: Listed company' stock
Note 2: Unissued shares include the reserve for convertible corporate bonds.
Note 3: Information about offering and issuance of securities by shelf registration: N/A.

4.1.2 Status of Shareholders

April 28, 2018

Shareholder structure / Quantity	Government agencies	Financial institutions	Other institutions	Foreign Institute and others	Individuals	Total
Persons	0	0	47	69	23,015	23,131
Shares held	0	0	42,305,573	23,085,901	61,663,526	127,055,000
Shareholding ratio (%)	0.00%	0.00%	33.3%	18.17%	48.53%	100%

4.1.3 Shareholding Distribution Status

April 28, 2018
Unit: shares

Shareholding category	Number of shareholders	Shares held	Shareholding (%)
1 to 999	14,040	353,126	0.28%
1,000 to 5,000	6,537	13,919,517	10.96%
5,001 to 10,000	1,305	9,741,546	7.67%
10,001 to 15,000	433	5,174,742	4.07%
15,001 to 20,000	266	4,910,421	3.86%
20,001 to 30,000	212	5,356,263	4.22%
30,001 to 50,000	161	6,420,375	5.05%
50,001 to 100,000	96	6,729,040	5.30%
100,001 to 200,000	39	5,886,157	4.63%
200,001 to 400,000	19	5,455,222	4.29%
400,001 to 600,000	5	2,381,000	1.87%
600,001 to 800,000	4	2,735,530	2.15%
800,001 to 1,000,000	3	2,612,000	2.06%
Over 1,000,001	11	55,380,061	43.59%
Total	23,131	127,055,000	100%

Note: No preferred stock issued by the Company.

4.1.4 List of Major Shareholders

April 28, 2018

Major Shareholders \ Shares	Shares held	Shareholding ratio (%)
TECO Image Systems Co., Ltd.	21,928,260	17.26%
TECO Capital Investment Co., Ltd.	7,913,310	6.23%
Hermes invested master fund North America (Cayman Islands) managed by Bank of Taiwan in trust	6,369,000	5.01%
TECO International Investment Co., Ltd.	4,326,447	3.41%
Koryo Co., Ltd. trust property account managed by Yuanta Bank in trust	3,787,000	2.98%
Fidelity Funds managed by Standard Chartered Bank in trust	3,110,000	2.45%
TECO Electric & Machinery Co., Ltd.	2,137,044	1.68%
JPMorgan Chase Bank, N.A. Taipei Branch Fidelity Funds - Asia Focus Fund investment account managed in trust	1,919,000	1.51%
A-Chung Hou	1,640,000	1.29%
DFA emerging market core securities investment account managed by CitiBank in trust	1,138,000	0.90%

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NTD; 1,000 shares

Item \ Year			2016	2017	Ending March 31, 2018 (Note 8)
Market price per share (Note 1)	Highest		25.40	28.95	28.00
	Lowest		18.60	20.85	23.60
	Average		20.49	24.06	26.15
Net worth per share (Note 2)	Before distribution		26.87	26.79	26.82
	After distribution		—	—	—
EPS	Weighted average number of shares		127,055	127,055	127,055
	EPS (Note 3)	Before adjustment	2.03	1.65	0.04
		After adjustment	—	—	—
Dividends per share	Cash dividend		1.6	1.6	—
	Stock dividends	Before adjustment	—	—	—
		After adjustment	—	—	—
	Accumulated, unpaid dividends (Note 4)		—	—	—
ROI analysis	P/E ratio (Note 5)		10.09	14.58	—
	P/D ratio (Note 6)		12.81	15.04	—
	Cash dividend yield (Note 7)		7.81%	6.65%	—

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

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

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

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

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

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

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

Note 8: The consolidated financial statements of Q1, 2018 have already reviewed and audited by the CPAs.

4.1.6 Dividend Policy and Implementation Status

1. The stock dividend policy defined under the Articles of Incorporation:

   Earnings concluded at the end of a year shall be allocated in the priority listed below:

   (1) Payment of tax;

   (2) Covering of loss;

   (3) 10% provision for statutory reserve, unless the balance of statutory reserve has accumulated to the same amount as the Company's paid-up capital.

   (4) Provision or reversal of special reserve according to the authority's rules.

   (5) The remainder from Subparagraphs (1)~(4) plus undistributed earnings carried from previous years are available to shareholders, for which the board of directors will propose an earnings appropriation plan to be resolved during shareholder meeting.

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

2. The allocation of stock dividend proposed by the shareholders' meeting (not yet approved by the shareholders' meeting).The motion for 2017 allocation of earnings has been resolved and approved by the Board of Directors meeting on March 21, 2018. The stock dividend to be allocated to shareholders amounted to NT$203,288,000. That is, the cash dividend to be allocated to shareholders was NT$1.6 per share.

4.1.7 Impact on Company's business performance, EPS and ROI from the stock grant proposed by Shareholders Meeting: Not applicable.

4.1.8 Employee and Directors' Remuneration

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

   Profits concluded by the Company in a financial year are subject to employee remuneration of 5%~15%, and director and supervisor remuneration of no more than 5%. However, profits must first be taken to offset against cumulative losses, if any, before the remainder can be distributed as employee/director/supervisor remuneration according to said percentages.

2. The basis for estimating the amount of remuneration to employees, directors and supervisors, for calculating the number of shares to be distributed as remuneration to employees, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: The discrepancy between the actual distributed amount and the estimated figure, if any, will be treated as the changes in accounting estimates and stated as the income of 2018.

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

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

   The Company's Board of Directors resolved the 2017 allocation of remuneration to directors, supervisors and employees on March 21, 2018. As a result, the remuneration to be allocated to directors and supervisors totaled NT$9,450,873, and the remuneration to employees totaled NT$28,352,618. All shall be allocated in cash and expected to be reported at the shareholders' meeting on June 27, 2018.

   (2) The amount of remuneration to any employee allocated in the form of stock, and the size of that amount as a percentage of the sum of the net income after tax stated in the individual or separate

financial reports for the current period and total employee remuneration: No stock dividend was allocated.

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

Unit: NTD thousands

Item	Counterparts	Amount allocated upon resolution by the Board of Directors meeting	Amount allocated actually	Method of allocation
Employee Compensation	The Company's employees	34,767,377	34,767,377	Cash
Remuneration to directors and supervisors	The Company's directors and supervisors	11,589,126	11,589,126	
Total		46,356,503	46,356,503	

4.1.9 Buyback of Treasury Stock: None.

4.2 Corporate bonds: None.

4.3 Issuance of Preferred Shares: None.

4.4 Issuance of Overseas Depository Receipts: None.

4.5 Issuance of Employee Stock Option Certificates: None.

4.6 Information about new restricted employee shares: None.

4.7 Issuance of new shares in connection with mergers or acquisitions of, or succession to shares of other companies: None.

4.8 Implementation of Capital Utilization Plan: None.

V. Overview of Operations

5.1 Business Activities

5.1.1 Scope of business

1. Principal lines of business

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

2. Revenue breakdown

Unit: NTD thousands

Item	2016		2017	
	Revenue	Proportion of revenue (%)	Revenue	Proportion of revenue (%)
Image sensor	4,309,299	100	3,957,862	100
Total	4,309,299	100	3,957,862	100

3.The Company’s current product lines

The Group is primarily engaged in design, manufacturing and trade of CISM (Contact Image Sensor Module).

4.New products to be developed

As far as the main products applying CIS and the market demand are concerned, the Group has developed the whole product series to meet the need for various scanner input devices (e.g. MFP scanner and copy machine, etc.). The focus of research and development in 2018 is stated as following:

A. Continuous improvement on CISM cost and quality.

B. Design of ultra A4 digital CISM.
C. Design of ultra A3 digital CISM.
D. Development of next generation thin-type CISM.
E. Development of niche-type CISM applied to banks and handheld devices.
F. Sensor module for COB applied to environmental detection and MEMS sensor assembly.
G. Applied to Industry 4.0 visual inspection.

5.1.2 Industry overview

1. Industry status and development:

The Group is primarily engaged in design, manufacturing and sale of CISM, which may be applied to the products including peripheral scanners for PC, office or work station multi-function printer, digital copier, interactive whiteboard, fingerprint recognition system and banknote validator, etc.. Therefore, the development of computer peripheral devices industry is closely related to the Company’s business.

The following refer to the overview of business with respect to the CISM produced by the Group primarily applied to computer peripheral devices:

Unit: million pcs

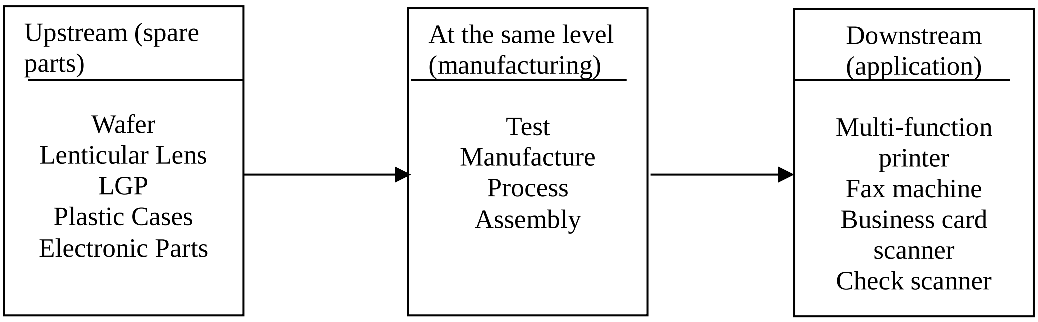
Annual product	2015	2016	2017
Multi-function printer	74.7	72.3	74.4

Source of data: IDC

As the design of CISM helps the application and assembly by system suppliers. Through the development thereof for the past years, CISM has been the mainstream product applied to the scanners for personal and SOHO purposes. The Group's main products are primarily applied to scanners, fax machines and multi-function printers.

2. Relations with industries upstream, downstream and at the same level

For the CISM, the Group purchases such spare parts as wafer, cylindrical lens, light guide plates (LGP), plastic cases and other electronic parts, and performs the front-end processing and back-end processing of the same, including wafer test, wafer cutting, loading, wiring and coating. Then the Group tests and inspects the same, and then sells them to OEMs. The Group's relations with industries upstream, downstream and at the same level are stated as follows:



3. Products development trends and competitiveness:

(1) Products development trends

CISM refers to the main component adopted by multi-function printers, which is low-cost, low power-consumption, and light, thin and small. The Group works with customers to develop new products and develops toward the solution for ultra speed, high-precision and high DOF. Creative Sensor's teams have won trust from customers in R&D, pricing, quality and service.

(2) Overview of industry market competition

CISM refers to the contact image sensor module. For the time being, the Group still maintains its leadership in the relevant market. By the completely automated production, the Group achieves the minimization of cost and optimization of quality to deal with the Group's increasing production and labor costs.

5.1.3 Overview of technology and R&D

The R&D expenditure spent, and technology or product developed successfully, in the most recent year:

1. In 2017 and until March 31 this year, the Company has spent the consolidated R&D expenditures in the amount of NT$97,398 thousand and NT$18,518 thousand.
2. Technology or product developed successfully:
   (1) Primarily refer to the models produced massively for Taiwanese, Japanese, US and Korean customers in 2017.
   (2) Complete development of high-speed A4 CISM, and implement mass production thereof
   (3) Complete development of new test machine.
   (4) Development of 5th generation thin-type CISM.
   (5) Development of ultra and large-size key spare parts/components.

5.1.4 Long and short-term business development plans.

1. Short-term business development plans:
   (1) Expand the market share at the customer-end, and introduce new customers to strengthen the Group's leadership in the market.
   (2) Develop the niche-type CISM applied to banks and handheld devices.
   (3) Develop and design the high-DOF image input module to strengthen the Group's competitiveness in the high-rank MFP market.
   (4) Expand the penetration rate of A3 CISM for high-rank laser printers to replace the old A3 CCDM.
   (5) Develop the COB and promote the same to new application areas.
2. Long-term business development plans:
   (1) Develop new products applicable to products other than multi-function printers.
   (2) Sensor module for COB may be applied to such products as environmental detection and MEMS sensor assembly.
   (3) Develop other light input/output device markets.

5.2 Overview of market and production & marketing

5.2.1 Market Analysis

1. Sales areas for the main products

   The Group's products are primarily sold to the IT and consumable electronics suppliers in Asia, the U.S.A. and Europe, which are mostly the world renowned OEMs or system suppliers.
2. Market share

   Market share of CISM

Unit: %

Year	2015	2016	2017
Global market share of Creative Sensor	56.1%	52.3%	49.8%

Note: Per IDC's calculation of sales volume of multi-function printers (exclusive of the market share of CISM made by the end customers independently).

3. Future supply & demand in the market, and growth thereof

(1) In terms of the supply:

CISM is the key spare part for image processing, primarily applied to scanners and multi-function printers, etc. The Group's supply chain for CISM has been matured and, therefore, omnibus planning and layout may apply. The Group provides the CISM able to integrate the front-end functions of a scanner to enable customers to apply the same to other products more flexibly. The Group holds sound competitiveness to deal with the changes in the market.

(2) In terms of the demand:

For the time being, the market scale for multi-function printer keeps shrinking. The Group will accelerate development of the business opportunity for application of CIS to other areas. The development of new products will be oriented toward IoT and Industry 4.0 applications to expand the sources of operating revenue.

4. Competitive niche

(1) Strict quality requirement and excellent production process technology:

The Company's customers are all world-renowned brand manufacturers. Therefore, the customers impose very strict quality requirements. The Company's internal quality improvement plan is intended to pursue constant improvement. The Company has received the international quality system certification including ISO9001 and ISO14001. Meanwhile, the Company's factories are upgrading the entire ESD protective environment and making the production lines fully automated step by step, and improving the implementation of production lines to produce high-level products. The Company's product quality design can meet various customers' needs and provide better design integration abilities in the same trade and thereby causes the Company's product quality to be higher than that prevailing in the same trade.

(2) Fair suppliers' integration ability:

Considering that the Company closely works with the suppliers of important spare parts for the CISM, e.g. sensor components, PCB, focus lenses and light sources, the quality requirements matter. The R&D and design are carried out by cooperation and coordination and thereby business opportunities are secured from customers. In the meantime, by the close cooperative relations and scale of procurement, the Group may acquire raw materials and proceed with the production at a stable and reasonable price, in order to enhance competitiveness of the Company's products.

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

The Group's R&D team has been engaged in R&D of CISM for many years, capable to design the same independently and already receiving multiple patents thereof. Meanwhile, the team works with related suppliers to research and develop important raw materials and supplies. Therefore, the Group transcends the others in the same trade in the quality of R&D technology and ability of technical innovation.

(4) Expand the application areas of products:

The Group applies the CISM production technology accumulated by it through years to help it launch into the development areas for related technologies and upstream/downstream products. In addition to the existing products, the production of niche-type CISM is expanding the range and depth of product lines. Furthermore, the Group also applies its COB assembly and image technology to launch into the Industry 4.0 visual inspection application and MEMS sensor assembly industries, in hopes of expanding the business niche and developing new application areas.

5. Advantageous and disadvantageous factors for future development, and countermeasures:

Item	Advantageous factors	Disadvantageous factors	Countermeasures
I. Industrial outlook	The multi-function printer market still remains the market providing the mainstream office/home appliances. The demand is stable. The CIS industry still monopolizes the market. Threshold for such market stays high still. Given the limited competitors domestically and overseas, the market demand would remain stable for a long/middle term.	The multi-function printer market has been matured. Now, it is growing sluggishly. As a result, the Company's operating revenue from it is growing slowly.	(1) Develop higher speed and higher solution products to be applied to high-rank inkjet and laser MFP, in order to expand the penetration of the product and maintain continuous operating revenue growth. (2) Work with domestic suppliers to research and develop important raw materials and supplies to cut the cost. (3) Apply the COB assembly and image technology to help the Group launch into the AOI and infrared thermal sensor industries, in order to expand the business niche and develop new application areas.
II. Status in the industry	For the time being, the Group's market share of colorful contact image sensor module ranks 1st place in the world. Therefore, the Group holds better production scale, competitiveness and cost control ability.	Considering that the upstream and downstream industries both involve monopolized market with weak price manipulation power, the competitors engage in price war in order to secure business opportunities.	(1) Strengthen development of high-rank products and low-price modules to increase the added value and market share at the same time, and enlarge the gap with the others in the same trade. (2) Continue to improve the production process, and work with suppliers to develop high-performance and low-cost raw materials and supplies to cut the production cost.
III. Supply of main raw materials	The Group and its main raw materials suppliers adopt the long-term cooperative strategy and alliance policy to control the quality and quantity of the supply of raw materials.	Some of the main raw materials suppliers' products involve monopolized market and, therefore, the price thereof is less elastic.	(1) Work with related suppliers to research and develop important raw materials and supplies to cut the cost. (2) Continue to maintain fair trading relations with suppliers to secure the stable source of supply.

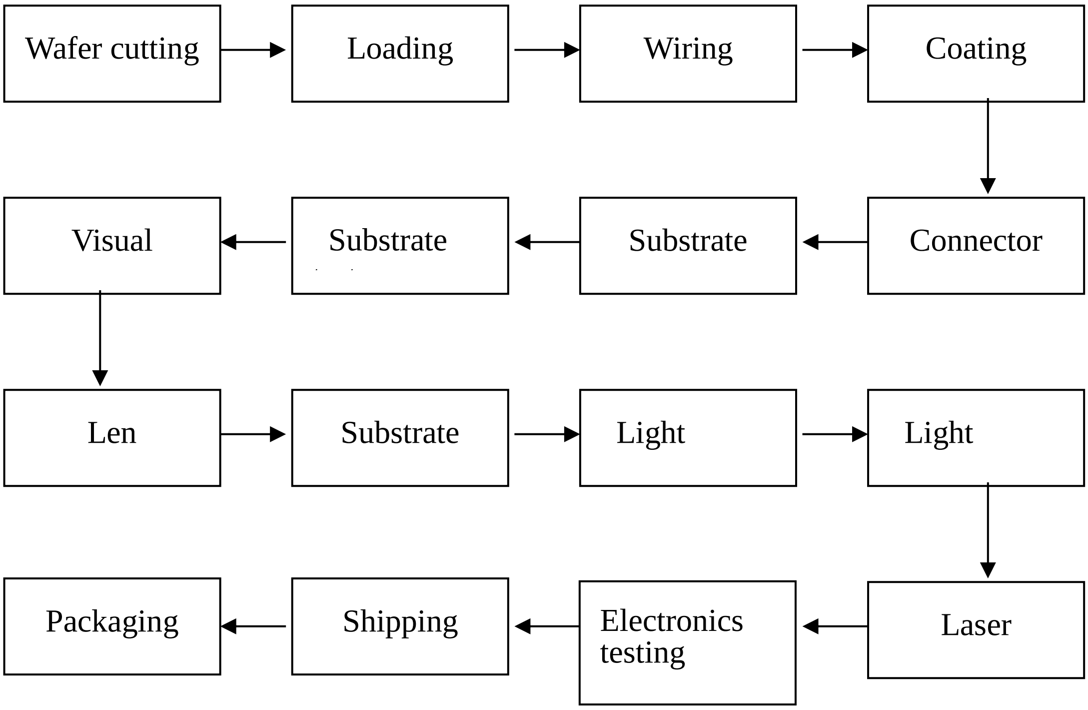
Item	Advantageous factors	Disadvantageous factors	Countermeasures
IV. Overview of sale of main products	The Group's products earn recognition from customers by quality and delivery period. The market share of colorful CIS ranks 1st place stably. Meanwhile, as the Group's continues to develop new customers and work with customers to develop new products, the sales volume of CIS will keep growing.	(1) Subject to the dull and peak seasons, the planning for productivity of the downstream product market is affected. (2) High customer concentration.	(1) Develop business actively to solicit for new customers and new orders, in hopes of dispersing the customer bases. (2) Secure long-term and stable orders to help allocate the productivity adequately and cut the operating cost resulting from the excessively distinguished dull and peak seasons.
V. Financial position	The Group has secured profit stably for a long term. Meanwhile, the Group's management values receivable accounts and inventories very much. Therefore, all of the Group's operating activities remain the cash inflow operating activities. The Company has sound financial position and sufficient own fund.	The excessive product simplification and matured industry causes the Company's operating revenue and profit to grow sluggishly and thereby weakens the Company's profitability.	The Group will develop new business lines to stimulate the future operating profitability. Furthermore, the Group owns sufficient capital to cover the future capital expenditure.

5.2.2 Important purpose and production process of main product

1. Important purpose of main product

Item	Main product	Purpose
Contact Image Sensor	CIS	Multi-function printer Fax machine Image scanner Photocopier Business card scanner Banknote validator

2. Production process



5.2.3 Supply of main raw materials

Main raw materials	Source of supply	Overview of supply
Wafer	Japan, Singapore, Taiwan	Good
Lenticular Lens	Japan, Hong Kong	Good
LGP	Japan, Hong Kong, Taiwan	Good
PCB	Taiwan, China	Good

5.2.4 The names of any suppliers (customers) that have supplied (sold) 10 percent or more of the Group's procurements (sales) in either of the preceding 2 fiscal years, and the monetary amount and the proportion of such procurements (sales) as a percentage of total procurements (sales)

1. Information about main suppliers in the most recent two years

Unit: NTD thousands

Item	2016				2017				Q1 of 2018			
	Name	Amount	To the yearly procurements, net (%)	Relationship with the issuer	Name	Amount	To the yearly procurements, net (%)	Relationship with the issuer	Name	Amount	To the yearly procurements, net in the year until the previous quarter (%)	Relationship with the issuer
1	Company A	689,894	22.59%	None	Company A	600,401	21.20%	None	Company A	122,685	17.85%	None
2	Company B	508,358	16.64%	None	Company B	481,841	17.01%	None	Company B	110,925	16.15%	None
3	Company C	358,235	11.73%	Note	Company C	343,131	12.11%	Note	Company C	80,971	11.79%	Note
	Others	1,498,000	49.04%	--	Others	1,407,131	49.68%	--	Others	372,410	54.21%	—
	Procurements, net	3,054,487	100.00%		Procurements, net	2,832,504	100.00%		Procurements, net	686,991	100%	

Note: The Group's management.

Reason for any change in the amount: No material changes in the ranking of the Company's suppliers have taken place in the past two (2) years. Notwithstanding, in order to disperse the risk over procurement and stabilize the source of supply, the Company makes every endeavor to solicit new suppliers, insofar as the quality of raw materials and supplies remains unaffected.

2. Information about main customers in the most recent two years

Unit: NTD thousands

Item	2016				2017				Q1 of 2018			
	Name	Amount	To the yearly sales, net (%)	Relationship with the issuer	Name	Amount	To the yearly sales, net (%)	Relationship with the issuer	Name	Amount	To the yearly procurements, net in the year until the previous quarter (%)	Relationship with the issuer
1	Company A	920,321	21.36%	None	Company A	849,485	21.46%	None	Company A	205,797	21.19%	None
2	Company B	764,990	17.75%	None	Company B	647,523	16.36%	None	Company B	170,859	17.59%	None
3	Company C	582,067	13.51%	None	Company C	512,143	12.94%	None	Company D	127,867	13.16%	None
4	Company D	319,496	7.41%	None	Company D	489,816	12.38%	None	Company C	110,728	11.40%	None
	Others	1,722,425	39.97%	--	Others	1,458,895	36.86%	--	Others	356,074	36.66%	—
	Sales, net	4,309,299	100.00%		Sales, net	3,957,862	100.00%		Sales, net	971,325	100.00%	

Reason for any change in the amount: The Company engaged in production of one single product and sold the product to world-renowned suppliers. Therefore, the customer base was stable. The Company maintained fair relationship with existing customers and also worked hard to develop new customer bases.

5.2.5 Production by volume/value for the most recent 2 fiscal years

Unit: NT$ million; thousand; pcs

Year / Production by volume/value / Main product	2016			2017		
	Production capacity	Production by volume	Production by value	Production capacity	Production by volume	Production by value
Image sensor	44,710	29,809	4,270	44,360	30,060	3,988
Total	44,710	29,809	4,270	44,360	30,060	3,988

5.2.6 Sales by volume and value for the most recent 2 fiscal years

Unit: NT$ million; thousand; pcs

Year / Sales by volume/value / Main product	2016				2017			
	Domestic marketing		Export		Domestic marketing		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Image sensor	0	3	29,829	4,306	0	8	29,833	3,950
Total	0	3	29,829	4,306	0	8	29,833	3,950

5.3 Information about the Group’s employees for the past two (2) fiscal years and up to the date of publication of the annual report.

Item / Year		2016	2017	Ending March 31, 2018
Number of employees	Indirect labors	413	405	392
	Direct labors	613	612	741
	Total	1,026	998	1133
Average age		26.95	30.20	30
Average years of service		2.38	3.72	3.32
Educational background breakdown (%)	Ph.D.	0.08%	0%	0%
	Master degree	7%	10%	8%
	University/college	23%	18%	16%
	Senior high school	21%	18%	18%
	Less than senior high school	49%	54%	58%

5.4 Information on environmental protection expenditures:

The loss (including damages) suffered by the Company due to environmental pollution incidents occurred in the most recent year and up to the date of publication of the annual report and the total penalty/fine amount, as well as the future preventive policies (including improvement measures) and possible expenses to be incurred (including possible loss if no preventive measures are taken, and the penalties and estimated damages; if a reasonable estimation cannot be made, explanation on the facts why it cannot be made shall be stated): The Group was engaged in manufacturing electronic parts, and no waste gas, waste water or noise pollution arises from its production process. Therefore, the Group didn’t suffer any loss due to environmental pollution for the most recent two (2) fiscal years, and no significant environmental protection expenditures are expected in the future.

5.5 Relations between laborers and employer

5.5.1 All employee benefits, continuing education, training, retirement systems, and the status of their implementation, as well as the status of agreements between labor and management, and all measures aimed at preserving the rights and interests of employees:

1. Employee benefits and implementation thereof:

A. The Company's employees would be enrolled into the labor insurance and national health insurance programs as soon as they were hired. The overseas subsidiaries' employees may be enrolled into the local insurance program as soon as they were hired.

B. According to the Company's regulations governing employees' stock options, the Company shall retain 10%~15% stock available for the employees to subscribe for when increasing capital in cash, and shall implement the employee bonus system.

C. The Company has established the Worker Welfare Commission dedicated to handling and operating various employee benefits. For the time being, such labor conditions as application for leave and working hours are handled in accordance with the Labor Standards Act. Meanwhile, the Company plans multiple benefits for employees.

D. The current employee benefits are stated as following:

① Holiday bonus for three major festivals, and birthday gift certificate.

② Year-end bonus, and performance bonus.

③ Organize the year-end party.

④ Organize domestic and foreign tourism for employees.

⑤ Gift money for marriage, funeral and celebration of employees.

⑥ Educational subsidy for employees' children .

⑦ Enroll employees into labor insurance, national health insurance and group insurance programs.

⑧ Provide employees with the chance to subscribe for stock when the Company proceeds with cash capital increase.

2. Employees' continuing education and training, and implementation thereof:

A. The employees' education and training are implemented in accordance with the Company's rules the training, including "Implementation Rules of Education and Training", "Implementation Rules of Internal Education and Training", "Expatriation Training Management Rules", "Rules Governing Subsidy for Language Proficiency Test", and "Rules Governing Subsidy for On-the-Job Training", etc. Actively provide employees with the various chances and environments for learning and development to train talents with the strengths in global viewpoints and voluntary learning.

B. Statistics of education and training hours in 2017: The management training, core competency and specialty promotion courses were offered inside and outside the Company in 2017. A total of 274 trainees attended the courses for a total of 678 hours. On average, each employee took the training for 8.1 hours in 2017. The training expenditure totaled NT$152,260 in 2017.

3. Retirement systems and implementation thereof:
   A. The Company's employee retirement systems and regulations were based on the Labor Standards Act and Labor Pension Act. The overseas subsidiaries' retirement systems and regulations were based on the pension insurance systems prescribed by the Government of the Peoples' Republic of China.
   B. Establish the "Supervisory Committee of Workers' Retirement Preparation Fund" to supervise the implementation of retirement systems.
   C. The Company retained the actuary to estimate the workers' retirement preparation fund pursuant to the Statement of Financial Accounting Standards No. 18 of the R.O.C. And provide the actuarial report.

   Since July 1, 2005, the Company has contributed 6% of the employees' wages to their personal pension accounts on a monthly basis pursuant to the Labor Pension Act. For the overseas subsidiaries, the pension shall be contributed at a specific proportion of the employees' total salaries based on the pension insurance systems prescribed by the Government of the Peoples' Republic of China. The monthly employee pension shall be arranged and managed by the Government uniformly.

4. Status of agreements between labor and management, and all measures aimed at preserving the rights and interests of employees:

   The Group is used to upholding the management philosophy highlighting voluntary management and full participation. Each department head and his/her immediate subordinates could communicate with each other via periodic meetings, education & training, and effective channels. Therefore, the management maintained fair and harmonious relations with labors.

5. Code of conduct or ethics for employees:

   In order to maintain the employment order in the workplace and expressly regulate the right and obligation between labors and management, the Group established the "Work Rules" pursuant to laws, and disclosed the same upon approval of the competent authority. Meanwhile, in order to mitigate the Company's operational risk, prevent any conduct impairing shareholders' equity, and provide the Company's employees with the rules to follow, the Group established the following codes and promoted them actively:
   A. Ethical management best-practice principles: Do not engage in offering, promising, asking for or accepting any unjustified enrichment, directly or indirectly, or any other conducts against ethics or fiduciary duty.
   B. Compliance with anti-trust conduct: Keep alert when dealing with competitors and trading counterparts, and expressly declare the non-disclosure obligation, and

no preferential treatment shall be offered.

C. Complaint against misconduct and unethical conduct: Where any employee is aware of embezzlement of the Company's property, conduct affecting the accuracy of the Company's financial statements or acceptance of unjustified enrichment from outsiders, which are against the Company's code of ethics, he/she shall report the same via the normal channel internally in the Company.

6. Operating procedure for handling internal material information:

In order to establish a fair mechanism dedicated to processing internal material information and disclosure of information to prevent unfair disclosure of information, and to ensure the consistency and accuracy of the information disclosed by the Company to the public, the Company added the "Prevention of Insider Trading" in its internal control system, which was already reported to and resolved by the Board of Directors meeting on December 21, 2009, and also notified to all employees and managerial officers.

7. Protective measures against working environment and employees' personal safety:

A. Protective measures against working environment

①The Group have the ISO14001 environmental management system certificate. Our environment policies are: (1) Following and complying with environmental laws and other requirements. (2) Promoting recycling and reuse of resources, and endeavoring to reduce industrial waste to prevent pollution. (3) Reducing the use of hazardous materials, being thorough on pollution control and management, and endeavoring on the design and manufacturing of green products. (4) Preventing accidents and disasters and enhancing disaster prevention drill.

②Safety of equipment: The passenger and cargo elevators of the building where the Company is located have undergone the periodic checkup as required, and the Company would retain external service suppliers to conduct the labor safety and health examination on a monthly basis to prevent any increase in the labor risk. Meanwhile, the Company would ask the workers to wear protective gears.

③Fire protection: Install the complete fire protection systems pursuant to the Fire Services Act, including sprinkler system, escape and survive system, such as escape sling and emergency lights; test the lights, fire protection systems and CO2 each year.

④The Group would test the drinking water once per six (6) months, and carry out comprehensive disinfection in the working environment each year to keep the working environmental hygiene.

B. Protective measures against employees' personal safety

①The Group established the "Labor Safety and Health Rules" to ensure the workers' interest and right, physically and mentally, and mitigate various significant hazards to be caused by the workers' operations. Meanwhile, the Group established the "Regulations Governing Natural Calamity, Power Outage and Raw Materials Pending" to help respond to disasters, if any, immediately.

②Medical treatment and healthcare: The Group provide the existing employees with the health examination once per year.

③Organize the labor safety and health educational training each year to enhance the employees' knowledge and mitigate occupational injuries with employees.

④The Group's reception counter would always make alcohol and mouth mask available to employees and visitors to reduce the probability of employees' infection of flu in the working environment.

⑤To prevent the workers' personal safety from being injured, the Group asked the workers to wear protective gears, and established related operating procedures.

5.5.2 Describe the loss suffered by the Company due to labor disputes occurring in the most recent years and up to the date of publication of the annual report, and disclose the estimated amount expected to be incurred for the present and future as well as the preventive measures. If a reasonable estimate cannot be made, an explanation of why it cannot be made shall be provided: None.

5.6 Important Contracts: None.

VI. Financial Status

6.1 Five-Year Financial Summary

6.1.1 Balance Sheets

1. Consolidated summary balance sheets - IFRSs

Unit: NTD thousands

Item \ Year		Financial information for the most recent five years					Financial information of current year ending 03/31/2018 (Note 2)
		2013	2014	2015	2016	2017	
Current assets		2,938,413	3,102,748	2,885,432	3,041,354	3,168,989	3,183,791
Real estate, plant and equipment		1,121,326	987,475	902,558	786,190	613,890	600,265
Intangible assets		7,333	9,844	8,713	6,369	4,306	4,773
Other assets		972,322	914,060	802,087	778,839	808,864	779,450
Total assets		5,039,394	5,014,127	4,598,790	4,612,752	4,596,049	4,568,279
Current liabilities	Before distribution	1,496,533	1,300,113	969,030	1,144,945	1,131,232	1,075,606
	After distribution	1,648,999	1,541,517	1,197,729	1,348,233	Note 3	Note 3
Non-current liabilities		58,652	81,913	61,591	53,367	60,458	84,667
Total liabilities	Before distribution	1,555,185	1,382,026	1,030,621	1,198,312	1,191,690	1,160,273
	After distribution	1,707,651	1,623,430	1,259,320	1,401,600	Note 3	Note 3
Total equity attributable to the owner of parent company		3,484,209	3,632,101	3,568,169	3,414,440	3,404,359	3,408,006
Capital stock		1,270,550	1,270,550	1,270,550	1,270,550	1,270,550	1,270,550
Additional paid-in capital		677,467	677,467	677,467	677,467	677,467	677,467
Retained earnings	Before distribution	903,725	1,061,591	1,113,340	1,143,166	1,152,065	1,153,077
	After distribution	751,259	820,187	884,641	939,878	Note 3	Note 3
Other equities		632,467	622,493	506,812	323,257	304,277	306,912
Treasury stock		0	0	0	0	0	0
Uncontrolled equity		0	0	0	0	0	0
Total equity	Before distribution	3,484,209	3,632,101	3,568,169	3,414,440	3,404,359	3,408,006
	After distribution	3,331,743	3,390,697	3,339,470	3,211,152	Note 3	Note 3

Note 1: The information from 2013 to 2016 was based on the consolidated financial statements audited and certified by the CPA in accordance with the R.O.C. Statements of Financial Reporting Standards.

Note 2: The information of Q1, 2018 was based on the consolidated financial statements audited by the CPA in accordance with the IFRSs.

Note 3: The allocation of earnings has not yet been approved by the shareholders' meeting.

2. Individual summary balance sheets - IFRSs

Unit: NTD thousands

Item \ Year		Financial information for the most recent five years				
		2013	2014	2015	2016	2017
Current assets		1,311,503	1,257,231	989,905	1,341,985	1,257,172
Real estate, plant and equipment		22,079	32,656	22,982	14,728	8,770
Intangible assets		1,782	3,291	2,698	1,925	960
Other assets		3,210,486	3,359,418	3,327,734	3,249,495	3,264,807
Total assets		4,545,850	4,652,596	4,343,319	4,608,133	4,531,709
Current liabilities	Before distribution	1,002,989	938,582	713,559	1,140,326	1,073,943
	After distribution	1,155,455	1,179,986	942,258	1,343,614	Note 2
Non-current liabilities		58,652	81,913	61,591	53,367	53,407
Total liabilities	Before distribution	1,061,641	1,020,495	775,150	1,193,693	1,127,350
	After distribution	1,214,107	1,261,899	1,003,849	1,396,981	Note 2
Total equity attributable to the owner of parent company		3,484,209	3,632,101	3,568,169	3,414,440	3,404,359
Capital stock		1,270,550	1,270,550	1,270,550	1,270,550	1,270,550
Additional paid-in capital		677,467	677,467	677,467	677,467	677,467
Retained earnings	Before distribution	903,725	1,061,591	1,113,340	1,143,166	1,152,065
	After distribution	754,259	820,187	884,641	939,878	Note 2
Other equities		632,467	622,493	506,812	323,257	304,277
Treasury stock		0	0	0	0	0
Uncontrolled equity		0	0	0	0	0
Total equity	Before distribution	3,484,209	3,632,101	3,568,169	3,414,440	3,404,359
	After distribution	3,331,743	3,390,697	3,339,470	3,211,152	Note 2

Note 1: The information from 2013 to 2017 was based on the individual financial statements audited and certified by the CPA in accordance with the IFRSs.

Note 2: The allocation of earnings has not yet been approved by the shareholders' meeting

6.1.2 Condensed Statement of Income

1. Consolidated summary income statements - IFRSs

Unit: NTD thousands

Item \ Year	Financial information for the most recent five years					Financial information of current year ending 03/31/2018 (Note 2)
	2013	2014	2015	2016	2017	
Operating revenue	4,780,858	5,374,179	4,864,840	4,309,299	3,957,862	971,325
Gross profit	550,454	721,228	728,785	664,203	551,959	96,583
Operating income (loss)	231,229	346,735	313,992	297,797	213,120	24,829
Non-operating revenue and expense	42,585	57,613	128,290	67,094	70,568	14,601
Net Profit Before Taxes	273,814	404,348	442,282	364,891	283,688	39,430
Continuing Operation Net profit - current period	189,298	308,496	293,600	257,536	210,019	4,629
Loss from Discontinued Operation	0	0	0	0	0	0
Net profit (net loss) - current period	189,298	308,496	293,600	257,536	210,019	4,629
Other comprehensive income - current period (Net income)	397,754	(8,138)	(116,128)	(182,566)	(16,812)	(982)
Current total consolidated income	587,052	300,358	177,472	74,970	193,207	3,647
Net profit attributable to the owner of parent	189,298	308,496	293,600	257,536	210,019	4,629
Net profit attributable to uncontrolled equity	0	0	0	0	0	0
Total consolidated income attributable to the owner of parent	587,052	300,358	177,472	74,970	193,207	3,647
Total consolidated income attributable to uncontrolled equity	0	0	0	0	0	0
EPS	1.49	2.43	2.31	2.03	1.65	0.04

Note 1: The information from 2013 to 2017 was based on the consolidated financial statements audited and certified by the CPA in accordance with the IFRSs.

Note 2: The information of Q1, 2018 was based on the consolidated financial statements audited by the CPA in accordance with the IFRSs.

2. Individual summary income statements - IFRSs

Unit: NTD thousands

Item \ Year	Financial information for the most recent five years				
	2013	2014	2015	2016	2017
Operating revenue	4,743,841	5,354,320	4,842,825	4,291,231	3,941,913
Gross profit	326,628	468,180	486,056	437,780	381,756
Operating income (loss)	98,647	182,439	165,394	148,667	116,249
Non-operating revenue and expense	160,205	189,832	147,120	141,175	126,476
Net Profit Before Taxes	258,852	372,271	312,514	289,842	242,725
Continuing Operation -- Net profit - current period	189,298	308,496	293,600	257,536	210,019
Loss from Discontinued Operation	0	0	0	0	0
Net profit (net loss) - current period	189,298	308,496	293,600	257,536	210,019
Other comprehensive income - current period (Net income)	397,754	(8,138)	(116,128)	(182,566)	(16,812)
Current total consolidated income	587,052	300,358	177,472	74,970	193,207
Net profit attributable to the owner of parent	189,298	308,496	293,600	257,536	210,019
Net profit attributable to uncontrolled equity	0	0	0	0	0
Total consolidated income attributable to the owner of parent	587,052	300,358	177,472	74,970	193,207
Total consolidated income attributable to uncontrolled equity	0	0	0	0	0
EPS	1.49	2.43	2.31	2.03	1.65

Note 1: The information from 2013 to 2017 was based on the individual financial statements audited and certified by the CPA in accordance with the IFRSs.

6.1.3 Auditors' Opinions from 2012 to 2016

Year	Name of Independent auditing firm	Audit opinions
2013	Chun-Yao Lin, Yu-Lung Wu	Unqualified opinion
2014	Chun-Yao Lin, Yu-Lung Wu	Unqualified opinion
2015	Chun-Yao Lin, Shu-Chiung Chang	Unqualified opinion
2016	Chun-Yao Lin, Shu-Chiung Chang	Unqualified opinion
2017	Shu-Chiung Chang, Hui-Chin Tseng	Unqualified opinion

6.2 Five-Year Financial Analysis

6.2.1 Financial analysis

1. Consolidated Five Year Balance Sheets - IFRSs

Analysis Item	Year	Financial analysis for the most recent five years					
		2013	2014	2015	2016	2017	Ending March 31, 2018
Capital structure analysis	Ratio of liabilities to assets (%)	30.86	27.56	22.41	25.98	25.93	25.40
	Ratio of Long-term funds to real estate, plant and equipment (%)	315.96	376.11	402.16	441.09	564.40	581.86
Liquidity analysis %	Current Ratio (%)	196.35	238.65	297.76	265.63	280.14	296.00
	Quick Ratio (%)	167.25	205.41	266.79	241.35	250.81	266.90
	Times Interest Earned	39.16	64.51	48.69	N/A	N/A	N/A
Operational ability	Accounts receivable turnover (times)	7.06	7.48	8.16	8.19	7.32	7.18
	Average collection days	52	49	45	45	50	51
	Inventory turnover (times)	12.39	10.72	11.29	12.61	11.17	10.85
	Accounts payable turnover (times)	4.97	4.77	5.45	5.27	4.49	4.71
	Average inventory turnover days	29	34	32	29	33	34
	Real estate, plant and equipment turnover (times)	4.15	5.1	5.13	5.09	5.65	6.40
	Total asset turnover (times)	0.95	1.07	1.01	0.94	0.86	0.85
Profitability	Return on assets (%)	4.27	6.24	6.27	5.59	4.56	0.40
	Return on shareholders' equity (%)	5.83	8.67	8.16	7.38	6.16	0.54
	Pre-tax profit to paid-up capital (%)	21.55	31.82	34.81	28.72	22.33	12.41
	Profit margin (%)	3.96	5.74	6.04	5.98	5.31	0.48
	Earnings per share (NT$)	1.49	2.43	2.31	2.03	1.65	0.04
Cash flow	Cash flow ratio (%)	29.87	44.39	59.22	26.41	43.12	9.53
	Cash flow adequacy ratio (%)	132.48	123.3	154.55	159.95	150.69	154.94
	Cash reinvestment ratio (%)	6.66	8.29	6.41	1.84	5.53	1.97
Leverage	Operating leverage	4.61	2.91	3.08	2.87	3.51	3.41
	Financial leverage	1.03	1.02	1.03	1.00	1.00	1.00

Reasons for changes in financial ratios for the latest 2 years: (Analysis is not required if the magnitude of increase or decrease is less than 20%).

1. The increase in the ratio of long-term funds to real estate, plant and equipment was primarily a result of the decrease in the book value of real estate, plant and equipment upon depreciation.
2. Times interest earned N/A, primarily as a result of no interest expenses generated in 2016 and 2017.
3. The decrease in the pre-tax profit to paid-up capital was primarily a result of the decrease in operating revenue in 2017 resulting in the decrease in net profits before tax.
4. The increase in cash flow ratio was primarily a result of the decrease in purchase of funds in 2017 resulting in the increase in cash flow from operating activities.
5. The increase in the cash reinvestment ratio was primarily a result of the decrease in purchase of funds in 2017 resulting in the increase in cash flow from operating activities.
6. The increase in operating leverage was primarily a result of the decrease in operating revenue resulting in the decrease in operating income.

Note 1: The information from 2013 to 2017 was based on the consolidated financial statements audited and certified by the CPA in accordance with the IFRSs.

Note 2: The information of Q1, 2018 was based on the consolidated financial statements audited by the CPA in accordance with the IFRSs.

2. Individual financial analysis for the most recent five years - IFRSs

Analysis Item		Financial analysis for the most recent five years (2013)	2014	2015	2016	2017
Capital structure analysis (%)	Ratio of liabilities to assets (%)	23.35	21.93	17.85	25.90	24.88
	Ratio of Long-term funds to real estate, plant and equipment (%)	16,046.29	11,373.14	15,793.93	23,545.67	39,427.21
Liquidity analysis %	Current Ratio (%)	130.76	133.95	138.73	117.68	117.06
	Quick Ratio (%)	130.77	133.65	138.58	117.68	116.92
	Times Interest Earned	102.55	156.50	274.89	N/A	N/A
Operational ability	Accounts receivable turnover (times)	7.09	7.45	8.07	8.17	7.29
	Average collection days	51	49	45	45	50
	Inventory turnover (times)	1,943.34	3,305.91	2,251.56	7,083.55	4,466.95
	Accounts payable turnover (times)	6.71	6.62	7.47	5.70	4.17
	Average inventory turnover days	1	1	1	1	1
	Real estate, plant and equipment turnover (times)	174.35	195.65	174.08	227.59	335.51
	Total asset turnover (times)	1.04	1.15	1.12	0.93	0.87
Profitability	Return on assets (%)	4.63	6.75	6.55	5.75	4.60
	Return on shareholders' equity (%)	5.83	8.67	8.16	7.38	6.16
	Pre-tax profit to paid-up capital (%)	20.37	29.30	24.60	22.81	19.10
	Profit margin (%)	3.99	5.76	6.06	6.00	5.33
	Earnings per share (NT$)	1.49	2.43	2.31	2.03	1.65
Cash flow	Cash flow ratio (%)	28.09	26.6	28.85	18.63	23.81
	Cash flow adequacy ratio (%)	167.37	128.83	127.04	111.94	123.83
	Cash reinvestment ratio (%)	4.54	2.53	(0..94)	(0.45)	1.45
Leverage	Operating leverage	2.84	2.50	2.72	2.84	3.14
	Financial leverage	1.03	1.01	1.01	1.00	1.00

Reasons for changes in financial ratios for the latest 2 years: (Analysis is not required if the magnitude of increase or decrease is less than 20%).

1. The increase in the ratio of long-term funds to real estate, plant and equipment was primarily a result of the decrease in the book value of real estate, plant and equipment upon depreciation.
2. Times interest earned N/A, primarily as a result of no interest expenses generated in 2016 and 2017.
3. The increase in the inventory turnover was primarily a result of the decrease in inventory.
4. The decrease in the accounts payable turnover was primarily a result of the decrease in operating revenue in 2017, and the increase in average payable accounts resulting from the increase in sales of Q4, 2016.
5. The increase in the real estate, plant and equipment turnover was primarily a result of the decrease in the book value of real estate, plant and equipment upon depreciation.
6. The decrease in the return on assets was primarily a result of the decrease in net income after tax.
7. The increase in cash flow ratio was primarily a result of the decrease in purchase of funds in 2017 resulting in the increase in cash flow from operating activities.
8. The increase in the cash reinvestment ratio was primarily a result of the decrease in purchase of funds in 2017 resulting in the increase in of cash flow from operating activities in 2017.

Note 1: The information from 2013 to 2017 was based on the individual financial statements audited and certified by the CPA in accordance with the IFRSs.

1. Financial structure
   (1) Ratio of liabilities to assets = Total liabilities / Total assets.
   (2) Ratio of Long-term funds to real estate, plant and equipment = (Total equity) + Noncurrent liabilities / Net of Real estate, plant and equipment
2. Liquidity analysis
   (1) Current Ratio (%) = Current assets / Current liabilities
   (2) Quick Ratio (%) = (Current assets - Inventory - Prepaid expenses) / Current liabilities
   (3) Times Interest Earned = Net income before income tax and interest expenses / Current interest expenditure
3. Operational ability
   (1) Receivables (including receivable accounts and receivable notes arising from business operations) turnover = Net sales / Average receivables (including receivable accounts and receivable notes arising from business operations) for each period
   (2) Average collection days = 365 / Accounts receivable turnover
   (3) Inventory turnover = Costs of goods sold / Average inventory
   (4) Payables (including payable accounts and payable notes arising from business operations) turnover = Cost of sale / Average payables (including payable accounts and payable notes arising from business operations) for each period
   (5) Average inventory turnover days = 365 / Inventory turnover
   (6) Real estate, plant and equipment turnover = Net sales / Net of Average real estate, plant and equipment
   (7) Total asset turnover = Net sales / Average total assets
4. Profitability
   (1) Return on assets = [After-tax income (loss) + Interest expense × (1- tax rate)] / Average total assets.
   (2) Return on shareholders' equity = After-tax income (loss) / Average total shareholders' equity.
   (3) Net profit margin = After-tax income (loss) / Net sales
   (4) Earnings per share = (Profit and loss attributable to owners of the parent – Dividends on preferred shares) / Weighted average number of issued shares
5. Cash flow
   (1) Cash flow adequacy ratio = Net cash flow from operating activities / Current liabilities
   (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (Capital expenditures + Inventory increase + Cash dividend) for the most recent five years
   (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross of real estate, plant and equipment + Long-term investment + Other non-current assets + Working capital)
6. Leverage:
   (1) Operating leverage = (Net operating revenues - Variable operating costs and expenses) / Operating income
   (2) Financial leverage = Operating benefits / (Operating benefits - Interest expense)

1. Financial structure
   (1) Ratio of liabilities to assets = Total liabilities / Total assets.
   (2) Long-term capital to fixed assets ratio = (Net shareholders' equity + Long-term liability) / Net fixed assets
2. Liquidity analysis
   (1) Current Ratio (%) = Current assets / Current liabilities
   (2) Quick Ratio (%) = (Current assets - Inventory - Prepaid expenses) / Current liabilities
   (3) Times Interest Earned = Net income before income tax and interest expenses / Current interest expenditure
3. Operational ability
   (1) Receivables (including receivable accounts and receivable notes arising from business operations) turnover = Net sales / Average receivables (including receivable accounts and receivable notes arising from business operations) for each period
   (2) Average collection days = 365 / Accounts receivable turnover
   (3) Inventory turnover = Costs of goods sold / Average inventory
   (4) Payables (including payable accounts and payable notes arising from business operations) turnover = Cost of sale / Average payables (including payable accounts and payable notes arising from business operations) for each period
   (5) Average inventory turnover days = 365 / Inventory turnover
   (6) Fixed asset turnover = Net sales / Net fixed assets
   (7) Total asset turnover = Net sales / Total assets
4. Profitability
   (1) Return on assets = [After-tax income (loss) + Interest expense × (1 - tax rate)] / Average total assets
   (2) Return on shareholders' equity = After-tax income (loss) / Average shareholders' equity
   (3) Net profit margin = After-tax income (loss) / Net sales
   (4) EPS = (After-tax income (loss) - Preferred stock dividends) / Weighted average number of outstanding shares.
5. Cash flow
   (1) Cash flow adequacy ratio = Net cash flow from operating activities / Current liabilities
   (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (Capital expenditures + Inventory increase + Cash dividend) for the most recent five years
   (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross of fixed assets + Long-term investment + Other assets + Working capital)
6. Leverage
   (1) Operating leverage = (Net operating revenues - Variable operating costs and expenses) / Operating income
   (2) Financial leverage = Operating benefits / (Operating benefits - Interest expense)

6.3 Supervisor's Review Report on the financial statements for the most recent year

(This English version is only a translation of the Chinese version.)

CREATIVE SENSOR INC.
Supervisor's Review Report

The 2017 financial statements and consolidated financial statements presented by the board of directors have been audited by CPA Shu-Chiung Chang and CPA Hui-Chin Tseng of Pricewaterhouse Coopers Certified Public Accountants. These financial statements were submitted for review by us, the supervisors, along with the Company's business report and earnings appropriation proposal. We found no misstatement in the above, and thereby issue this review report in accordance with Article 219 of The Company Act.

For

The 2018 Annual General Meeting

CREATIVE SENSOR INC.

Supervisor: GUANG YUAN Co., Ltd.
Representative: Hui-Mei, Wu

Supervisor: Min-Yu, Chang

March 21, 2018

6.4 Financial statements for the most recent year

For the financial statements 2017, please see Pages 71~130 herein.

6.5 Individual financial statements audited and certified by the CPA for the most recent year

For the individual financial statements 2017, please see pages 131~184 herein.

6.6 If the Company or its affiliates have experienced financial difficulties in the most recent fiscal year and up to the date of publication of the annual report, please explain how said difficulties will affect the Company's financial situation: N/A.

VII. Review and analysis of financial position and financial performance, and a listing of risks

7.1 Financial position

(I) Comparative analysis of financial position

Unit: NTD thousands

Item \ Year	2017	2016	Variance		
			Amount	%	Descriptions
Current assets	3,168,989	3,041,354	127,635	4.20	—
Fixed assets	613,890	786,190	(172,300)	(21.92)	1
Other assets	813,170	785,208	27,962	3.56	—
Total assets	4,596,049	4,612,752	(16,703)	(0.36)	—
Current liabilities	1,131,232	1,144,945	(13,713)	(1.20)	—
Total liabilities	1,191,690	1,198,312	(6,622)	(0.55)	—
Capital stock	1,270,550	1,270,550	0	0	—
Additional paid-in capital	677,467	677,467	0	0	—
Retained earnings	1,152,065	1,143,166	8,899	0.78	—
Total shareholders' equity	3,404,259	3,414,440	(10,181)	(0.30)	—
Notes to variance in increase/decrease for the two periods: The analysis would be conducted only in case of variances in a increase/decrease by 20% and absolute amount more than NT$10,000 thousand. 1. The decrease in fixed assets was primarily a result of the provision of depreciation expenses.					

7.2 Financial Performance

(I) Comparative analysis of financial performance

Item \ Year	2017	2016	Amount of increase/decrease	Variance %	Notes to analysis of variance
Operating revenue	3,957,862	4,309,299	(351,437)	(8.16)	—
Operating costs	3,405,903	3,645,096	(239,193)	(6.56)	—
Gross profit	551,959	664,203	(112,244)	(16.90)	—
Operating expenses	338,839	366,406	(27,567)	(7.52)	—
Operating Income	213,120	297,797	(84,677)	(28.43)	1
Non-operating revenue and expense					
Interest revenue	20,386	21,383	(997)	(4.66)	—
Other benefits and loss	26,653	26,623	30	0.11	—
Financial cost	0	0	0	0	—
Share of profits/losses on equity-accounted associated companies and joint ventures	23,529	19,088	4,441	23.27	2
Net Profit Before Taxes	283,688	364,891	(81,203)	(22.25)	3

Income tax expense	(73,669)	(107,355)	33,686	(31.38)	4
Net profit - current period	210,019	257,536	(47,517)	(18.45)	—

I. Notes to variance in increase/decrease: The analysis may be exempted in the case of the variance in increase/decrease by less than 20% and absolute amount less than NT$10,000 thousand. The analysis is stated as follows:
1. Primarily a result of the increase in the sales of low-rank models to meet customers' needs, resulting in the declination of gross profit.
2. Primarily a result of the increase in earnings gained from investees.
3. Primarily a result of the decrease in operating income.
4. Primarily a result of the decrease in net profit before tax.

7.3 Cash flow

(I) Analysis of the variance in cash flows in the most recent fiscal year:

Item \ Year	2017	2016	Increase/decrease %
Cash flow ratio (%)	43.12	26.41	16.71
Cash flow adequacy (%)	150.69	159.95	(9.26)
Cash reinvestment ratio (%)	5.53	1.84	3.69

5. The increase in the cash flow ratio and cash reinvestment ratio was primarily a result of the decrease in purchase of funds in 2017 resulting in the increase in cash flow from operating activities.
6. The decrease in cash flow adequacy ratio was primarily a result of the increase in inventories and cash dividends for the most recent five (5) fiscal years.

(II) Corrective measures to be taken in response to illiquidity: N/A.

(III) Analysis of liquidity in the coming year:

Unit: NTD thousands

Initial cash balance (1)	Projected net cash flow from operating activities in a year (2)	Projected cash flows from investing and financing activities in a year (3)	Projected cash surplus (deficit) (1)+(2)+(3)	Corrective measures against projected insufficient cash position	
				Investment plans	Wealth management plan
779,885	244,884	(242,067)	782,702	$ -	$ -

1. Analysis of variance in cash flows in the current year
   (1) Operating activities: Primarily the net cash inflow generated as a result of the stable projected operating revenue and continuous earnings and effective control over inventories and collection of receivable accounts.
   (2) Investment activities: Primarily the net cash outflow from investing activities as a result of the purchase of machine and equipment.
   (3) Financing activities: Primarily the net cash outflow from financing activities as a result of the allocation of cash dividends.
2. Analysis of liquidity and corrective measures against projected insufficient cash position: N/A

7.4 Effect on the finance and business by major capital expenditures in the most recent year:
The Company did not have any major capital expenditures in the most recent year.

7.5 Investment strategies, causes for investment gains and losses, and planned improvements for the most recent year and the investment plan for the coming year

(I) Investment strategies

The Group focuses its investment on such core business as image sensors and handles the investment in line with its long-term development planning. The Group evaluates various investment projects carefully and conservatively.

(II) Causes for investment gains and losses

The increase in share of profits/losses on equity-accounted associated companies and joint ventures, NT$23,529 thousand, by 23.27% from NT$19,088 thousand in 2016 was primarily a result of the increase in earnings gained by the investees.

(III) Investment plan for the coming year

According to the investment plan for the coming year, the Group will continue to strengthen the investment in the core business, and will adjust and arrange its future development strategies per the changes in economy and the Group's new product development progress.

7.6 Analysis and assessment of risk matters in the most recent year and until the date of publication of the annual report

(I) The effect upon the Company's income by changes in interest, exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future.

1. Effect to the Company's income

Unit: NTD thousands

Item	Amount in 2017	To operating revenue %	To net profit before tax %
Net interest revenue and expenditure	20,386	0.52	7.19
Net exchange income	(44,723)	(1.13)	(15.76)
Net forward exchange hedging income	31,613	0.80	11.14

2. Changes in interest

The Group's interest rate risk primarily derives from the short-term loan. The loan issued at the floating interest rate derived the cash flow interest rate risk to be borne by the Group. Notwithstanding, the interest rate risk was offset against the cash and cash equivalent held at the floating rate in part. To deal with the effect produced by the loan interest rate fluctuations, the Group would check the changes in the market from time to time and adjust its financing strategies in a timely manner. By March 31, 2018, the Company has never drawn down the loan.

3. Exchange rate fluctuations

The Group's business involved several non-functional currencies (the functional currency applied to the Company and some of its subsidiaries was NTD, and the functional currency applied to some of its subsidiaries was RMB). Therefore, the Company would be subject to the foreign exchange rate fluctuations. The Company has established the natural hedging strategies through the assets and liabilities already stated. Meanwhile, the Company hedges the risk in stable manner by means of SPOT, forward foreign exchange, and sway of currency to mitigate the effect produced by foreign exchange rate fluctuations to the Company's income. The information about the Company's foreign currency assets and liabilities substantially subject to foreign exchange rate fluctuations is stated as following (Unit: thousand dollars):

	December 31, 2017					
				Analysis of sensitivity		
	Foreign currency (thousand dollars)	Foreign exchange rate	Book value (NTD)	Range of fluctuations	Affected income	Affected other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Currency items						
USD : NTD	$ 40,551	29.77	$ 1,207,203	1%	$ 12,072	$ -

RMB : NTD	67,408	4.56	307,380	1%	3,074	-
USD : RMB	31,838	6.53	947,817	1%	9,478	-
Financial liabilities						
Currency items						
USD : NTD	$ 29,595	29.77	$ 881,043	1%	$ 8,810	$ -
USD : RMB	21,946	6.53	653,332	1%	6,533	-

	December 31, 2016					
					Analysis of sensitivity	
	Foreign currency (thousand dollars)	Foreign exchange rate	Book value (NTD)	Range of fluctuations	Affected income	Affected other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Currency items						
USD : NTD	$ 36,567	32.28	$ 1,180,383	1%	$ 11,804	$ -
RMB : NTD	66,584	4.65	309,616	1%	3,096	-
USD : RMB	29,319	6.94	946,417	1%	9,464	-
Financial liabilities						
Currency items						
USD : NTD	$ 28,709	32.28	$926,727	1%	$ 9,267	$ -
USD : RMB	25,385	6.94	819,428	1%	8,194	-

4. Inflation

No adverse effect has been produced by the inflation to the Group's operation. The Group will keep watching the effect to the Group's income by interest rate, foreign exchange rate and inflation, and also provide the relevant response measures to be taken.

(II) The policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future.

1. The Group has never engaged in any high-risk or highly leveraged investments in the most recent year.
2. Until March 31, 2018, the balance of loans to other parties and endorsements/guarantees made by the Company has been zero.
3. In order to evade the risk over net foreign currency positions arising from the foreign exchange rate fluctuations, the Company has engaged in the currency swap contracts for trading financial products amounting to US$30 million until March 31, 2018. Considering that the Company operated financial derivatives for the purpose of evading risk and the transactions thereof were strictly regulated by the Company's "Operating Procedure for Acquisition or Disposition of Assets", no material effect was produced to the Company's income by the profit or loss generated thereform. The Company will keep operating the financial derivatives for the purpose of evading risk.

4. The financial products applying the hedge accounting policy, and the objective and methods thereof: The Company didn't apply the hedge accounting policy.

Said policies were evaluate carefully, fed back periodically and controlled strictly and based on the Company's "Operating Procedure for Acquisition and Disposition of Assets", "Operating Procedure for Loaning to Others" and "Operating Procedure for Making of Endorsements/Guarantees".

(III) Future R&D plans, and R&D expenditures to be invested

1. Future development plans
   (1) Continuous improvement on CISM cost and quality.
   (2) Design of ultra A4 digital CISM.
   (3) Design of ultra A3 digital CISM.
   (4) Development of next generation thin-type CISM.
   (5) Development of niche-type CISM applied to banks and handheld devices.
   (6) Sensor module for COB applied to environmental detection and MEMS sensor assembly.
   (7) Applied to Industry 4.0 visual inspection.
2. R&D expenditure to be invested: The R&D expenditure expected to be invested in 2018 will remain NT$100 million.

(IV) Impact on the Company's financial standing due to changes in domestic or foreign policies and laws, and corresponding countermeasures

The Group's management team keeps watching any domestic or foreign policies and laws which might render impact on the Company's finance and business. So far, no material impact has been produced by the changes in related policies and laws to the Company's finance and business.

(V) Impact on the Company's financial standing due to technological or industrial changes, and corresponding countermeasures

Emails have become the first priority channel for people's communication with each other in replace of fax. Given this, only processing of fax letters will not become the cause for consumers to purchase multi-function printers. Therefore, such functions as scan and copy can serve as the niches of the multi-function printers. The Company can always be adapted to the supply and demand on the market immediately, no matter for fax machine, scanner, and the multi-function printers integrating such functions as fax, scan, copy and print, as the Company maintains its high sensitivity toward the changes in industrial technologies to satisfy customers' need rapidly.

(VI) Effect on the crisis management by changes in the corporate identity, and measures to be taken in response.

The Group is always dedicated to maintaining its corporate identity and complies with laws and regulations. So far, no incidents sufficient to affect the Company's corporate identity have arisen.

(VII) Expected benefits and possible risks associated with any merger and acquisitions, and measures to be taken in response: No merger or acquisitions have been carried out by the Group in the most recent year.

(VIII) Expected benefits and possible risks associated with any plant expansion, and measures to be taken in response: No plant expansion has been carried out by the Group in the most recent year.

(IX) Risks associated with any consolidation of sales or purchasing operations, and measures to be taken in response:

The multi-function printer market is primarily dominated by branded manufacturers. The Group secures more than 50% of the market share globally and, therefore, consolidation of sales becomes one of the Group's industrial characteristics. Considering that there are few manufacturers holding the technology for production of colorful image sensors domestically and overseas, and the market demand is increasing and launching into the industry is subject to a high threshold; the industry was monopolized accordingly. For the time being, the few manufacturers engaged in mass production of colorful CISM domestically and overseas are only ASIA TECH IMAGE INC., Canon, and the Company. Given the limited supply sources, consolidation of purchasing operations is common to various system suppliers.

(X) Effect upon and risk to the Company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the Company has been transferred or otherwise changed and measures to be taken in response: No transfer or change of a majority quantity of shares has occurred among the Company's directors, supervisors, or shareholders holding greater than a 10 percent stake in the most recent year.

(XI) Effect and risk caused by the changes of the right to manage to the Company, and the countermeasures thereof: None.

(XII) Litigious and non-litigious matters: List major litigious, non-litigious or administrative disputes that involve the Company and/or its director, supervisor, president, responsible person in fact, major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the Company, and have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report: N/A.

(XIII) Other significant risks and response actions: None.

7.7 Other Significant Events: None.

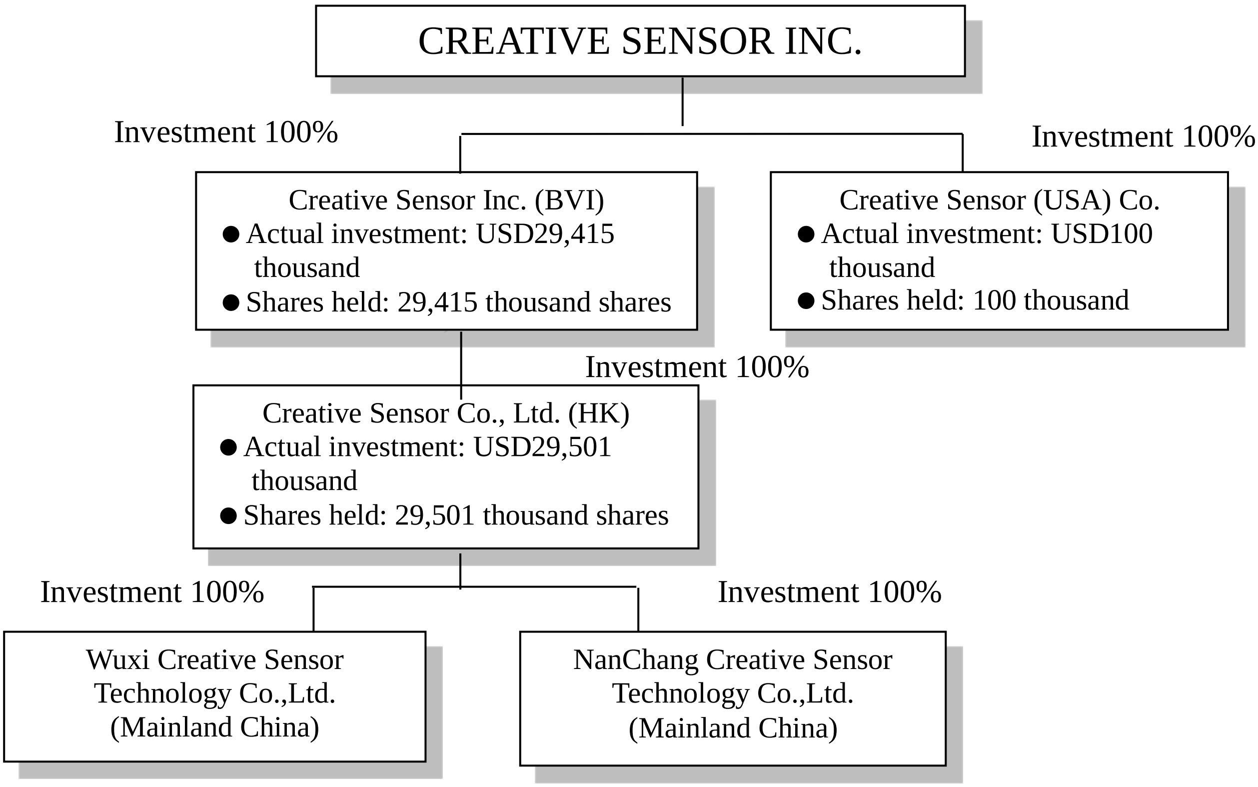
VIII. Special Items

8.1 Information on Affiliates

(I) Consolidated business reports of affiliated enterprises

1. Overview of affiliates:

(1) Organizational chart of affiliates:



(2) Basic information on affiliates

2017.12.31
Unit: NTD thousands

Company name	Date of establishment	Address	Paid-in capital	Scope of business/production
Creative Sensor Inc.	2002.06	Beaufort House, P.O. Box 438, Road Town, Tortola, British Virgin Islands.	974,576	Holdings
Creative Sensor (USA) Co.	2005.10	19 Peters Canyon RD.STEC Irvine, CA92606	3,169	Collection of market information and maintenance of relations with customers
Creative Sensor Co., Ltd.	2002.07	Unit 618 6/F Peninsula CRT., No67 Mody Rd Tst East , Kowloon, HK	977,388	Holdings
Wuxi Creative Sensor Technology Co.,Ltd.	2002.08	Land at No. 93, China National High-Tech Industrial Development Zone, Wuxi City, Jiangsu Province	564,580	Production of image sensor

NanChang Creative Sensor Technology Co.,Ltd.	2007.04	No. 36, Huo Ju 5th Rd., China National High-Tech Industrial Development Zone, NanChang City, Jiangxi Province	989,632	Production of image sensor

Note: Where the affiliate is a foreign company, the related figures shall be expressed in NTD converted and the foreign exchange rate prevailing on the reporting date.

(3) Information on shareholders presumed to have a controlling and dependent relationship: None.

(4) The industries covered by the business operated by the affiliates overall.

The industries covered by the business operated by the Company's affiliates overall refer to holding companies and production of image sensor.

(5) Information on directors, supervisors and presidents of the company's affiliates

2017.12.31

Units: 1000 shares

Company name	Title	Name	Representative	Number of shares held	
				Shares	%
Creative Sensor Inc.	Director	CREATIVE SENSOR INC.	IKUJIN KO	29,415	100%
Creative Sensor Co., Ltd	Director	Creative Sensor Inc.	IKUJIN KO	29,501	100%
	Director	Creative Sensor Inc.	Sheng-Chi Lin		
Wuxi Creative Sensor Technology Co.,Ltd.	Director	Creative Sensor Co., Ltd.	IKUJIN KO	Investment certificate	100%
	Director	Creative Sensor Co., Ltd.	Chao-Chih Lien		
	Director	Creative Sensor Co., Ltd.	En-Kuo Wang		
	Director	Creative Sensor Co., Ltd.	Shao-Chung Chang		
	Director	Creative Sensor Co., Ltd.	Ho-Hsin Chen		
	President	Hung-Chi Chen		0	0
NanChang Creative Sensor Technology Co.,Ltd.	Director	Creative Sensor Co., Ltd.	IKUJIN KO	Investment certificate	100%
	Director	Creative Sensor Co., Ltd.	Chao-Chih Lien		
	Director	Creative Sensor Co., Ltd.	Kuo-Kuei Kuo		
	Director	Creative Sensor Co., Ltd.	Chi-Chang Yang		
	Director	Creative Sensor Co., Ltd.	Hung-Chi Chen		
	Supervisor	Creative Sensor Co., Ltd.	Chun-Mei Yen		
	President	Ho-Hsin Chen		0	0
Creative Sensor (USA) Co.	Director	CREATIVE SENSOR INC.	IKUJIN KO	100	100%
	Director	CREATIVE SENSOR INC.	Chi-Chang Yang		
	Director	CREATIVE SENSOR INC.	Yuan-Sheng Wang		

2. Operating profile of affiliated companies:

2017.12.31
Unit: NTD thousands

Company name	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Net income (after tax) of current year	Earnings per share after tax (NT$)
Creative Sensor Inc.	974,576	2,521,824	0	2,521,824	0	(49)	25,126	0.85
Creative Sensor (USA) Co.	3,169	3,387	435	2,952	0	(2320)	65	0.65
Creative Sensor Co., Ltd.	977,388	1,904,857	7,125	1,897,732	0	(788)	48,324	1.64
Wuxi Creative Sensor Technology Co.,Ltd.	564,580	872,049	158,614	713,435	617,189	8,309	9,997	(Note 2)
NanChang Creative Sensor Technology Co.,Ltd.	989,632	1,803,418	735,239	1,068,179	2,930,320	87,705	60,510	(Note 2)

Note 1: Where the affiliate is a foreign company, the related figures shall be expressed in NTD converted and the foreign exchange rate prevailing on the reporting date.
Note 2: Not applicable to limited companies.

(II) Consolidated financial statements of affiliates:

The companies required to be included in the consolidated financial statements of affiliates shall be all the same as companies required to be included in the consolidated financial statements of parent and subsidiary companies, and the relevant information that should be disclosed in the consolidated financial statements of the affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies; therefore, the Company didn’t prepare separate consolidated financial statements of the affiliates separately.

(III) Affiliation report: N/A.

8.2 Private placement of securities in the most recent year and up to the date of publication of the annual report: N/A.

8.3 Subsidiaries’ holding or disposition of the Company’s stock in the most recent fiscal year and up to the date of publication of the annual report: N/A.

8.4 Other Important Supplementary Information: None.

8.5 Occurrence of any event with material impact to shareholders’ equity or securities price in the most recent fiscal year and up to the date of publication of the annual report: N/A.

CREATIVE SENSOR INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2017 AND 2016

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

Creative Sensor Inc.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2017, pursuant to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard 10. Also, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Representative: Ko Ikujin

March 21, 2018

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Creative Sensor Inc.

Opinion

We have audited the accompanying consolidated balance sheets of Creative Sensor Inc. and its subsidiaries (the “Group”) as at December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

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

The key audit matters in relation to the consolidated financial statements for the year ended December 31, 2017, are outlined as follows:

Impairment assessment of investments accounted for using equity method

Description

Please refer to Note 4(13)(17) for accounting policies on investments of associates accounted for using equity method and impairment for non-financial assets, and Note 6(7) for details of investments accounted for using equity method.

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

How our audit addressed the matter

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

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

Existence of revenues of the newly top 10 significant customers

Description

The Group was mainly engaged in manufacturing and trading of image sensor and its electronic components. The products were primarily applied in multi-function printers, fax machines and scanners. The Group's sales counterparties were mostly optimal OEM or system vendors and were based on the long-term business partnership. The Group was improving and developing their market share in order to maintain their leadership in the market.

After comparing the lists of the Group's top 10 significant customers for years ended December 31, 2017 and 2016, there were changes in sales revenue resulting in some customers being newly included in the top 10 list, and impacts the consolidated operating revenue. We considered the existence of sales revenues in relation to those newly top 10 significant customers to be significant to the financial statements. Therefore, we determined the existence of revenues from the newly top 10 significant customers as a key audit matter.

<u>How our audit addressed the matter</u>

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

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

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Creative Sensor Inc. as at and for the years ended December 31, 2017 and 2016.

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

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

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

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

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

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

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

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

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

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

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

Chang, Shu-Chiung　　　　　　　　　Chou Tseng, Hui-Chin

For and on behalf of PricewaterhouseCoopers, Taiwan

March 21, 2018

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)

	Assets	Notes	December 31, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 779,885	17	$ 610,524	13
1110	Financial assets at fair value through profit or loss - current	6(2)	392,328	8	510,522	11
1170	Accounts receivable, net	6(3)	531,432	12	548,939	12
1180	Accounts receivable due from related parties, net	7	577	-	1,161	-
130X	Inventories, net	6(4)	331,744	7	278,012	6
1476	Other current financial assets	6(5)	1,095,248	24	1,064,242	23
1479	Other current assets, others		37,775	1	27,954	1
11XX	**Current Assets**		3,168,989	69	3,041,354	66
	Non-current assets					
1523	Non-current available-for-sale financial assets, net	6(6)	405,033	9	394,459	9
1550	Investments accounted for using equity method	6(7)	324,929	7	308,183	7
1600	Property, plant and equipment, net	6(8)	613,890	13	786,190	17
1780	Intangible assets		4,306	-	6,369	-
1840	Deferred income tax assets	6(20)	17,038	1	17,560	-
1900	Other non-current assets	6(9)	61,864	1	58,637	1
15XX	**Non-current assets**		1,427,060	31	1,571,398	34
1XXX	**Total assets**		$ 4,596,049	100	$ 4,612,752	100

(Continued)

CREATIVE SENSOR INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
	Current liabilities					
2120	Financial liabilities at fair value through profit or loss - current	6(10)	$ -	-	$ 7,425	-
2170	Accounts payable		668,483	15	671,477	15
2180	Accounts payable to related parties	7	85,983	2	90,718	2
2200	Other payables	6(11)	346,911	8	328,707	7
2230	Income tax payable		19,863	-	32,431	1
2300	Other current liabilities		9,992	-	14,187	-
21XX	**Current Liabilities**		1,131,232	25	1,144,945	25
	Non-current liabilities					
2570	Deferred income tax liabilities	6(20)	60,458	1	53,367	1
25XX	**Non-current liabilities**		60,458	1	53,367	1
2XXX	**Total Liabilities**		1,191,690	26	1,198,312	26
	Equity attributable to owners of parent					
	Share capital	6(13)				
3110	Capital stock - common stock		1,270,550	28	1,270,550	28
	Capital surplus	6(14)				
3200	Capital surplus		677,467	15	677,467	15
	Retained earnings	6(15)				
3310	Legal reserve		418,413	9	392,660	8
3320	Special reserve		39,847	1	39,847	1
3350	Unappropriated retained earnings		693,805	15	710,659	15
	Other equity interest	6(16)				
3400	Other equity interest		304,277	6	323,257	7
31XX	**Equity attributable to owners of the parent**		3,404,359	74	3,414,440	74
3XXX	**Total equity**		3,404,359	74	3,414,440	74
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant subsequent events	11				
3X2X	**Total liabilities and equity**		$ 4,596,049	100	$ 4,612,752	100

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

CREATIVE SENSOR INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	2017 AMOUNT	2017 %	2016 AMOUNT	2016 %
			Years ended December 31			
4000	**Net revenue**	7	$ 3,957,862	100	$ 4,309,299	100
5000	**Cost of revenue**	6(4)(19) and 7	(3,405,903)	(86)	(3,645,096)	(85)
5900	**Gross profit**		551,959	14	664,203	15
	Operating expenses	6(19)				
6100	Selling expenses		(91,921)	(2)	(83,882)	(2)
6200	General and administrative expenses		(149,520)	(4)	(168,197)	(4)
6300	Research and development expenses		(97,398)	(3)	(114,327)	(2)
6000	**Total operating expenses**		(338,839)	(9)	(366,406)	(8)
6900	**Income from operations**		213,120	5	297,797	7
	Non-operating income and expenses					
7010	Other income	6(17)	62,945	1	55,887	1
7020	Other gains and losses	6(18)	(15,906)	-	(7,881)	-
7060	Share of profit of associates and joint ventures accounted for using equity method, net		23,529	1	19,088	-
7000	**Total non-operating income and expenses**		70,568	2	67,094	1
7900	**Profit before income tax**		283,688	7	364,891	8
7950	Income tax expense	6(20)	(73,669)	(2)	(107,355)	(2)
8200	**Net income**		$ 210,019	5	$ 257,536	6
	Other comprehensive income					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(12)	$ 2,527	-	$ 690	-
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		71	-	416	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(20)	(430)	-	(117)	-
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**		2,168	-	989	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation	6(16)	(37,097)	(1)	(177,883)	(4)
8362	Unrealized losses on valuation of available-for-sale financial assets	6(6)(16)	10,575	1	(44)	-
8370	Share of other comprehensive loss of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	6(16)	7,542	-	(5,628)	-
8360	**Components of other comprehensive income that will be reclassified to profit or loss**		(18,980)	-	(183,555)	(4)
8500	**Total comprehensive income for the year**		$ 193,207	5	$ 74,970	2
	Basic earnings per share	6(21)				
9750	**Total basic earnings per share**		$	1.65	$	2.03
	Diluted earnings per share	6(21)				
9850	**Total diluted earnings per share**		$	1.63	$	1.99

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

CREATIVE SENSOR INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Equity attributable to owners of the parent								
			Capital Surplus		Retained Earnings			Other equity interest		
	Notes	Share capital - common stock	Additional paid-in capital	Treasury stock transactions	Legal reserve	Special reserve	Unappropriated earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on available for- sale financial assets	Total equity
2016										
Balance at January 1, 2016		$1,270,550	$ 673,471	$ 3,996	$ 363,300	$ 39,847	$ 710,193	$ 380,707	$ 126,105	$3,568,169
Appropriations of 2015 earnings	6(15)									
Legal reserve		-	-	-	29,360	-	(29,360)	-	-	-
Cash dividends		-	-	-	-	-	(228,699)	-	-	(228,699)
Consolidated net income for 2016		-	-	-	-	-	257,536	-	-	257,536
Other comprehensive income (loss) for 2016	6(16)	-	-	-	-	-	989	(178,605)	(4,950)	(182,566)
Balance at December 31, 2016		$1,270,550	$ 673,471	$ 3,996	$ 392,660	$ 39,847	$ 710,659	$ 202,102	$ 121,155	$3,414,440
2017										
Balance at January 1, 2017		$1,270,550	$ 673,471	$ 3,996	$ 392,660	$ 39,847	$ 710,659	$ 202,102	$ 121,155	$3,414,440
Appropriations of 2016 earnings	6(15)									
Legal reserve		-	-	-	25,753	-	(25,753)	-	-	-
Cash dividends		-	-	-	-	-	(203,288)	-	-	(203,288)
Consolidated net income for 2017		-	-	-	-	-	210,019	-	-	210,019
Other comprehensive income (loss) for 2017	6(16)	-	-	-	-	-	2,168	(37,987)	19,007	(16,812)
Balance at December 31, 2017		$1,270,550	$ 673,471	$ 3,996	$ 418,413	$ 39,847	$ 693,805	$ 164,115	$ 140,162	$3,404,359

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)

	Notes	Years ended December 31, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 283,688	$ 364,891
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(19)	162,372	172,481
Amortization	6(19)	4,460	6,652
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	6(2)(10)(18)	(31,831)	4,016
Share of profit of associates and joint ventures accounted for using equity method		(23,529)	(19,088)
Net (gain) loss on disposal of property, plant and equipment	6(18)	695	(635)
Interest income	6(17)	(20,386)	(21,383)
Dividend income	6(17)	(14,769)	(13,866)
Impairment loss on non-financial assets	6(18)	-	6,849
Reversal of impairment loss on non-financial assets	6(8)(18)	(999)	(1,159)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets held for trading		142,600	(333,913)
Accounts receivable		18,091	(48,494)
Inventories		(76,838)	17,686
Other current assets		(8,357)	36,610
Changes in operating liabilities			
Accounts payable		50,015	119,342
Accounts payable - related parties		2,700	21,333
Other payables		35,551	54,572
Other current liabilities		(4,195)	(1,483)
Cash inflow generated from operations		519,268	364,411
Interest received		18,790	21,995
Dividends received		29,166	28,261
Income tax paid		(79,453)	(112,276)
Net cash flows from operating activities		487,771	302,391
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in other financial assets		(31,006)	(525,049)
Acquisition of property, plant and equipment	6(23)	(17,640)	(106,666)
Proceeds from disposal of property, plant and equipment		206	1,721
Acquisition of intangible assets		(1,572)	(1,708)
Increase in refundable deposits		-	(250)
(Increase) decrease in other non-current assets		(4,930)	6,547
Net cash flows used in investing activities		(54,942)	(625,405)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of cash dividends	6(15)	(203,288)	(228,699)
Net cash flows used in financing activities		(203,288)	(228,699)
Effect of exchange rate		(60,180)	(143,845)
Net increase (decrease) in cash and cash equivalents		169,361	(695,558)
Cash and cash equivalents at beginning of year		610,524	1,306,082
Cash and cash equivalents at end of year		$ 779,885	$ 610,524

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

CREATIVE SENSOR INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

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

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

These consolidated financial statements were authorised by the Board of Directors on March 21, 2018.

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 FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10, IFRS 12 and IAS 28, ‘Investment entities: applying the consolidation exception’	January 1, 2016
Amendments to IFRS 11, ‘Accounting for acquisition of interests in joint operations’	January 1, 2016
IFRS 14,‘Regulatory deferral accounts’	January 1, 2016
Amendments to IAS 1, ‘Disclosure initiative’	January 1, 2016
Amendments to IAS 16 and IAS 38, ‘Clarification of acceptable methods of depreciation and amortisation’	January 1, 2016
Amendments to IAS 16 and IAS 41, ‘Agriculture: bearer plants’	January 1, 2016
Amendments to IAS 19, ‘Defined benefit plans: employee contributions’	July 1, 2014
Amendments to IAS 27, ‘Equity method in separate financial statements’	January 1, 2016
Amendments to IAS 36, ‘Recoverable amount disclosures for non-financial assets’	January 1, 2014
Amendments to IAS 39, ‘Novation of derivatives and continuation of hedge accounting’	January 1, 2014
IFRIC 21, ‘Levies’	January 1, 2014

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Annual improvements to IFRSs 2010-2012 cycle	July 1, 2014
Annual improvements to IFRSs 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

IFRS 9, ‘Financial instruments’

Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

In adopting the new standards endorsed by the FSC effective from 2018, the Group applied the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. The significant effects of applying the standard as of January 1, 2018 are summarised below:

A. In accordance with IFRS 9, the Group expects to reclassify available-for-sale financial assets in the amount of $405,033 and make an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income, increasing retained earnings and decreasing other equity interest in the amounts of $405,033, $3,590 and $3,590, respectively.

B. In accordance with IFRS 9, the Group expects to reclassify other current financial assets in the amount of $1,095,248 by increasing financial assets at amortised cost in the amount of $1,095,248.

(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 9, ‘Prepayment features with negative compensation’	January 1, 2019
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 16, ‘Leases’	January 1, 2019
IFRS 17, ‘Insurance contracts’	January 1, 2021
Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and operating result based on the Group’s assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, ‘Leases’

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

(b) Available-for-sale financial assets measured at fair value.

(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 IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2017	Ownership (%) December 31, 2016
Creative Sensor Inc.	Creative Sensor Inc. (BVI)	Holding company	100	100
Creative Sensor Inc.	Creative Sensor (USA) Co.	Collection of marketing information and maintaining relationship with customers	100	100
Creative Sensor Inc. (BVI)	Creative Sensor Co. Ltd.	Holding company	100	100
Creative Sensor Co., Ltd.	Wuxi Creative Sensor Technology Co., Ltd.	Manufacturing of image sensor	100	100
Creative Sensor Co., Ltd.	Nanchang Creative Sensor Technology Co., Ltd.	Manufacturing of image sensor	100	100

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

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

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

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

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

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

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

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period;

(c) All resulting exchange differences are recognized in other comprehensive income.

(5) Classification of current and non-current items

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

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

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

(a) Liabilities that are expected to be paid off within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be paid off within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.

C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(8) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other category.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.

C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income.

(9) Receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(10) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(a) Significant financial difficulty of the issuer or debtor;

(b) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(c) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(d) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(a) Financial assets measured at amortized cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(11) Derecognition of financial assets

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

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

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

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

(12) Inventories

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

(13) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

B. The Group’s share of its associates’ post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate’s equity that are not recognized in profit or loss or other comprehensive income of the associate and such changes not affecting the Group’s ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in ‘capital surplus’ in proportion to its ownership.

D. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company’s interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(14) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets’ residual values and useful lives differ from previous estimates or the patterns of consumption of the assets’ future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, ‘Accounting Policies, Changes in Accounting Estimates and Errors’, from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	20 years
Machinery and equipment	3 - 10 years
Office equipment	3 - 5 years
Leasehold improvements	5 years
Other equipment	3 - 5 years

(15) Intangible assets

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

(16) Operating leases (lessee)

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

(17) Impairment of non-financial assets

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

(18) Borrowings

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

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

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. Financial liabilities at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.

(20) Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Derecognition of financial liabilities

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

(22) Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

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

(24) Employee share-based payment

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

(25) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

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

(26) Revenue recognition

The Group manufactures and sells image sensor and electronic components. Revenue is measured at the fair value of the consideration received or receivable for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods should be recognized when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

(27) Government grants

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

(28) Operating segments

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

Impairment assessment of investments accounted for using equity method

The Group assesses the impairment of an investment accounted for using equity method as soon as there any indication that it might have been impaired and its carrying amount cannot be recoverable. The Group assesses the recoverable amounts of an investment accounted for under the equity method based on the present value of the Group's share of expected future cash flows of the investee, and analyses the reasonableness of related assumptions.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash on hand and revolving funds	$ 182	$ 327
Checking accounts and demand deposits	602,015	342,401
Time deposits	177,688	267,796
Total	$ 779,885	$ 610,524

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	December 31, 2017	December 31, 2016
Current items:		
Financial assets held for trading	$ 387,104	$ 527,863
Beneficiary certificates		
Non-hedging derivatives	3,702	-
	390,806	527,863
Valuation adjustment	1,522	(17,341)
Total	$ 392,328	$ 510,522

A. The Group recognized net gain of $24,406 and $997 on financial assets held for trading for the years ended December 31, 2017 and 2016, respectively.

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

C. The derivative instruments transaction not accounted for using hedge accounting and contract information are as follows:

	December 31, 2017	
Derivative instruments	Contract amount (notional principal) (in thousands)	Maturity date of the contract
Current items:		
Cross currency swap	USD 4,000	2018.01.22
Cross currency swap	USD 1,000	2018.01.30
Cross currency swap	USD 1,000	2018.01.30
Cross currency swap	USD 5,500	2018.02.12
Cross currency swap	USD 2,000	2018.03.20
Cross currency swap	USD 2,000	2018.03.29
Cross currency swap	USD 3,000	2018.04.20
Cross currency swap	USD 1,500	2018.04.20

The Group entered into cross currency swap contracts between foreign currencies to hedge exchange rate risk. However, these cross currency swap contracts do not meet the criteria for hedging accounting and thus are not accounted for under hedge accounting.

(3) Accounts receivable – net

	December 31, 2017	December 31, 2016
Accounts receivable	$ 531,432	$ 548,939

The Group does not hold any collateral as security.

(4) Inventories

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 127,874	($ 3,517)	$ 124,357
Work in progress	14,688	-	14,688
Finished goods	199,063	(6,364)	192,699
Total	$ 341,625	($ 9,881)	$ 331,744

	December 31, 2016		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 104,801	($ 1,473)	$ 103,328
Work in progress	6,187	-	6,187
Finished goods	153,667	(2,110)	151,557
Inventory in transit	16,942	(2)	16,940
Total	$ 281,597	($ 3,585)	$ 278,012

The cost of inventories recognized as expense for the period:

	Years ended December 31,	
	2017	2016
Cost of goods sold	$ 3,402,586	$ 3,644,174
Loss on scrapping inventory	-	3,301
Inventory valuation loss	6,296	69
Others	(2,979)	(2,448)
Total	$ 3,405,903	$ 3,645,096

(5) Other current financial assets

	December 31, 2017	December 31, 2016
Time deposits	$ 1,095,248	$ 1,064,242

It refers to time deposits with original maturity over three months.

(6) Available-for-sale financial assets

Items	December 31, 2017	December 31, 2016
Current items:		
Listed stocks	$ 286,186	$ 286,186
Unlisted stocks	3,590	3,590
Subtotal	289,776	289,776
Valuation adjustments of available-for-sale financial assets	118,847	108,273
Accumulated impairment	(3,590)	(3,590)
Total	$ 405,033	$ 394,459

A. The Group recognized $10,575 and ($44) in other comprehensive income (loss) for fair value change for the years ended December 31, 2017 and 2016, respectively.

B. The Group has no available-for-sale financial assets pledged to others.

(7) Investments accounted for using equity method

	December 31, 2017	December 31, 2016
K9 Inc.	$ -	$ -
Teco Image Systems Co., Ltd	324,929	308,183
	$ 324,929	$ 308,183

(a) The basic information of the associates that are material to the Group is as follows:

		Shareholding ratio			
Company name	Principal place of business	December 31, 2017	December 31, 2016	Nature of relationship	Methods of measurement
Teco Image Systems Co., Ltd	Taiwan	10.66%	10.66%	Buyer	Equity method

(b)The summarized financial information of the associates that are material to the Group is as follows:

Balance sheet

	Teco Image Systems Co., Ltd	
	December 31, 2017	December 31, 2016
Current assets	$ 1,889,630	$ 1,945,741
Non-current assets	931,701	845,183
Current liabilities	(838,503)	(883,954)
Non-current liabilities	(30,265)	(45,689)
Total net assets	$ 1,952,563	$ 1,861,281
Share in associate's net assets	$ 207,893	$ 191,147
Goodwill	117,036	117,036
Carrying amount of the associate	$ 324,929	$ 308,183

Statement of comprehensive income

	Years ended December 31,	
	2017	2016
Revenue	$ 2,354,414	$ 2,426,234
Profit for the period from continuing operations	$ 220,773	$ 178,997
Other comprehensive income (loss), net of tax	71,411	(49,896)
Total comprehensive income	$ 292,184	$ 129,101
Dividends received from associates	$ 14,395	$ 14,395

(c) The Group’s material associate, Teco Image Systems Co., Ltd, has quoted market prices. As of December 31, 2017 and 2016, the fair value was $199,134 and $158,947, respectively.

(d) The Group owns less than 20% of the voting rights in Teco Image Systems Co., Ltd but holds one-third seats (2 out of 7 board seats) in the Board of Directors of Teco Image. The Group is a substantial shareholder of Teco Image and evaluates its investment accounted for 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 December 31, 2017 and 2016, the Group’s shareholding ratio in K9 Inc. and the ending balance of investment was all 33.82%, respectively. For the years ended December 31, 2017 and 2016, the investment income (loss) was both $0.

(8) Property, plant and equipment

	Buildings and structures	Machinery and equipment	Office equipment	Leasehold improvements	Others equipment	Construction in progress and equipment to be inspected	Total
At January 1, 2017							
Cost	$ 654,501	$ 1,529,585	$ 51,925	$ 77,968	$ 31,431	$ 63,266	$ 2,408,676
Accumulated depreciation and impairment	(367,295)	(1,121,475)	(42,771)	(61,967)	(28,071)	(907)	(1,622,486)
	$ 287,206	$ 408,110	$ 9,154	$ 16,001	$ 3,360	$ 62,359	$ 786,190
2017							
Opening net book value as at January 1	$ 287,206	$ 408,110	$ 9,154	$ 16,001	$ 3,360	$ 62,359	$ 786,190
Additions	-	201	66	-	59	8,573	8,899
Disposals	-	(32)	-	-	-	(869)	(901)
Transfer	-	68,409	155	-	106	(68,670)	-
Reclassifications	-	-	-	-	-	(367)	(367)
Gain on reversal of impairment	-	130	-	-	-	869	999
Depreciation	(46,926)	(104,410)	(3,597)	(5,811)	(1,628)	-	(162,372)
Net exchange differences	(6,630)	(10,071)	(176)	(106)	(76)	(1,499)	(18,558)
Closing net book value as at December 31	$ 233,650	$ 362,337	$ 5,602	$ 10,084	$ 1,821	$ 396	$ 613,890
At December 31, 2017							
Cost	$ 640,818	$ 1,549,118	$ 49,281	$ 41,868	$ 30,547	$ 396	$ 2,312,028
Accumulated depreciation and impairment	(407,168)	(1,186,781)	(43,679)	(31,784)	(28,726)	-	(1,698,138)
	$ 233,650	$ 362,337	$ 5,602	$ 10,084	$ 1,821	$ 396	$ 613,890

	Buildings and structures	Machinery and equipment	Office equipment	Leasehold improvements	Others equipment	Construction in progress and equipment to be inspected	Total
At January 1, 2016							
Cost	$ 711,755	$ 1,622,442	$ 55,550	$ 82,124	$ 33,863	$ 1,436	$ 2,507,170
Accumulated depreciation and impairment	(346,608)	(1,123,146)	(41,063)	(60,455)	(27,945)	-	(1,599,217)
	$ 365,147	$ 499,296	$ 14,487	$ 21,669	$ 5,918	$ 1,436	$ 907,953
2016							
Opening net book value as at January 1	$ 365,147	$ 499,296	$ 14,487	$ 21,669	$ 5,918	$ 1,436	$ 907,953
Additions	-	1,648	520	-	31	124,890	127,089
Disposals	-	(1,086)	-	-	-	-	(1,086)
Transfer	-	60,575	-	409	120	(61,104)	-
Reclassifications	-	(2,391)	-	4,680	-	-	2,289
Gain on reversal of impairment	-	1,159	-	-	-	-	1,159
Impairment loss	-	(3,499)	-	-	-	(904)	(4,403)
Depreciation	(50,876)	(108,760)	(5,139)	(5,324)	(2,382)	-	(172,481)
Net exchange differences	(27,065)	(38,832)	(714)	(5,433)	(327)	(1,959)	(74,330)
Closing net book value as at December 31	$ 287,206	$ 408,110	$ 9,154	$ 16,001	$ 3,360	$ 62,359	$ 786,190
At December 31, 2016							
Cost	$ 654,501	$ 1,529,585	$ 51,925	$ 77,968	$ 31,431	$ 63,266	$ 2,408,676
Accumulated depreciation and impairment	(367,295)	(1,121,475)	(42,771)	(61,967)	(28,071)	(907)	(1,622,486)
	$ 287,206	$ 408,110	$ 9,154	$ 16,001	$ 3,360	$ 62,359	$ 786,190

A. For the years ended December 31, 2017 and 2016, the Group recognized impairment loss amounting to $0 and $4,403, respectively, after assessing and comparing the carrying amount and recoverable amount of property, plant and equipment. The gain on reversal of impairment was $999 and $1,159, respectively.

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

(9) Other non-current assets

	December 31, 2017	December 31, 2016
Long-term prepaid rents	$ 43,542	$ 45,600
Prepayments for equipment	4,420	3,274
Refundable deposits	4,179	2,610
Others	9,723	7,153
	$ 61,864	$ 58,637

On June 29, 2007, the Group signed a land use right contract with Gaoxin branch of the Bureau of Land and Resources Bureau in Nanchang City, Jiangxi Province, People’s Republic of China with a term of 50 years. All rentals had been paid on the contract date. The Group recognized rental expenses of $1,090 and $1,182 for the years ended December 31, 2017 and 2016, respectively.

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

Items	December 31, 2017	December 31, 2016
Current items:		
Financial liabilities held for trading		
Non-hedging derivatives	$ -	$ 7,425

A. The Group recognized net gain (loss) of $7,425 and ($5,013) on financial liabilities held for trading for the years ended December 31, 2017 and 2016, respectively.

B. The derivative instruments transaction not accounted for using hedge accounting and contract information are as follows:

	December 31, 2016	
Derivative instruments	Contract amount (notional principal) (in thousands)	Maturity date of the contract
Current items:		
Cross currency swap	USD 4,000	2017.01.13
Cross currency swap	USD 2,000	2017.01.20
Cross currency swap	USD 1,500	2017.02.14
Cross currency swap	USD 5,500	2017.02.14
Cross currency swap	USD 3,000	2017.06.28

The Group entered into cross currency swap contracts between foreign currencies to hedge exchange rate risk. However, these cross currency swap contracts do not meet the criteria for hedging accounting and thus are not accounted for under hedge accounting.

(11) Other payables

	December 31, 2017		December 31, 2016	
Accrued employees' compensation and directors' and supervisors' remuneration	$	37,803	$	46,800
Royalties payable		52,191		52,191
Bonus payable		119,698		101,878
Wages and salaries payable		49,241		36,739
Service fees payable		7,301		9,352
Payables on equipment		20,707		29,448
Freight payable		3,641		3,544
Others		56,329		48,755
	$	346,911	$	328,707

(12) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, 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 Law. 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 May 2016 and June 2017, the Department of Labor, Taipei City Government approved that the Company stop contributing to the retirement fund temporarily for 2017 and 2018.

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

	December 31, 2017		December 31, 2016	
Present value of defined benefit obligations	$	12,303	$	14,698
Fair value of plan assets	(	18,842)	(	18,647)
Net defined benefit assets	($	6,539)	($	3,949)

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

	Present value of defined benefit obligations	Fair value of plan asset	Net defined benefit asset
Year ended December 31, 2017			
Balance at January 1	$ 14,698	($ 18,647)	($ 3,949)
Interest expense (income)	235	(298)	(63)
	14,933	(18,945)	(4,012)
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	103	103
Change in financial assumptions	561	-	561
Experience adjustments	(3,191)	-	(3,191)
	(2,630)	103	(2,527)
Balance at December 31	$ 12,303	($ 18,842)	($ 6,539)

	Present value of defined benefit obligations	Fair value of plan asset	Net defined benefit asset
Year ended December 31, 2016			
Balance at January 1	$ 15,268	($ 18,473)	($ 3,205)
Interest expense (income)	260	(314)	(54)
	15,528	(18,787)	(3,259)
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	140	140
Change in financial assumptions	227	-	227
Experience adjustments	(1,057)	-	(1,057)
	(830)	140	(690)
Balance at December 31	$ 14,698	($ 18,647)	($ 3,949)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS19 paragraph 142. The percentage composition of fair value of plan assets as of December 31, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Years ended December 31,	
	2017	2016
Discount rate	1.30%	1.60%
Future salary increases	3.00%	3.00%

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

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2017				
Effect on present value of defined benefit obligation	($ 470)	$ 492	$ 451	($ 434)
December 31, 2016				
Effect on present value of defined benefit obligation	($ 562)	$ 588	$ 541	($ 521)

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

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2018 amounts to $0.

(g) As of December 31, 2017, the weighted average duration of that retirement plan is 16 years.

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

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

(c) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2017 and 2016, were $15,622 and $15,572, respectively.

(13) Capital stock

A. As of December 31, 2017, the Company's authorized capital was $1,600,000, consisting of 160,000 thousand shares of ordinary stock (including 15,000 thousand shares reserved for employee stock options), and the paid-in capital was $1,270,550 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

B. For the years ended December 31, 2017 and 2016, there was no movement in the number of the Company's shares which was both 127,055 thousand shares.

(14) Capital surplus

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

(15) Retained earnings

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

(a) Pay all taxes.

(b) Cover accumulated deficit.

(c) Set aside 10% for legal reserve until the legal reserve equals the total capital stock balance.

(d) Set aside or reverse special reserve in accordance with related regulations.

(e) The appropriation of the amount of distributable earnings after deducting items from (a) to (d), along with the accumulated unappropriated earnings, shall be proposed by the Board of Directors and resolved by the shareholders.

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

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

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

D. (a) Details of 2016 and 2015 earnings appropriation resolved by the stockholders on June 15, 2017 and June 15, 2016, respectively, are as follows:

	Years ended December 31,			
	2016		2015	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 25,753	$ -	$ 29,360	$ -
Cash dividends	203,288	1.6	228,699	1.8
Total	$ 229,041		$ 258,059	

The abovementioned earnings appropriation for the year of 2016 was in agreement with the amounts proposed by the Directors on March 22, 2017.

(b) The 2017 earnings appropriation which was proposed at the Board of Directors' meeting on March 21, 2018, is as follows:

	Year ended December 31, 2017	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 21,002	$ -
Cash dividends	203,288	1.6
Total	$ 224,290	

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 (19).

(16) Other equity items

	Available-for-sale investment	Currency translation	Total
At January 1, 2017	$ 121,155	$ 202,102	$ 323,257
Valuation adjustment of available-for-sale investments:			
－Group	10,575	-	10,575
－Associates	8,432	-	8,432
Currency translation differences:			
－Group	-	(37,097)	(37,097)
－Associates	-	(890)	(890)
At December 31, 2017	$ 140,162	$ 164,115	$ 304,277

	Available-for-sale investment	Currency translation	Total
At January 1, 2016	$ 126,105	$ 380,707	$ 506,812
Valuation adjustment of available-for-sale investments:			
－Group	(44)	-	(44)
－Associates	(4,906)	-	(4,906)
Currency translation differences:			
－Group	-	(177,883)	(177,883)
－Associates	-	(722)	(722)
At December 31, 2016	$ 121,155	$ 202,102	$ 323,257

(17) Other income

	Years ended December 31,	
	2017	2016
Interest income	$ 20,386	$ 21,383
Government grants revenue	4,272	432
Rental revenue	4,036	4,383
Dividend income	14,769	13,866
Directors' and supervisors' remuneration	14,722	12,067
Other income－others	4,760	3,756
Total	$ 62,945	$ 55,887

(18) Other gains and losses

	Years ended December 31, 2017	Years ended December 31, 2016
Gains (losses) on financial assets and liabilities at fair value through profit or loss	$ 31,831	($ 4,016)
Net currency exchange (losses) gains	(44,723)	4,990
(Losses) gains on disposal of property, plant and equipment	(695)	635
Impairment loss on non-financial assets	-	(6,849)
Gain on reversal of impairment loss on non-financial assets	999	1,159
Others	(3,318)	(3,800)
Total	($ 15,906)	($ 7,881)

(19) Employee benefit expense, depreciation and amortization

For the years ended December 31, 2017 and 2016, employee benefit expense, depreciation and amortization categorized by function were summarized as follows:

	Year ended December 31, 2017		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Wages and salaries	$ 283,996	$ 177,598	$ 461,594
Labor and health insurance fees	30,622	10,266	40,888
Pension costs	9,228	6,331	15,559
Other personnel expense	8,986	7,342	16,328
Depreciation	144,907	17,465	162,372
Amortization	2,708	1,752	4,460

	Year ended December 31, 2016		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Wages and salaries	$ 303,562	$ 197,537	$ 501,099
Labor and health insurance fees	36,476	10,267	46,743
Pension costs	9,203	6,315	15,518
Other personnel expense	11,217	7,555	18,772
Depreciation	153,179	19,302	172,481
Amortization	4,436	2,216	6,652

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

B. For the years ended December 31, 2017 and 2016, employees' compensation was accrued at $28,352 and $34,767, respectively; directors' and supervisors' remuneration was accrued at $9,451 and $11,589, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated based on the distributable profit of current year for the year ended December 31, 2017. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were $28,352 and $9,451, respectively, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration of 2016 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2016 financial statements.

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.

(20) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2017	2016
Current tax:		
Total current tax	$ 64,329	$ 99,198
Additional 10% income tax imposed on undistributed earnings	2,948	3,509
Prior year income tax (over) underestimation	(146)	4,152
Total current tax	$ 67,131	$ 106,859
Deferred tax:		
Origination and reversal of temporary differences	7,183	301
Effect of exchange rate	(645)	195
Total deferred tax	6,538	496
Income tax expense	$ 73,669	$ 107,355

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

	Years ended December 31,	
	2017	2016
Remeasurement of defined benefit obligations	$ 430	$ 117

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2017	2016
Tax calculated based on profit before tax and statutory tax rate (Note)	$ 64,267	$ 96,770
Effect from items disallowed by tax regulations	(6,708)	(3,010)
Prior year income tax underestimation	(146)	4,152
Tax on undistributed surplus earnings	2,948	3,509
Change in assessment of realisation of deferred tax assets	13,308	5,934
Income tax expense	$ 73,669	$ 107,355

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

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

	2017			
Temporary differences:	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
—Deferred tax assets:				
Unrealized gain on affiliates	$ 697	($ 198)	$ -	$ 499
Unrealized inventory valuation losses	791	1,630	-	2,421
Unrealized valuation loss on foreign financial assets	3,061	(3,061)	-	-
Unrealized expenses	893	3,186	-	4,079
Loss on scraps of property, plant and equipment	1,784	(37)	-	1,747
Unrealized grant revenue	3,255	(830)	-	2,425
Impairment loss on property, plant and equipment	5,786	81	-	5,867
Unrealized exchange gain	1,293	(1,293)	-	-
	$ 17,560	($ 522)	$ -	$ 17,038
—Deferred tax liabilities:				
Unrealised exchange gain	$ -	($ 1,443)	$ -	($ 1,443)
Gain on investments accounted for using equity method	(52,696)	(5,207)	-	(57,903)
Defined benefit plan	(671)	(11)	(430)	(1,112)
	($ 53,367)	($ 6,661)	($ 430)	($ 60,458)
	($ 35,807)	($ 7,183)	($ 430)	($ 43,420)

Temporary differences:	2016 January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
—Deferred tax assets:				
Unrealized gain on affiliates	$ 931	($ 234)	$ -	$ 697
Unrealized inventory valuation losses	849	(58)	-	791
Unrealized valuation loss on foreign financial assets	3,027	34	-	3,061
Unrealized expenses	9,965	(9,072)	-	893
Loss on scraps of property, plant and equipment	1,940	(156)	-	1,784
Unrealized grant revenue	4,466	(1,211)	-	3,255
Impairment loss on property, plant and equipment	4,987	799	-	5,786
Unrealized exchange gain	37	1,256	-	1,293
	$ 26,202	($ 8,642)	$ -	$ 17,560
—Deferred tax liabilities:				
Gain on investments accounted for using equity method	($ 61,046)	$ 8,350	$ -	($ 52,696)
Defined benefit plan	(545)	(9)	(117)	(671)
	($ 61,591)	$ 8,341	($ 117)	($ 53,367)
	($ 35,389)	($ 301)	($ 117)	($ 35,807)

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

	December 31, 2017	December 31, 2016
Deductible temporary differences	$ 87	$ 152

E. The Company’s income tax returns through 2015 have been assessed and approved by the Tax Authority.

F. There was no unappropriated earnings generated before January 1, 1998.

G. As of December 31, 2017 and 2016, the balance of the imputation tax credit account was $101,073 and $89,278, respectively. The creditable tax rate was 15.18% for the year ended December 31, 2016.

(21) Earnings per share

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 210,019	127,055	$ 1.65
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 210,019	127,055	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,410	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 210,019	$ 128,465	$ 1.63

	Year ended December 31, 2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 257,536	127,055	$ 2.03
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 257,536	127,055	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	2,047	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 257,536	$ 129,102	$ 1.99

(22) Operating leases

The Group leases in operational assets under non-cancellable operating lease agreements. The lease terms are between 1 and 5 years, and all these lease agreements are renewable at the end of the lease period. Rental is increased every 3 to 5 years to reflect market rental rates. The Group recognized rental expenses of $18,987 and $18,655 for these leases in profit or loss for the years ended December 31, 2017 and 2016, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2017	December 31, 2016
Not later than one year	$ 19,751	$ 19,506
Later than one year but not later than five years	3,564	14,699
Total	$ 23,315	$ 34,205

(23) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31,	
	2017	2016
Purchase of property, plant and equipment	$ 8,899	$ 127,089
Add: Opening balance of payable on equipment	29,448	9,025
Less: Ending balance of payable on equipment	(20,707)	(29,448)
Cash paid during the period	$ 17,640	$ 106,666

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

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

(2) Significant related party transactions and balances

A. Operating revenue

	Years ended December 31,	
	2017	2016
Sales of goods:		
－Associates	$ 4,141	$ 15,504

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

B. Purchases

	Years ended December 31, 2017	2016
Purchases of goods:		
－The Group's key management		
－KROM ELECTRONICS	$ 343,131	$ 358,235

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

C. Receivables from related parties

	December 31, 2017	December 31, 2016
Accounts receivable:		
－Associates	$ 577	$ 1,161

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

D. Payables to related parties

	December 31, 2017	December 31, 2015
Accounts payable:		
－The Group's key management		
－KROM ELECTRONICS	$ 85,983	$ 90,718

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

(3) Key management compensation

For the years ended December 31, 2017 and 2016, the key management compensation (including salaries and other short-term employee benefits) paid to directors, supervisors, general manager and vice general manager was $34,883 and $33,749, respectively, including employees' compensation and directors' and supervisors' remuneration accrued in the profit or loss for the years ended December 31, 2017 and 2016.

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

Please refer to Note 6(22).

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUNT EVENTS AFTER THE BALANCE SHEET DATE

(1) Please refer to Note 6 (15) for details.

(2) The amendments to the Income Tax Act were promulgated by the President of the Republic of China on February 7, 2018, and became effective on January 1, 2018. The significant effects on the Group include:

A. Under the amendments to the Income Tax Act, the Group's applicable income tax rate will be raised from 17% to 20%. This will increase the Group's deferred tax assets and deferred tax liabilities as at January 1, 2018 by 3%. The current income tax expense is expected to be decreased/increased accordingly.

B. With the abolishment of imputation tax system, the imputation tax credit account will be zero on January 1, 2018.

12. OTHERS

(1) Capital management

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

During the year ended December 31, 2017, the Group's strategy, which was unchanged from 2016, was to maintain the gearing ratio within 0% to 20%.

The gearing ratios at December 31, 2017 and 2016 were as follows:

	December 31, 2017	December 31, 2016
Net debt	$ -	$ -
Total equity	$ 3,404,359	$ 3,414,440
Total capital	$ 3,404,359	$ 3,414,440
Gearing ratio	-	-

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, accounts receivable, other receivables, other current financial assets, refundable deposits, accounts payable and other payables) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

<u>Foreign exchange risk</u>

A. 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.

B. 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. 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. 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.

C. 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 is as follows:

	December 31, 2017					
				Sensitivity analysis		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD：NTD	$ 40,551	29.77	$ 1,207,203	1%	$ 12,072	$ -
RMB：NTD	67,408	4.56	307,380	1%	3,074	-
USD：RMB	31,838	6.53	947,817	1%	9,478	-
Financial liabilities						
Monetary items						
USD：NTD	$ 29,595	29.77	$ 881,043	1%	$ 8,810	$ -
USD：RMB	21,946	6.53	653,332	1%	6,533	-

	December 31, 2016					
				Sensitivity analysis		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD：NTD	$ 36,567	32.28	$ 1,180,383	1%	$ 11,804	$ -
RMB：NTD	66,584	4.65	309,616	1%	3,096	-
USD：RMB	29,319	6.94	946,417	1%	9,464	-
Financial liabilities						
Monetary items						
USD：NTD	$ 28,709	32.28	$ 926,727	1%	$ 9,267	$ -
USD：RMB	25,385	6.94	819,428	1%	8,194	-

D. Please refer to the following table for the detail of unrealized exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group.

	Year ended December 31, 2017		
	Exchange gain (loss)		
	Foreign currency amount (In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD：NTD	$ -	29.77	($ 11,378)
RMB：NTD	-	4.56	(2,088)
USD：RMB	(2,864)	6.53	(13,001)
Financial liabilities			
Monetary items			
USD：NTD	$ -	29.77	$ 13,168
USD：RMB	2,063	6.53	9,364

	Year ended December 31, 2016		
	Exchange gain (loss)		
	Foreign currency amount (In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD：NTD	$ -	32.28	$ 9,459
USD：RMB	5,228	6.94	24,229
RMB：NTD	-	4.65	(25,194)
Financial liabilities			
Monetary items			
USD：NTD	$ -	32.28	($ 14,664)
USD：RMB	(3,710)	6.94	(17,194)

Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. 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.

The Group has investments in beneficiary certificates and equity securities which comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 10% with all other variables held constant, post-tax profit for the years ended December 31, 2017 and 2016 would have increased/decreased by $38,863 and $51,052, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $40,503 and $39,446, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

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

ii. As of December 31, 2017 and 2016, the borrowing facilities have not been drawn by the Group.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. 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. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with good ratings are accepted.

ii. For the years ended December 31, 2017 and 2016, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

iii. The credit quality of accounts receivable (included related parties) that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	December 31, 2017	December 31, 2016
Group 1	$ 7,898	$ 4,365
Group 2	5,639	17,176
Group 3	499,433	520,952
	$ 512,970	$ 542,493

Group 1: New customers (less than 6 months from the initial transaction).

Group 2: Existing customers (more than 6 months from the initial transaction) with share capital less than $500,000.

Group 3: Existing customers (more than 6 months from the initial transaction) with share capital exceeding $500,000.

iv. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2017	December 31, 2016
Up to 30 days	$ 19,039	$ 7,607
31 to 90 days	-	-
91 to 180 days	-	-
Over 180 days	-	-
	$ 19,039	$ 7,607

The above ageing analysis was based on past due date, the credit quality does not change significantly and the related accounts can still be recovered after assessment. There is no concern about impairment.

v. As of December 31, 2017 and 2016, no impairment was recognized for the Group's accounts receivable.

(c) Liquidity risk

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

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

Non-derivative financial liabilities

December 31, 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Accounts payable (including related parties)	$ 754,466	$ -	$ -
Other payables	346,911	-	-

Non-derivative financial liabilities:

December 31, 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Accounts payable (including related parties)	$ 762,195	-	-
Other payables	328,707	-	-

Derivative financial liabilities

December 31, 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Cross currency swap	$ 7,425	$ -	$ -

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. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A.

B. 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.

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 at December 31, 2017 and 2016 is as follows:

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Beneficiary certificates	$ 388,626	$ -	$ -	$ 388,626
Cross currency swap	-	3,702	-	3,702
Available-for-sale financial assets				
Equity securities	405,034	-	-	405,034
Total	$ 793,660	$ 3,702	$ -	$ 797,362

December 31, 2016	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Beneficiary certificates	$ 510,522	$ -	$ -	$ 510,522
Available-for-sale financial assets				
Equity securities	394,459	-	-	394,459
Total	$ 904,981	$ -	$ -	$ 904,981
Liabilities:				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Cross currency swap	$ -	$ 7,425	$ -	$ 7,425
Total	$ -	$ 7,425	$ -	$ 7,425

D. The methods and assumptions the Group used to measure fair value are as follows:

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

	Listed shares	Open-end fund
Market quoted price	Closing price	Net assets value

(b) 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.

E. For the years ended December 31, 2017 and 2016, there was no transfer between Level 1 and Level 2.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

According to the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, the significant transactions for the year ended December 31, 2017 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)(10) and 12(3).

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

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

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

14. SEGMENT INFORMATION

(1) General information

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

(2) Measurement of segment information

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

(3) Information about segment profit or loss, assets and liabilities

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

	Year ended December 31, 2017		
	Single operating segment	Reconciliation and elimination	Total
Reportable segments income			
Revenue from external customers	$ 3,957,862	$ -	$ 3,957,862
Total	$ 3,957,862	$ -	$ 3,957,862
Reportable segments profit	$ 283,688	$ -	$ 283,688
Reportable segments income			
Segments profit, including:			
Interest income	$ 20,386	$ -	$ 20,386
Interest expense	$ -	$ -	$ -
Depreciation and amortization	$ 166,832	$ -	$ 166,832
Share of profit of associates and joint ventures accounted for using equity method	$ 23,529	$ -	$ 23,529
Segment assets	$ 4,596,049	$ -	$ 4,596,049
Income tax expense	$ 73,669	$ -	$ 73,669

	Year ended December 31, 2016		
	Single operating segment	Reconciliation and elimination	Total
Reportable segments income			
Revenue from external customers	$ 4,309,299	$ -	$ 4,309,299
Total	$ 4,309,299	$ -	$ 4,309,299
Reportable segments profit	$ 364,891	$ -	$ 364,891
Reportable segments income			
Segments profit, including:			
Interest income	$ 21,383	$ -	$ 21,383
Interest expense	$ -	$ -	$ -
Depreciation and amortization	$ 179,133	$ -	$ 179,133
Share of profit of associates and joint venturess accounted for using equity method	$ 19,088	$ -	$ 19,088
Segment assets	$ 4,612,752	$ -	$ 4,612,752
Income tax expense	$ 107,355	$ -	$ 107,355

(4) Reconciliation for segment income (loss)

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

	Years ended December 31, 2017		Years ended December 31, 2016	
Reportable segments income	$	283,688	$	364,891
Income before tax from continuing operations	$	283,688	$	364,891
Reportable segment assets	$	4,596,049	$	4,612,752
Total assets	$	4,596,049	$	4,612,752

(5) Information on products and services

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

(6) Geographical information

Geographical information for the years ended December 31, 2017 and 2016 is as follows:

	Years ended December 31,							
	2017				2016			
	Revenue		Non-current assets		Revenue		Non-current assets	
China	$	2,015,311	$	659,452	$	2,226,433	$	827,825
Others		1,942,551		9,730		2,082,866		16,652
	$	3,957,862	$	669,182	$	4,309,299	$	844,477

(7) Major customer information

Information relating to major customers who account for more than 10% of sales revenue disclosed on the consolidated statements of comprehensive income for the years ended December 31, 2017 and 2016 is as follows:

	Years ended December 31,					
	2017			2016		
Customers	Sales amount		Proportions (%)	Sales amount		Proportions (%)
Company A	$	849,485	22	$	920,321	21
Company B		647,523	16		764,990	18
Company C		512,143	13		582,067	14
Company D		489,816	12		352,756	12

Creative Sensor Inc. and subsidiaries

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

Year ended December 31, 2017

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities categories (Note 1)	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2017 Number of shares (in thousands)	Book value (Note 2)	Ownership (%)	Fair value	Footnote
The Company	Beneficiary certificate	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,642	$ 45,406	-	$ 45,406	
〃	〃	Taishin Ta-Chong Money Market Fund	-	〃	2,126	30,020	-	30,020	
〃	〃	Taishin Lucky Money Market Fund	-	〃	1,817	20,097	-	20,097	
〃	〃	Prudential Financial Money Market Fund	-	〃	4,282	67,318	-	67,318	
〃	〃	FSITC Money Market Fund	-	〃	227	40,222	-	40,222	
〃	〃	FSITC Taiwan Money Market Fund	-	〃	4,295	65,312	-	65,312	
〃	〃	Allianz Global Investors Taiwan Money Market Fund	-	〃	2,422	30,168	-	30,168	
〃	〃	Jih Sun Money Market Fund	-	〃	2,039	30,032	-	30,032	
〃	〃	Yuanta De-Li Money Market Fund	-	〃	1,852	30,020	-	30,020	
〃	〃	CTBC Hua Win Money Market Fund	-	〃	2,741	30,031	-	30,031	
						$ 388,626		$ 388,626	

Securities held by	Marketable securities categories (Note 1)	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2017 Number of shares	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	Available-for-sale financial assets - non-current	10,000	$ 285,000	0.50%	$ 285,000	
〃	〃	Koryo Electronics Co., Ltd.	-	〃	2,871	68,473	5.54%	68,473	
〃	〃	MUTUALPAK	-	〃	108	-	0.89%	-	
〃	〃	Taiwan Pelican Express Co., Ltd.	-	〃	1,781	51,560	2.07%	51,560	
						$ 405,033		$ 405,033	

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

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

Creative Sensor Inc. and subsidiaries

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

Year ended December 31, 2017

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions (Note)		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
The Company	Wuxi Creative Sensor Technology Co., Ltd.	The Company's third-tier subsidiary	Purchases	$ 597,835	17%	75~90 days after monthly billing	$ -	Note	($ 129,235)	16%	-
〃	Nanchang Creative Sensor Technology Co., Ltd.	〃	〃	2,911,430	83%	75~90 days after monthly billing	-	Note	(702,449)	84%	-

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

Creative Sensor Inc. and subsidiaries
Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more
Year ended December 31, 2017

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2017	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Wuxi Creative Sensor Technology Co., Ltd.	The Company	Parent company	$ 129,235	3.89	$ -	-	$ 112,935	$ -
Nanchang Creative Sensor Technology Co., Ltd.	〃	〃	702,449	4.16	-	-	673,876	-

Creative Sensor Inc. and subsidiaries

Significant inter-company transactions during the reporting periods

Year ended December 31, 2017

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	The Company	Wuxi Creative Sensor Technology Co., Ltd.	1	Accounts payable	$ 129,235	75~90 days after monthly billing	2.81%
〃	〃	〃	〃	Purchases	597,835	〃	15.10%
〃	〃	Nanchang Creative Sensor Technology Co., Ltd.	〃	Accounts payable	702,449	75~90 days after monthly billing	15.28%
〃	〃	〃	〃	Purchases	2,911,430	〃	73.56%

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

(1) Parent company is ‘0’.

(2) The subsidiaries are numbered in order starting from ‘1’.

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

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

Creative Sensor Inc. and subsidiaries
Information on investees
Year ended December 31, 2017

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2017	Initial investment amount: Balance as at December 31, 2016	Shares held as at December 31, 2017: Number of shares	Shares held as at December 31, 2017: Ownership (%)	Shares held as at December 31, 2017: Book value	Net profit (loss) of the investee for the year ended December 31, 2017	Investment income(loss) recognised by the Company for the year ended December 31, 2017 (Note)	Footnote
The Company	Creative Sensor Inc.	British Virgin Islands	Holding company	$ 974,576	$ 974,576	29,414,994	100	$ 2,521,824	$ 25,126	$ 25,126	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	2,952	65	65	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	324,929	220,773	23,529	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	1,897,733	48,324	-	Subsidiary

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

Creative Sensor Inc. and subsidiaries
Information on investments in Mainland China
Year ended December 31, 2017

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

A. Information on reinvestment in Mainland Area

Investee in Mainland China	Main business activities	Paid-in capital (Note 2)	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017 (Note 3)	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2017: Remitted to Mainland China	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2017: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017 (Note 3)	Net income of investee as of December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2017 （Note 4）	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017	Footnote
Wuxi Creative Sensor Technology Co., Ltd.	Image Sensor	$ 564,580	Note 1	$ 444,020	$ -	$ -	$ 444,020	$ 9,997	100	$ 9,997	$ 710,826	$ 149,550	None
Nanchang Creative Sensor Technology Co., Ltd.	Image Sensor	989,632	Note 1	431,665	-	-	431,665	60,510	100	60,510	1,067,178	-	"

Note 1: Through investing in an existing company in the third area (Creative Sensor Inc.), which then invested in the investee in Mainland China.
Note 2: The paid-in capital of two investee companies in the original currency amounted to RMB$123,920 thousand and RMB$217,215 thousand, respectively.
Note 3: Wuxi Creative Sensor Technology Co., Ltd.'s accumulated amount of remittance from Taiwan to Mainland China as of January 1 and December 31, 2017 in the original currency was both US$14,915 thousand. Nanchang Creative Sensor Technology Co., Ltd.'s accumulated amount of remittance from Taiwan to Mainland China as of January 1 and December 31, 2017 in the original currency was both US$14,500 thousand.
Note 4: Investment income (loss) recognised for the year ended December 31, 2017 was evaluated and disclosed based on the financial statements that are audited and attested by R.O.C. parent company's CPA.

B. Ceiling on reinvestments in Mainland Area

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	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	$ 875,685	$ 878,364	$ 2,042,616

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017 in original currency amounted to US$29,415 thousand.
Note 2: Investment amount in the original currency approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) amounted to US$29,505 thousand.
Furthermore, Wuxi Creative Sensor Technology Co., Ltd. distributed dividends to Creative Sensor Co., Ltd., then invested US$15,300 thousand in Nanchang Creative Sensor Technology Co., Ltd.