

**TECO IMAGE SYSTEMS CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REVIEW REPORT OF INDEPENDENT ACCOUNTANTS  
SEPTEMBER 30, 2016 AND 2015**

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR 16000118

To the Board of Directors and Shareholders of Teco Image Systems Co., Ltd.

We have reviewed the accompanying consolidated balance sheets of Teco Image Systems Co., Ltd. and its subsidiaries as of September 30, 2016 and 2015, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the statements of changes in equity and of cash flows for the nine months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with the Statement of Auditing Standards No. 36, "Engagements to Review Financial Statements" in the Republic of China. A review consists primarily of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to in the first paragraph for them to be in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

PricewaterhouseCoopers, Taiwan

November 7, 2016

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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 review 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 review 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.

TECO IMAGE SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2016, DECEMBER 31, 2015 AND SEPTEMBER 30, 2015

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of September 30, 2016 and 2015 are reviewed, not audited)

Assets	Notes	September 30, 2016		December 31, 2015		September 30, 2015		
		Amount	%	Amount	%	Amount	%	
<b>Current Assets</b>								
1100	Cash and cash equivalents	6(1)	\$ 591,483	22	\$ 640,842	22	\$ 543,507	19
1110	Financial assets at fair value through profit or loss-current	6(2)	353,562	13	436,722	15	440,822	15
1150	Notes receivable, net		4,971	-	1,218	-	2,439	-
1170	Accounts receivable, net	6(4)	563,818	21	564,012	19	603,766	21
1180	Accounts receivable-related parties, net		310	-	-	-	30	-
1200	Other receivables		67,862	2	74,190	2	50,592	2
1220	Current income tax assets	6(19)	39,953	1	30,602	1	29,866	1
130X	Inventories, net	6(5)	164,785	6	206,297	7	205,900	7
1410	Prepayments	7(1)	96,841	4	46,679	2	49,946	2
1470	Other current assets	8	32,142	1	31,883	1	32,212	1
11XX	<b>Total current assets</b>		<u>1,915,727</u>	<u>70</u>	<u>2,032,445</u>	<u>69</u>	<u>1,959,080</u>	<u>68</u>
<b>Non-current assets</b>								
1523	Available-for-sale financial assets-non-current	6(3)	755,303	28	821,170	28	814,749	29
1600	Property, plant and equipment, net	6(6)	32,253	1	27,442	1	30,141	1
1780	Intangible assets, net		5,817	-	4,203	-	5,384	-
1840	Deferred income tax assets		35,936	1	40,087	2	42,754	2
1900	Other non-current assets		3,395	-	10,917	-	10,576	-
15XX	<b>Total non-current assets</b>		<u>832,704</u>	<u>30</u>	<u>903,819</u>	<u>31</u>	<u>903,604</u>	<u>32</u>
1XXX	<b>Total assets</b>		<u>\$ 2,748,431</u>	<u>100</u>	<u>\$ 2,936,264</u>	<u>100</u>	<u>\$ 2,862,684</u>	<u>100</u>

(Continued)

TECO IMAGE SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2016, DECEMBER 31, 2015 AND SEPTEMBER 30, 2015

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of September 30, 2016 and 2015 are reviewed, not audited)

Liabilities and Equity	Notes	September 30, 2016		December 31, 2015		September 30, 2015	
		Amount	%	Amount	%	Amount	%
<b>Current Liabilities</b>							
2100		\$ -	-	\$ 1,000	-	\$ -	-
2170	6(7)	417,271	15	503,810	17	525,377	18
2180	7	3,413	-	3,588	-	5,345	-
2200	6(8) and 7	269,171	10	272,491	9	250,026	9
2230	6(19)	16,991	1	12,086	-	12,086	1
2250	6(11)	59,032	2	54,025	2	30,496	1
2300	6(9)	134,592	5	130,846	5	93,411	3
21XX		<u>900,470</u>	<u>33</u>	<u>977,846</u>	<u>33</u>	<u>916,741</u>	<u>32</u>
<b>Non-current liabilities</b>							
2570		1,056	-	6,691	-	9,784	-
2600		46,134	1	84,503	3	82,545	3
25XX		<u>47,190</u>	<u>1</u>	<u>91,194</u>	<u>3</u>	<u>92,329</u>	<u>3</u>
2XXX		<u>947,660</u>	<u>34</u>	<u>1,069,040</u>	<u>36</u>	<u>1,009,070</u>	<u>35</u>
<b>Equity attributable to owners of parent</b>							
<b>Share capital</b>							
	6(12)						
3110		1,125,365	41	1,125,365	38	1,125,365	39
<b>Retained earnings</b>							
	6(13)						
3310		316,278	12	298,095	10	298,095	10
3350	6(19)	276,038	10	285,297	10	276,860	10
<b>Other equity interest</b>							
3400		16,362	-	89,222	3	83,951	3
31XX		<u>1,734,043</u>	<u>63</u>	<u>1,797,979</u>	<u>61</u>	<u>1,784,271</u>	<u>62</u>
36XX		<u>66,728</u>	<u>3</u>	<u>69,245</u>	<u>3</u>	<u>69,343</u>	<u>3</u>
3XXX		<u>1,800,771</u>	<u>66</u>	<u>1,867,224</u>	<u>64</u>	<u>1,853,614</u>	<u>65</u>
<b>Significant contingent liabilities and unrecognized contract commitments</b>							
	9						
3X2X		<u>\$ 2,748,431</u>	<u>100</u>	<u>\$ 2,936,264</u>	<u>100</u>	<u>\$ 2,862,684</u>	<u>100</u>

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

TECO IMAGE SYSTEMS CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015  
(Expressed in thousands of New Taiwan dollars, except earnings per share)  
(UNAUDITED)

Items	Notes	Three months ended September 30,				Nine months ended September 30,			
		2016		2015		2016		2015	
		Amount	%	Amount	%	Amount	%	Amount	%
4000 <b>Operating revenue</b>	7	\$ 651,505	100	\$ 708,872	100	\$ 1,812,888	100	\$ 1,849,243	100
5000 <b>Operating costs</b>	6(5)(17) and 7	( 464,284)	( 71)	( 535,910)	( 76)	( 1,315,448)	( 73)	( 1,379,896)	( 75)
5900 <b>Gross profit</b>		<u>187,221</u>	<u>29</u>	<u>172,962</u>	<u>24</u>	<u>497,440</u>	<u>27</u>	<u>469,347</u>	<u>25</u>
<b>Operating expenses</b>	6(17) and 7								
6100 Selling expenses		( 21,979)	( 4)	( 21,660)	( 3)	( 63,295)	( 4)	( 59,500)	( 3)
6200 Administrative expenses		( 46,104)	( 7)	( 48,211)	( 7)	( 127,916)	( 7)	( 131,810)	( 7)
6300 Research and development expenses		( 58,779)	( 9)	( 68,993)	( 9)	( 164,514)	( 9)	( 173,934)	( 10)
6000 <b>Total operating expenses</b>		( 126,862)	( 20)	( 138,864)	( 19)	( 355,725)	( 20)	( 365,244)	( 20)
6900 <b>Operating profit</b>		<u>60,359</u>	<u>9</u>	<u>34,098</u>	<u>5</u>	<u>141,715</u>	<u>8</u>	<u>104,103</u>	<u>5</u>
<b>Non-operating income and expenses</b>									
7010 Other income	6(14)	69,492	11	79,449	11	74,074	4	91,026	5
7020 Other gains and losses	6(15)	( 24,894)	( 4)	22,784	3	( 56,354)	( 3)	( 2,417)	-
7050 Finance costs	6(16)	-	-	( 81)	-	-	-	( 260)	-
7000 <b>Total non-operating income and expenses</b>		<u>44,598</u>	<u>7</u>	<u>102,152</u>	<u>14</u>	<u>17,720</u>	<u>1</u>	<u>88,349</u>	<u>5</u>
7900 <b>Profit before income tax</b>		<u>104,957</u>	<u>16</u>	<u>136,250</u>	<u>19</u>	<u>159,435</u>	<u>9</u>	<u>192,452</u>	<u>10</u>
7950 Income tax expense	6(19)	( 4,380)	-	( 11,048)	( 2)	( 15,467)	( 1)	( 22,747)	( 1)
8200 <b>Profit for the period</b>		<u>\$ 100,577</u>	<u>16</u>	<u>\$ 125,202</u>	<u>17</u>	<u>\$ 143,968</u>	<u>8</u>	<u>\$ 169,705</u>	<u>9</u>
<b>Other comprehensive income (loss), net</b>									
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>									
8361 Exchange differences on translation of foreign financial statements		(\$ 5,620)	( 1)	\$ 7,153	1	(\$ 9,510)	-	\$ 12,105	1
8362 Unrealised gains (losses) on valuation of available-for-sale financial assets	6(3)	<u>19,288</u>	<u>3</u>	( 58,339)	( 8)	( 65,867)	( 4)	( 154,893)	( 9)
8360 <b>Total components of other comprehensive income (loss) that will be reclassified to profit or loss</b>		<u>13,668</u>	<u>2</u>	( 51,186)	( 7)	( 75,377)	( 4)	( 142,788)	( 8)
8300 <b>Other comprehensive income (loss), net</b>		<u>\$ 13,668</u>	<u>2</u>	( \$ 51,186)	( 7)	( \$ 75,377)	( 4)	( \$ 142,788)	( 8)
8500 <b>Total comprehensive income for the period</b>		<u>\$ 114,245</u>	<u>18</u>	<u>\$ 74,016</u>	<u>10</u>	<u>\$ 68,591</u>	<u>4</u>	<u>\$ 26,917</u>	<u>1</u>
<b>Profit attributable to:</b>									
8610 Owners of the parent		<u>\$ 100,577</u>	<u>15</u>	<u>\$ 125,202</u>	<u>18</u>	<u>\$ 143,968</u>	<u>8</u>	<u>\$ 169,705</u>	<u>9</u>
8620 Non-controlling interest		<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
<b>Comprehensive income (loss) attributable to:</b>									
8710 Owners of the parent		<u>\$ 115,760</u>	<u>18</u>	<u>\$ 70,923</u>	<u>10</u>	<u>\$ 71,108</u>	<u>4</u>	<u>\$ 21,399</u>	<u>1</u>
8720 Non-controlling interest		( \$ 1,515)	-	\$ 3,093	-	( \$ 2,517)	-	\$ 5,518	-
<b>Basic earnings per share</b>	6(20)								
9750 <b>Profit for the period</b>		<u>\$ 0.89</u>		<u>\$ 1.11</u>		<u>\$ 1.28</u>		<u>\$ 1.51</u>	
<b>Diluted earnings per share</b>	6(20)								
9850 <b>Profit for the period</b>		<u>\$ 0.89</u>		<u>\$ 1.11</u>		<u>\$ 1.28</u>		<u>\$ 1.51</u>	

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

TECO IMAGE SYSTEMS CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

(Expressed in thousands of New Taiwan dollars)

(UNAUDITED)

		Equity attributable to owners of the parent									
		Retained earnings			Other equity interest						
					Exchange differences on translation of foreign financial statements	Unrealized gain or loss on available-for-sale financial assets				Non-controlling interest	Total equity
Notes	Common stock	Legal reserve	Unappropriated retained earnings					Total			
<u>Nine months ended September 30, 2015</u>											
	\$	1,125,365	\$ 283,600	\$ 234,187	\$ 6,838	\$ 225,419	\$ 1,875,409	\$ 63,825	\$ 1,939,234		
Appropriations and distribution of 2014 retained earnings	6(13)										
Legal reserve		-	14,495	( 14,495)	-	-	-	-	-	-	-
Cash dividends		-	-	( 112,537)	-	-	( 112,537)	-	-	-	( 112,537)
Profit for the period		-	-	169,705	-	-	169,705	-	-	-	169,705
Other comprehensive income (loss)		-	-	-	6,587	( 154,893)	( 148,306)	5,518	-	-	( 142,788)
Balance at September 30, 2015		\$ 1,125,365	\$ 298,095	\$ 276,860	\$ 13,425	\$ 70,526	\$ 1,784,271	\$ 69,343	\$ 1,853,614		
<u>Nine months ended September 30, 2016</u>											
	\$	1,125,365	\$ 298,095	\$ 285,297	\$ 12,275	\$ 76,947	\$ 1,797,979	\$ 69,245	\$ 1,867,224		
Appropriations and distribution of 2015 retained earnings	6(13)										
Legal reserve		-	18,183	( 18,183)	-	-	-	-	-	-	-
Cash dividends		-	-	( 135,044)	-	-	( 135,044)	-	-	-	( 135,044)
Profit for the period		-	-	143,968	-	-	143,968	-	-	-	143,968
Other comprehensive loss		-	-	-	( 6,993)	( 65,867)	( 72,860)	( 2,517)	-	-	( 75,377)
Balance at September 30, 2016		\$ 1,125,365	\$ 316,278	\$ 276,038	\$ 5,282	\$ 11,080	\$ 1,734,043	\$ 66,728	\$ 1,800,771		

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

TECO IMAGE SYSTEMS CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015  
(Expressed in thousands of New Taiwan dollars)  
(UNAUDITED)

	Notes	2016	2015
<u>Cash flows from operating activities</u>			
Consolidated profit before tax for the period		\$ 159,435	\$ 192,452
Adjustments			
Adjustments to reconcile profit before tax to net cash provided by operating activities:			
Depreciation	6(17)	10,059	8,737
Amortization	6(17)	3,566	5,206
Provision for bad debts		( 44)	44
Net loss on financial assets at fair value through profit or loss	6(15)	13,160	16,670
Loss on disposal of property, plant and equipment	6(15)	2	1
Gain on disposal of available-for-sale financial assets	6(15)	( 1,047)	-
Interest income	6(14)	( 560)	( 4,530)
Dividend income	6(14)	( 57,843)	( 72,420)
Estimated litigation loss	6(15)	5,249	-
Estimated warranty liabilities		1,760	4,219
Prepayments for business facilities transferred to expenses		138	-
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets held for trading		70,000	89,462
Notes receivable		( 3,753)	( 1,277)
Accounts receivable		238	( 168,100)
Accounts receivable-related parties		( 310)	1,236
Other receivables		5,584	( 2,878)
Inventories		41,398	( 49,984)
Prepayments		( 50,162)	( 19,155)
Other current assets		( 1,315)	( 9,550)
Net changes in liabilities relating to operating activities			
Accounts payable		( 86,388)	114,569
Accounts payable-related parties		( 175)	3,596
Other payables		( 3,319)	27,152
Provisions-current		( 632)	( 157)
Other current liabilities		3,746	( 5,756)
Other non-current liabilities		( 38,369)	( 279)
Cash provided by operations		70,418	129,258
Interest received		1,304	5,073
Interest paid		( 1)	-
Income taxes paid		( 21,396)	( 33,993)
Net cash provided by operating activities		<u>50,325</u>	<u>100,338</u>

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TECO IMAGE SYSTEMS CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015  
(Expressed in thousands of New Taiwan dollars)  
(UNAUDITED)

	Notes	2016	2015
<u>Cash flows from investing activities</u>			
Pledged time deposits (shown as other current assets)		\$ 1,056	(\$ 13)
Proceeds from disposal of available-for-sale financial assets		1,047	-
Acquisition of property, plant and equipment	6(6)	( 9,476)	( 12,194)
Acquisition of intangible assets		( 5,257)	( 491)
Decrease (increase) in refundable deposits		160	( 346)
Increase in prepayments for business facilities		( 35)	( 6,298)
Dividends received	6(14)	57,843	72,420
Decrease (increase) in other non-current assets		194	( 1,150)
Net cash used in investing activities		45,532	51,928
<u>Cash flows from financing activities</u>			
Decrease in short-term borrowings		( 1,000)	-
Cash dividends paid	6(13)	( 135,044)	( 112,537)
Net cash used in financing activities		( 136,044)	( 112,537)
Effect of exchange rate changes on cash and cash equivalents		( 9,172)	10,448
Net (decrease) increase in cash and cash equivalents		( 49,359)	50,177
Cash and cash equivalents at beginning of period		640,842	493,330
Cash and cash equivalents at end of period		\$ 591,483	\$ 543,507

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



TECO IMAGE SYSTEMS CO., LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

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

1. HISTORY AND ORGANIZATION

- (1) Teco Image Systems Co., Ltd. (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) on September 8, 1997 and has begun its operations in the same year. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in designing, manufacturing and trading of multi-function printers, fax machines, scanner etc.
- (2) The Company’s shares have been listed on the Taipei Exchange since June 2000.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on November 7, 2016.

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”)

None.

- (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 FSC effective from 2017 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016
The above standards and interpretations have no significant impact to the Group's financial condition and operating results based on the Group's assessment.	

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

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC effective from 2017 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Applying IFRS 9, 'Financial instruments' with IFRS 4, 'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017

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

A. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. 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.
- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses ('ECL') or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance).

## B. 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" and the International Accounting Standard 34, 'Interim financial reporting' as endorsed by the FSC.

### (2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets at fair value through profit or loss.
  - (b) Available-for-sale financial assets measured at fair value.
  - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs" ) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment 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 (%)			Description
			September 30, 2016	December 31, 2015	September 30, 2015	
The Company	Atlas Tech Investment Co., Ltd. (Atlas)	Professional investment company	100	100	100	-
The Company	Image Holding Limited (IHL)	Professional investment company	100	100	100	Note 1
Atlas	All-In-One International Co., Ltd. (All-In-One)	Professional investment company	100	100	100	-
Atlas	Image Systems International Limited (ISI)	Professional investment company	100	100	100	-
Atlas	Teco Pro-Systems (JiangXi) Co., Ltd.	Research, development, manufacturing and sales of multi-function printers and related products	100	100	100	Note 2
All-In-One	TECO Image Systems (Suzhou) Co., Ltd.	Research, technical service, manufacturing and sales of multi-function printers and related products	100	100	100	Note 3
ISI	Teco Image Systems (DongGuan) Co., Ltd.	Research, development, manufacturing and sales of multi-function printers and related products	100	100	100	-
IHL	TIS KARRIE TECHNOLOGIES (H.K) COMPANY LIMITED	Research, development, manufacturing and sales of multi-function printers and related products	51	51	51	Note 4

The financial statements of the abovementioned subsidiaries that included in the consolidated financial statements for the nine months ended September 30, 2016 and 2015 have been reviewed by the Company's accountants.

Note 1: On March 15, 2016, the Board of Directors resolved for the Company to liquidate and cease the business of its wholly-owned subsidiary, Image Holding Limited. As of November 7, 2016, the liquidation is still in process.

Note 2: On August 6, 2014, the Board of Directors resolved for the Company to liquidate and cease the business of Teco Pro-Systems (JiangXi) Co., Ltd., a wholly-owned subsidiary held by the Company's wholly-owned subsidiary, Atlas Tech Investment Co., Ltd.. As of November 7, 2016, the liquidation is still in process.

Note 3: On March 15, 2016, the Board of Directors resolved for the Company to liquidate and cease the business of TECO Image Systems (Suzhou) Co., Ltd., a wholly-owned subsidiary held by the Company's wholly-owned subsidiary, All-In-One International Co., Ltd.. As of November 7, 2016, the liquidation is still in process.

Note 4: On January 15, 2013, the Board of Directors resolved for the Company to liquidate and cease the business of TIS KARRIE TECHNOLOGIES (H.K) COMPANY LIMITED, a 51% owned subsidiary held by the Company's wholly-owned subsidiary, Image Holding Limited. As of November 7, 2016, the liquidation is still in process.

- C. Subsidiaries not included in the consolidated financial statements: None.
- D. Adjustments for subsidiaries with different balance sheet dates: None.
- E. Significant restrictions: 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 NTD, 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 under “other gains and losses”.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i. Assets and liabilities for each balance sheet presented are translated at the exchange rate prevailing at the dates of that balance sheet;
  - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period;
  - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even the Group still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(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 amount of cash and subject to an insignificant risk of changes in value. Time deposits that meet the above criteria and held for the purpose of meeting short-term cash commitment 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. Financial assets are classified in this category of held for trading if acquired principally for the purpose of sale in the short-term.

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 of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using settlement 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) Loans and 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 which are non-interest bearing are subsequently measured at initial invoice amount as the effect of discounting is insignificant.

(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) A breach of contract, such as a default or delinquency in interest or principal payments;
  - (c) The Group, for economic or legal reasons relating to the borrower’s financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
  - (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
  - (e) The disappearance of an active market for that financial asset because of financial difficulties;
  - (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
  - (g) 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;

- (h) 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:

(a) Financial assets measured at amortised 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 recognised 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 recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised 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 amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised 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 derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process 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) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised 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 derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Machinery and equipment	3~5 years
Mold equipment	2 years
Testing equipment	4~5 years
Transportation equipment	5 years
Office equipment	3 years
Leasehold improvements	3~5 years
Other equipment	3 years

(14) Leases (lessee)

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

(15) Intangible assets

Intangible assets mainly refer to computer software which is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 5 years.

(16) 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 recognised 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. 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 amortised historical cost would have been if the impairment had not been recognised.

(17) Borrowings

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

(18) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised 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.

(19) Derecognition of financial liabilities

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

(20) Provisions

Provisions (including warranties and contingent liabilities from legal claims) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

## (21) 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 recognised as expenses in that period when the employees render service.

### B. Pensions

#### (a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised 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 recognised 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 recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.
- iv. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

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

Employees' compensation and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal 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. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(22) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised 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 recognised, 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 realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised 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, unrecognised and recognised deferred tax assets are reassessed.
- E. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(23) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(24) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(25) Revenue recognition

The Group manufactures and sells multi-function printers, fax machines, scanner and etc. Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is recognised 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.

(26) 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, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

Financial assets – impairment of equity investments

The Group follows the guidance of IAS 39 to determine whether a financial asset—equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(2)Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of September 30, 2016, the carrying amount of inventories was \$164,785.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1)Cash and cash equivalents

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Cash on hand	\$ 910	\$ 1,929	\$ 1,851
Checking accounts and demand deposits	589,517	638,913	508,418
Time deposits	1,056	-	33,238
	<u>\$ 591,483</u>	<u>\$ 640,842</u>	<u>\$ 543,507</u>

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

B. Details of cash and cash equivalents pledged to others and reclassified to other current assets (restricted bank deposits) is provided in Note 8.



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

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Current items:			
Financial assets held for trading			
Domestic open-end funds	\$ 197,915	\$ 267,300	\$ 267,300
Listed stocks	67,614	67,614	67,614
Foreign open-end funds	<u>88,724</u>	<u>88,724</u>	<u>88,724</u>
	354,253	423,638	423,638
Valuation adjustment	( 691)	13,084	17,184
	<u>\$ 353,562</u>	<u>\$ 436,722</u>	<u>\$ 440,822</u>

A. The Group recognised net gain (loss) of \$2,364, (\$9,161), (\$13,160) and (\$16,670) on financial assets held for trading for the three months ended September 30, 2016 and 2015, and the nine months ended September 30, 2016 and 2015, respectively.

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

(3) Available-for-sale financial assets

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Non-current items:			
Listed stocks	\$ 736,223	\$ 736,223	\$ 736,223
Unlisted stocks	<u>16,567</u>	<u>18,502</u>	<u>18,502</u>
	752,790	754,725	754,725
Valuation adjustment	11,080	76,947	70,526
Accumulated impairment	( 8,567)	( 10,502)	( 10,502)
	<u>\$ 755,303</u>	<u>\$ 821,170</u>	<u>\$ 814,749</u>

The Group recognised \$19,288, (\$58,339), (\$65,867) and (\$154,893) in other comprehensive income for fair value change for the three months ended September 30, 2016 and 2015, and the nine months ended September 30, 2016 and 2015, respectively.

(4) Accounts receivable

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Accounts receivable	\$ 585,438	\$ 585,676	\$ 625,431
Less: allowance for bad debts	( 21,620)	( 21,664)	( 21,665)
	<u>\$ 563,818</u>	<u>\$ 564,012</u>	<u>\$ 603,766</u>

A. The Group's accounts receivable that were neither past due nor impaired were fully performing in line with the credit standards prescribed based on counterparties' industrial characteristics, scale of business and profitability. The ageing analysis of financial assets that were not impaired is as follows:

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Neither past due nor impaired	\$ 563,754	\$ 564,012	\$ 603,766
Past due but not impaired			
Up to 30 days	\$ 64	\$ -	\$ -
31 to 60 days	-	-	-
61 to 90 days	-	-	-
Over 91 days	-	-	-
	<u>\$ 64</u>	<u>\$ -</u>	<u>\$ -</u>

The above ageing analysis was based on past due date.

B. Movement analysis of financial assets that were impaired is as follows:

(a) As of September 30, 2016, December 31, 2015 and September 30, 2015, the Group's accounts receivable that were impaired amounted to \$21,620, \$21,664 and \$21,665, respectively.

(b) Movements in provision for impairment of accounts receivable are as follows:

	<u>2016</u>		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
At January 1	\$ 21,664	\$ -	\$ 21,664
Reversal of impairment	( 44)	-	( 44)
At September 30	<u>\$ 21,620</u>	<u>\$ -</u>	<u>\$ 21,620</u>
	<u>2015</u>		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
At January 1	\$ 21,620	\$ -	\$ 21,620
Provision of impairment	44	-	44
Net exchange differences	1	-	1
At September 30	<u>\$ 21,665</u>	<u>\$ -</u>	<u>\$ 21,665</u>

C. The Group does not hold any collateral as security for the abovementioned accounts receivable.

(5) Inventories

	September 30, 2016		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 144,073	(\$ 31,110)	\$ 112,963
Work in process	18,039	( 241)	17,798
Finished goods	40,909	( 6,885)	34,024
	<u>\$ 203,021</u>	<u>(\$ 38,236)</u>	<u>\$ 164,785</u>

	December 31, 2015		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 172,103	(\$ 38,510)	\$ 133,593
Work in process	10,471	( 392)	10,079
Finished goods	71,654	( 9,962)	61,692
Inventory in transit	933	-	933
	<u>\$ 255,161</u>	<u>(\$ 48,864)</u>	<u>\$ 206,297</u>

	September 30, 2015		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 188,529	(\$ 51,826)	\$ 136,703
Work in process	32,552	( 25)	32,527
Finished goods	46,121	( 9,451)	36,670
	<u>\$ 267,202</u>	<u>(\$ 61,302)</u>	<u>\$ 205,900</u>

A. Abovementioned inventories were not pledged to others.

B. The cost of inventories recognised as expense for the period:

	Three months ended September 30,	
	2016	2015
Cost of goods sold	\$ 468,179	\$ 543,535
Gain on reversal of decline in market value (Note)	( 11,815)	( 7,625)
Loss on scrapping inventory	7,924	-
Revenue from sale of scraps	( 4)	-
	<u>\$ 464,284</u>	<u>\$ 535,910</u>

	<u>Nine months ended September 30,</u>	
	<u>2016</u>	<u>2015</u>
Cost of goods sold	\$ 1,318,044	\$ 1,397,593
Gain on reversal of decline in market value (Note)	( 10,516)	( 18,201)
Loss on scrapping inventory	7,924	504
Revenue from sale of scraps	( 4)	-
	<u>\$ 1,315,448</u>	<u>\$ 1,379,896</u>

Note: The gain on reversal of decline in market value was caused by the reversal of allowance for inventory which were subsequently scrapped or sold.

(6) Property, plant and equipment

	Machinery and equipment	Mold equipment	Testing equipment	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Total
<u>At January 1, 2016</u>								
Cost	\$ 4,726	\$ 2,155	\$ 25,959	\$ 900	\$ 34,690	\$ 24,373	\$ 8,287	\$ 101,090
Accumulated depreciation and impairment	( 3,361)	( 2,155)	( 25,508)	( 800)	( 28,633)	( 9,260)	( 3,931)	( 73,648)
	<u>\$ 1,365</u>	<u>\$ -</u>	<u>\$ 451</u>	<u>\$ 100</u>	<u>\$ 6,057</u>	<u>\$ 15,113</u>	<u>\$ 4,356</u>	<u>\$ 27,442</u>
<u>2016</u>								
Opening net book amount as at January 1	\$ 1,365	\$ -	\$ 451	\$ 100	\$ 6,057	\$ 15,113	\$ 4,356	\$ 27,442
Additions	584	778	-	-	2,901	4,226	987	9,476
Disposals	-	-	-	-	-	-	( 2)	( 2)
Depreciation charge	( 475)	( 108)	( 197)	( 100)	( 2,850)	( 4,902)	( 1,427)	( 10,059)
Reclassifications (Note)	54	-	-	-	-	6,636	-	6,690
Net exchange differences	( 90)	-	( 5)	-	( 40)	( 1,159)	-	( 1,294)
Closing net book amount as at September 30	<u>\$ 1,438</u>	<u>\$ 670</u>	<u>\$ 249</u>	<u>\$ -</u>	<u>\$ 6,068</u>	<u>\$ 19,914</u>	<u>\$ 3,914</u>	<u>\$ 32,253</u>
<u>At September 30, 2016</u>								
Cost	\$ 5,051	\$ 2,933	\$ 25,896	\$ 900	\$ 37,325	\$ 33,552	\$ 9,228	\$ 114,885
Accumulated depreciation and impairment	( 3,613)	( 2,263)	( 25,647)	( 900)	( 31,257)	( 13,638)	( 5,314)	( 82,632)
	<u>\$ 1,438</u>	<u>\$ 670</u>	<u>\$ 249</u>	<u>\$ -</u>	<u>\$ 6,068</u>	<u>\$ 19,914</u>	<u>\$ 3,914</u>	<u>\$ 32,253</u>

	Machinery and equipment	Mold equipment	Testing equipment	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Total
<u>At January 1, 2015</u>								
Cost	\$ 3,896	\$ 2,155	\$ 27,589	\$ 900	\$ 36,660	\$ 15,252	\$ 7,657	\$ 94,109
Accumulated depreciation and impairment	( 2,829)	( 2,155)	( 26,247)	( 650)	( 27,161)	( 6,508)	( 2,280)	( 67,830)
	<u>\$ 1,067</u>	<u>\$ -</u>	<u>\$ 1,342</u>	<u>\$ 250</u>	<u>\$ 9,499</u>	<u>\$ 8,744</u>	<u>\$ 5,377</u>	<u>\$ 26,279</u>
<u>2015</u>								
Opening net book amount as at January 1	\$ 1,067	\$ -	\$ 1,342	\$ 250	\$ 9,499	\$ 8,744	\$ 5,377	\$ 26,279
Additions	578	-	12	-	1,611	9,233	760	12,194
Disposals	-	-	-	-	( 1)	-	-	( 1)
Depreciation charge	( 457)	-	( 829)	( 113)	( 3,967)	( 2,036)	( 1,335)	( 8,737)
Net exchange differences	<u>22</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>18</u>	<u>365</u>	<u>-</u>	<u>406</u>
Closing net book amount as at September 30	<u>\$ 1,210</u>	<u>\$ -</u>	<u>\$ 526</u>	<u>\$ 137</u>	<u>\$ 7,160</u>	<u>\$ 16,306</u>	<u>\$ 4,802</u>	<u>\$ 30,141</u>
<u>September 30, 2015</u>								
Cost	\$ 4,556	\$ 2,155	\$ 26,214	\$ 900	\$ 34,963	\$ 24,953	\$ 8,269	\$ 102,010
Accumulated depreciation and impairment	( 3,346)	( 2,155)	( 25,688)	( 763)	( 27,803)	( 8,647)	( 3,467)	( 71,869)
	<u>\$ 1,210</u>	<u>\$ -</u>	<u>\$ 526</u>	<u>\$ 137</u>	<u>\$ 7,160</u>	<u>\$ 16,306</u>	<u>\$ 4,802</u>	<u>\$ 30,141</u>

Note: Reclassification was transferred from prepayments for business facilities.

Abovementioned property, plant and equipment was not pledged to others and no interest was capitalised.

(7) Accounts payable

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Accounts payable	\$ 331,911	\$ 438,878	\$ 451,157
Estimated accounts payable	85,360	64,932	74,220
	<u>\$ 417,271</u>	<u>\$ 503,810</u>	<u>\$ 525,377</u>

(8) Other payables

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Salaries and bonuses payable	\$ 155,977	\$ 147,660	\$ 150,472
Employees' compensation and directors' and supervisors' payable	35,267	24,546	35,957
Research and development expense payable	20,625	30,538	13,777
Service charge payable	9,242	14,503	9,995
Insurance premiums payable	3,558	3,966	3,994
Others	44,502	51,278	35,831
	<u>\$ 269,171</u>	<u>\$ 272,491</u>	<u>\$ 250,026</u>

(9) Other current liabilities

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Sales revenue received in advance	\$ 133,657	\$ 129,203	\$ 91,204
Other advance receipts	935	1,643	2,207
	<u>\$ 134,592</u>	<u>\$ 130,846</u>	<u>\$ 93,411</u>

(10) Pensions

A. Defined benefit pension plans

(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. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March.

(b) For the aforementioned pension plan, the Group recognised pension costs of \$826, \$761, \$2,141 and \$2,284 for the three months ended September 30, 2016 and 2015, and nine months ended September 30, 2016 and 2015, respectively.

(c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2017 are \$3,360.

#### B. Defined contribution pension plan

(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 consolidated subsidiaries, Atlas, All-In-One, ISI and IHL do not have employee retirement plans and there is no requirement according to local regulations. TECO Image Systems (Suzhou) Co., Ltd., Teco Image Systems (DongGuan) Co., Ltd., TIS KARRIE TECHNOLOGIES (H.K) COMPANY LIMITED and Teco Pro-Systems (JiangXi) Co., Ltd. have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with local regulations are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.



(c) The pension costs under the defined contribution pension plans of the Group for the three months ended September 30, 2016 and 2015, and nine months ended September 30, 2016 and 2015 were \$3,148, \$3,345, \$9,512 and \$9,851, respectively.

(11) Provisions

	<u>Product warranty</u>	<u>Legal claims</u>	<u>Total</u>
At January 1	\$ 31,256	\$ 22,769	\$ 54,025
Additional provisions	1,760	5,249	7,009
Used during the period	( 632)	-	( 632)
Net exchange differences	( 2)	( 1,368)	( 1,370)
At September 30	<u>\$ 32,382</u>	<u>\$ 26,650</u>	<u>\$ 59,032</u>

Analysis of total provisions:

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Current-product warranty	\$ 32,382	\$ 31,256	\$ 30,496
Current-legal claims	26,650	22,769	-
	<u>\$ 59,032</u>	<u>\$ 54,025</u>	<u>\$ 30,496</u>

A. The Group provides warranties on multi-function printers sold. Provision for product warranty is estimated based on history warranty data of multi-function printers. It is expected that provision for product warranty will be used in the following years.

B. The Group's provision for legal claims relates to the fire which broke out at the Company's sub-subsidiary, Teco Image Systems (DongGuan) Co., Ltd., on December 29, 2014. The neighboring company, Global Brands Manufacture Ltd., was affected by the fire and its plant equipment and inventories were destroyed. Details are provided in Note 9.

(12) Share capital

A. As of September 30, 2016, the Company's authorised capital was \$1,710,000, consisting of 171 million shares of ordinary stock, and the paid-in capital was \$1,125,365 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

B. For the nine months ended September 30, 2016 and 2015, the number of ordinary shares outstanding at the beginning of the period was consistent with the number at the end of the period which amounted to 112,536,565 shares.

(13) 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) Offset prior years' losses; (c) Set aside 10% as legal reserve; (d) Set aside or reverse special reserve; and (e) The remainder along with the beginning unappropriated earnings and reversal of special reserve is the shareholders' accumulated distributable earnings. The appropriation of the accumulated distributable earnings shall be proposed by the Board of Directors and resolved by the shareholders as the shareholders' bonus.
- B. The Company's dividends policy is summarised below: The Company operates in a steady growth environment with investment made in developing business. In consideration of possible plant expansion and investment, the residual dividend policy is adopted. Cash dividends shall account for at least 5% of the total dividends distributed.
- C. 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.
- D. 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.
- E. Appropriation of the Company's earnings is as follows:

Details of appropriation of 2015 and 2014 earnings as resolved by the shareholders on June 21, 2016 and June 12, 2015, respectively, are as follows:

	Years ended December 31,			
	2015		2014	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve appropriated	\$ 18,183		\$ 14,495	
Cash dividends	135,044	\$ 1.20	112,537	\$ 1.00
	<u>\$ 153,227</u>		<u>\$ 127,032</u>	

- F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(18).

(14) Other income

	<u>Three months ended September 30,</u>	
	<u>2016</u>	<u>2015</u>
Interest income	\$ 115	\$ 711
Interest from bank deposits	-	( 24)
Dividend income	57,843	72,420
Others	11,534	6,342
	<u>\$ 69,492</u>	<u>\$ 79,449</u>

	<u>Nine months ended September 30,</u>	
	<u>2016</u>	<u>2015</u>
Interest income	\$ 556	\$ 2,904
Interest from bank deposits	4	1,626
Dividend income	57,843	72,420
Others	15,671	14,076
	<u>\$ 74,074</u>	<u>\$ 91,026</u>

(15) Other gains and losses

	<u>Three months ended September 30,</u>	
	<u>2016</u>	<u>2015</u>
Net gain (loss) on financial assets at fair value through profit	\$ 2,364	(\$ 9,161)
Net currency exchange (loss) gain	( 22,712)	31,947
Loss on disposal of property, plant and equipment	-	( 1)
Gain on disposal of available-for-sale financial assets	1,047	-
Litigation loss	( 5,249)	-
Others	( 344)	( 1)
	<u>(\$ 24,894)</u>	<u>\$ 22,784</u>

	<u>Nine months ended September 30,</u>	
	<u>2016</u>	<u>2015</u>
Net gain (loss) on financial assets at fair value through profit	(\$ 13,160)	(\$ 16,670)
Net currency exchange (loss) gain	( 38,459)	14,918
Loss on disposal of property, plant and equipment	( 2)	( 1)
Gain on disposal of available-for-sale financial assets	1,047	-
Litigation loss	( 5,249)	-
Others	( 531)	( 664)
	<u>(\$ 56,354)</u>	<u>(\$ 2,417)</u>

(16) Finance costs

	Three months ended September 30,	
	2016	2015
Others	\$ -	\$ 81

  

	Nine months ended September 30,	
	2016	2015
Others	\$ -	\$ 260

(17) Expenses by nature

	Three months ended September 30,					
	2016			2015		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expense	\$ 26,679	\$ 87,154	\$ 113,833	\$ 33,166	\$ 96,196	\$ 129,362
Depreciation charge	1,837	1,365	3,202	1,159	1,589	2,748
Amortisation charge	112	628	740	116	1,499	1,615

  

	Nine months ended September 30,					
	2016			2015		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expense	\$ 78,544	\$ 234,698	\$ 313,242	\$ 95,976	\$ 242,681	\$ 338,657
Depreciation charge	5,677	4,382	10,059	3,184	5,553	8,737
Amortisation charge	319	3,247	3,566	360	4,846	5,206

(18) Employee benefit expense

	Three months ended September 30,	
	2016	2015
Wages and salaries	\$ 88,479	\$ 98,842
Employees' compensation and directors' and supervisors' remuneration	12,444	16,902
Labour and health insurance fees	4,460	4,090
Pension costs	3,974	4,106
Other personnel expenses	4,476	5,422
	<u>\$ 113,833</u>	<u>\$ 129,362</u>

	<u>Nine months ended September 30,</u>	
	<u>2016</u>	<u>2015</u>
Wages and salaries	\$ 256,496	\$ 275,680
Employees' compensation and directors' and supervisors' remuneration	18,903	22,910
Labour and health insurance fees	13,080	13,519
Pension costs	11,653	12,135
Other personnel expenses	13,110	14,413
	<u>\$ 313,242</u>	<u>\$ 338,657</u>

- A. According to the Articles of Incorporation of the Company, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 5%~15% for employees' compensation and shall not be higher than 5% for directors' and supervisors' remuneration.
- B. For the three months ended September 30, 2016 and 2015, and the nine months ended September 30, 2016 and 2015, employees' compensation was accrued at \$8,296, \$11,267, \$12,602 and \$15,273, respectively; while directors' and supervisors' remuneration was accrued at \$4,148, \$5,635, \$6,301 and \$7,637, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 7% and 3.5% of profit of current year distributable as of the end of reporting period.

Employees' compensation of \$16,364 and directors' and supervisors' remuneration of \$8,182 for 2015 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2015 financial statements. For the year ended December 31, 2015, employees' compensation was distributed in the form of cash and has been approved by the shareholders but not yet been actually distributed.

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

(19) Income tax

A. Income tax expense

Components of income tax expense:

	<u>Three months ended September 30,</u>	
	<u>2016</u>	<u>2015</u>
Current tax:		
Current income tax assets	(\$ 7,771)	(\$ 14,667)
Current income tax liabilities	( 2,477)	( 3,772)
Withholding and provisional tax	13,113	21,432
Offshore income tax expense	1,037	873
Current tax on profits for the period	<u>3,902</u>	<u>3,866</u>
Deferred tax:		
Origination and reversal of temporary differences	478	7,182
Total deferred tax	<u>478</u>	<u>7,182</u>
Income tax expense	<u>\$ 4,380</u>	<u>\$ 11,048</u>

	<u>Nine months ended September 30,</u>	
	<u>2016</u>	<u>2015</u>
Current tax:		
Current income tax assets	(\$ 39,953)	(\$ 29,866)
Current income tax liabilities	16,991	12,086
Receivables on receipts from income tax in prior years that have not yet been received	32,182	15,199
Payables on payments from income tax in prior years that have not yet been paid	( 16,991)	( 12,086)
Withholding and provisional tax	16,756	29,645
Offshore income tax expense	4,640	2,485
Tax on undistributed surplus earnings	( 2,492)	( 1,921)
Current tax on profits for the period	11,133	15,542
Prior year income tax underestimate	<u>3,326</u>	<u>516</u>
Total current tax	<u>14,459</u>	<u>16,058</u>
Deferred tax:		
Origination and reversal of temporary differences	( 1,484)	4,768
Total deferred tax	<u>( 1,484)</u>	<u>4,768</u>
Others:		
Tax on undistributed surplus earnings	<u>2,492</u>	<u>1,921</u>
Income tax expense	<u>\$ 15,467</u>	<u>\$ 22,747</u>

B. The Company's income tax returns through 2014 have been assessed and approved by the Tax Authority.

C. Unappropriated retained earnings:

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Earnings generated in and before 1997	\$ -	\$ -	\$ -
Earnings generated in and after 1998	<u>276,038</u>	<u>285,297</u>	<u>276,860</u>
	<u>\$ 276,038</u>	<u>\$ 285,297</u>	<u>\$ 276,860</u>

D. As of September 30, 2016, December 31, 2015 and September 30, 2015, the balance of the imputation tax credit account was \$23,177, \$37,254 and \$36,914, respectively. The creditable tax rate was 23.44% for the year ended December 31, 2014 and is estimated to be 15.33% for the year ended December 31, 2015.

(20) Earnings per share

		<u>Three months ended September 30, 2016</u>		
			Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)
		<u>Amount after tax</u>	<u>(shares in thousands)</u>	<u>share (in dollars)</u>
<u>Basic (diluted) earnings per share</u>				
Profit attributable to ordinary shareholders of the parent		<u>\$ 100,577</u>	<u>112,537</u>	<u>\$ 0.89</u>
		<u>Three months ended September 30, 2015</u>		
			Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)
		<u>Amount after tax</u>	<u>(shares in thousands)</u>	<u>share (in dollars)</u>
<u>Basic (diluted) earnings per share</u>				
Profit attributable to ordinary shareholders of the parent		<u>\$ 125,202</u>	<u>112,537</u>	<u>\$ 1.11</u>
		<u>Nine months ended September 30, 2016</u>		
			Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)
		<u>Amount after tax</u>	<u>(shares in thousands)</u>	<u>share (in dollars)</u>
<u>Basic (diluted) earnings per share</u>				
Profit attributable to ordinary shareholders of the parent		<u>\$ 143,968</u>	<u>112,537</u>	<u>\$ 1.28</u>

	<u>Nine months ended September 30, 2015</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic (diluted) earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 169,705	112,537	\$ 1.51

(21) Operating leases

The Group leases in offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 4 years, and all these lease agreements are renewable at the end of the lease period. The Group recognised rental expenses of \$7,255, \$7,413, \$21,822 and \$21,528 for abovementioned transactions in profit or loss for the three months ended September 30, 2016 and 2015, and the nine months ended September 30, 2016 and 2015, respectively. Details of the future aggregate minimum lease payments under non-cancellable operating leases are provided in Note 9(2).

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

A. Operating revenue / accounts receivable

Transactions in operating revenue / accounts receivable between the Group and the related parties with the amounts not reaching \$3,000 or more are not disclosed.

B. Purchases

	<u>Three months ended September 30,</u>	
	<u>2016</u>	<u>2015</u>
Purchases of goods:		
Entities with significant influence to the Group	\$ 3,999	\$ 5,628
	<u>Nine months ended September 30,</u>	
	<u>2016</u>	<u>2015</u>
Purchases of goods:		
Entities with significant influence to the Group	\$ 13,022	\$ 20,315
Other related parties	-	350
	<u>\$ 13,022</u>	<u>\$ 20,665</u>

Goods are bought from associates on normal commercial terms and conditions. The terms are approximately the same as those to third-party suppliers which is from 30 days after the purchase to 105 days after monthly billing while to related parties is 45 days to 105 days after monthly billing.



C. Payables to related parties

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Accounts payable:			
Entities with significant influence to the Group	\$ 3,413	\$ 3,588	\$ 4,977
Other related parties	-	-	368
	<u>\$ 3,413</u>	<u>\$ 3,588</u>	<u>\$ 5,345</u>

D. Leases and other transactions

(a) The Group leases in offices and warehouses from the entities with significant influence to the Group and other related parties:

<u>Object to be leased</u>	<u>Method of rental payment</u>	<u>Three months ended September 30,</u>	
		<u>2016</u>	<u>2015</u>
Offices in Nangang	Payable quarterly	\$ 227	\$ 226
Offices in Neihu	Payable monthly	714	690
Offices in Japan	Payable annually	342	252
Offices in Guanyin	Payable quarterly	2,402	2,402
		<u>\$ 3,685</u>	<u>\$ 3,570</u>

<u>Object to be leased</u>	<u>Method of rental payment</u>	<u>Nine months ended September 30,</u>	
		<u>2016</u>	<u>2015</u>
Offices in Nangang	Payable quarterly	\$ 680	\$ 719
Offices in Neihu	Payable monthly	2,142	2,069
Offices in Japan	Payable annually	1,007	1,087
Offices in Guanyin	Payable quarterly	7,206	7,206
		<u>\$ 11,035</u>	<u>\$ 11,081</u>

(b) The ending balances of payments paid on behalf of others between the entities with significant influence to the Group and related parties arising from leases and other miscellaneous transactions are as follows:

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Payables to related parties (shown as other payables)	\$ 7,317	\$ 3,218	\$ 3,418

E. Prepayment for capital reduction

The Group is preparing for liquidation of subsidiary company, the Group returned share capital to other related parties in advance. On September 30, 2016, December 31, 2015 and September 30, 2015, the amounts of prepayment from related party transactions mentioned above are \$62,055, \$0 and \$0, respectively.

(2) Key management compensation

	<u>Three months ended September 30,</u>	
	<u>2016</u>	<u>2015</u>
Salaries and other short-term employee benefits	<u>\$ 8,155</u>	<u>\$ 9,498</u>

  

	<u>Nine months ended September 30,</u>	
	<u>2016</u>	<u>2015</u>
Salaries and other short-term employee benefits	<u>\$ 28,662</u>	<u>\$ 28,753</u>

Salaries and other short-term employee benefits include salary, functions-related allowances, various bonus, incentive, travel allowance, special allowance, various allowances, dormitory and company car.

8. PLEDGED ASSETS

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

<u>Pledged assets</u>	<u>Book value</u>			<u>Purpose</u>
	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>	
Pledged time deposits (shown as other current assets)	<u>\$ -</u>	<u>\$ 1,056</u>	<u>\$ 1,056</u>	Customs bond

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

On December 29, 2014, a fire broke out at the Company's sub-subsidiary, Teco Image Systems (DongGuan) Co., Ltd.. The neighboring company, Global Brands Manufacture Ltd., was affected by the fire and its plant equipment and inventories were destroyed. After paying the insurance proceeds to Global Brands Manufacture Ltd. and acquiring the subrogation right, PICC Property and Casualty Company Limited initiated litigation against Teco Image Systems (DongGuan) Co., Ltd.. On August 19, 2016, Dongguan People's Court in Guangdong Province, Mainland China rendered a judgment that Teco Image Systems (DongGuan) Co., Ltd. indemnify PICC Property and Casualty Company Limited for insurance compensation and interest, Teco Image Systems (DongGuan) Co. has filed for an appeal, so the results of the litigation are uncertain. The Group has estimated possible losses from litigation of \$5,249 and \$0 (shown as other gains and losses) for nine months ended September 30, 2016 and 2015, respectively. As of September 30, 2016, December 31, 2015 and September 30, 2015, the Group recognised provision for litigation loss of \$26,650, \$22,769 and \$0, respectively (shown as provisions-current).

(2)Commitments

A. Operating lease agreements

The Group leases in offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 4 years, and most of the lease agreements are renewable at the end of the lease period at market price. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Not later than one year	\$ 16,723	\$ 24,194	\$ 25,568
Later than one year but not later than five years	<u>6,632</u>	<u>14,799</u>	<u>31,091</u>
	<u>\$ 23,355</u>	<u>\$ 38,993</u>	<u>\$ 56,659</u>

B. The Group entered into a royalty contract for the use of software and font with system vendors and royalty was paid based on the sales volume every month.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

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 sell assets to reduce debt. The Group monitors capital on the basis of the debt to assets ratio. This ratio is calculated as total debt divided by total assets.

During 2016, the Group's strategy was unchanged from 2015. As of September 30, 2016, December 31, 2015 and September 30, 2015, the Group's debt to assets ratio was 34%, 36% and 35%, respectively.

(2)Financial instruments

A. The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other current assets (pledged time deposits and other financial assets), other non-current assets (refundable

deposits), short-term borrowings, accounts payable-related parties, accounts payable and other payables) 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) under policies approved by the management. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- A. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognised 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. Foreign exchange risk arises when future commercial transactions or recognised 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 HKD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

September 30, 2016			
	Foreign currency amount		Book value
	(In thousands)	Exchange rate	(NTD)
<b>(Foreign currency: Functional currency)</b>			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 32,591	31.3600	\$ 1,022,054
USD : RMB	5,844	6.6778	183,268
<u>Non-monetary items</u>			
USD : NTD	\$ 11,485	31.3600	\$ 360,170
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 10,391	31.3600	\$ 325,862
USD : RMB	8,040	6.6778	252,134

December 31, 2015			
	Foreign currency amount		Book value
	(In thousands)	Exchange rate	(NTD)
<b>(Foreign currency: Functional currency)</b>			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 28,351	32.8250	\$ 930,622
USD : HKD	3,610	7.7509	118,498
USD : RMB	3,741	6.4936	122,798
<u>Non-monetary items</u>			
USD : NTD	\$ 11,443	32.8250	\$ 375,616
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 9,664	32.8250	\$ 317,221
USD : RMB	9,046	6.4936	296,935

				September 30, 2015		
				Foreign currency amount	Book value	
				(In thousands)	Exchange rate	(NTD)
<b>(Foreign currency: Functional currency)</b>						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$	25,226		32.8700	\$	829,179
USD : HKD		1,593		7.7505		52,362
USD : RMB		5,156		6.3613		169,478
RMB : NTD		20,603		5.1760		106,641
<u>Non-monetary items</u>						
USD : NTD	\$	11,576		32.8700	\$	380,503
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$	10,204		32.8700	\$	335,405
USD : RMB		9,485		6.3613		311,722

D. Total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three months ended September 30, 2016 and 2015, and the nine months ended September 30, 2016 and 2015 amounted to (\$22,712), \$31,947, (\$38,459) and \$14,918, respectively.

E. Analysis of foreign currency market risk arising from significant foreign exchange variation:

				Nine months ended September 30, 2016		
				Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income (loss)
<b>(Foreign currency: functional currency)</b>						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD		1%	\$	10,221		-
USD : RMB		1%		1,833		-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD		1%	(\$	3,259)		-
USD : RMB		1%	(	2,521)		-

Nine months ended September 30, 2015

Sensitivity analysis

	<u>Degree of variation</u>		<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income (loss)</u>
<b>(Foreign currency: functional currency)</b>				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$	8,292	-
USD : HKD	1%		524	-
USD : RMB	1%		1,695	-
RMB : NTD	1%		1,066	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	(\$	3,354)	-
USD : RMB	1%	(	3,118)	-

Price risk

- A. 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.
- B. The Group's investments in equity securities 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 1% with all other variables held constant, post-tax profit for the nine months ended September 30, 2016 and 2015 would have increased/decreased by \$3,536 and \$4,408, 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 \$7,553 and \$8,147, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit

and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions at specified intervals to verify that the maximum loss potential is within the limit given by the management.

(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 management. 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 wholesale and retail customers, including outstanding receivables.
- ii. For the nine months ended September 30, 2016 and 2015, 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 information of financial assets that are neither past due nor impaired is provided in Note 6(4).
- iv. The ageing analysis of financial assets that are neither past due nor impaired and that are past due but not impaired is provided in Note 6(4).
- v. The individual analysis of financial assets that had been impaired is provided in the statement for each type of financial assets in Note 6.

(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 while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities.
- iii. The Group's non-derivative financial liabilities are analyzed based on the remaining period at the balance sheet date to the contractual maturity date and they are all financial



liabilities due for repayment within one year.

- iv. 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.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in unlisted stocks is included in Level 3.

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 is as follows:

<u>September 30, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss-stocks and funds	\$ 353,562	\$ -	\$ -	\$ 353,562
Available-for-sale financial assets-stocks	747,303	-	8,000	755,303
	<u>\$ 1,100,865</u>	<u>\$ -</u>	<u>\$ 8,000</u>	<u>\$ 1,108,865</u>
<u>December 31, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss-stocks and funds	\$ 436,722	\$ -	\$ -	\$ 436,722
Available-for-sale financial assets-stocks	813,170	-	8,000	821,170
	<u>\$ 1,249,892</u>	<u>\$ -</u>	<u>\$ 8,000</u>	<u>\$ 1,257,892</u>

<u>September 30, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through				
profit or loss-stocks and funds	\$ 440,822	\$ -	\$ -	\$ 440,822
Available-for-sale financial assets-stocks	<u>806,749</u>	<u>8,000</u>	<u>-</u>	<u>814,749</u>
	<u>\$ 1,247,571</u>	<u>\$ 8,000</u>	<u>\$ -</u>	<u>\$ 1,255,571</u>

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:
- i. The fair value of listed shares is the closing price at the balance sheet date.
  - ii. The fair value of open-end fund is the net asset value at the balance sheet date.

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments.

(c) The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

E. For the nine months ended September 30, 2016 and 2015, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the nine months ended September 30, 2016 and 2015:

	<u>Nine months ended September 30,</u>	
	<u>2016</u>	<u>2015</u>
	<u>Non-derivative equity instrument</u>	<u>Non-derivative equity instrument</u>
At January 1	\$ 8,000	\$ 8,000
Gains and losses recognised in other comprehensive income	<u>-</u>	<u>-</u>
At September 30	<u>\$ 8,000</u>	<u>\$ 8,000</u>

G. For the nine months ended September 30, 2016 and 2015, there was no transfer into or out from Level 3.

H. Financial function is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the source of information is independent, reliable and in line with other sources and represented as the exercisable price.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at September 30, 2016	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Equity instrument:					
Unlisted shares	\$ 8,000	Net asset value	N/A	-	N/A

J. The Group has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in different measurement. As of September 30, 2016, December 31, 2015 and September 30, 2015, there is no significant effect on financial assets and liabilities categorised within Level 3 if the net assets had increased/decreased by 1%.

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- 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 \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 2.
- H. Receivables from related parties reaching \$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: None.
- 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 Area: Please refer to table 7.

#### 14. SEGMENT INFORMATION

##### (1) General information

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

##### (2) Measurement of segment information

The chief operating decision-maker assesses the performance of the operating segments based on the operating income. This measurement basis includes operating revenue completion percentage, gross profit completion percentage, operating income completion percentage, etc. The chief operating decision-maker reviews the conditions of overspending or underspending monthly, so as to assess the rationality of resources depletion.

##### (3) Information about segment profit or loss and assets

The Group has only one reportable operating segment, thus, there is no need to disclose the information about segment profit or loss, assets and liabilities.

##### (4) Reconciliation for segment income (loss)

A. The revenue from external customers provided to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income. No reconciliation is needed as the Group's reportable segments income (loss) is the income (loss) before tax.

B. The amounts provided to the chief operating decision-maker with respect to total assets are measured in a manner consistent with that of the balance sheets. No reconciliation is needed as the Group's assets of reportable segments are equal to total assets.

Teco Image Systems Co., Ltd. and its subsidiaries  
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
Nine months ended September 30, 2016

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of September 30, 2016				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Teco Image Systems Co., Ltd.	Infinity Multi-Strategies Fund	None	Financial assets at fair value through profit or loss - current	2,222	\$ 36,264	-	36,264	-
"	Fuh Hwa You Li Money Market Fund	"	"	1,491,299	19,914	-	19,914	-
"	Capital Money Market Fund	"	"	5,638,027	90,050	-	90,050	-
"	Mega Diamond Money Market Fund	"	"	7,261,969	90,119	-	90,119	-
"	Creative Sensor Inc.	Associates	"	5,950,000	117,215	4.68	117,215	-
			Total		\$ 353,562		\$ 353,562	
"	Creative Sensor Inc.	Associates	Available-for-sale financial assets - non-current	15,978,260	314,771	12.58	314,771	-
"	Koryo Eletronic Co., Ltd.	"	"	9,994,000	251,849	19.29	251,849	-
"	TECO ELECTRIC & MACHINERY CO., LTD.	"	"	5,000,000	135,000	0.25	135,000	-
"	International United Technology Co., Ltd.	None	"	309,389	-	1.54	-	-
"	KROM Eletronics Co., Ltd.	"	"	622,409	8,000	2.81	8,000	-
"	Convergence Tech Venture II Ltd.	"	"	420,000	-	5.71	-	-
"	Taiwan Pelican Express Co., Ltd.	Associates	"	1,781,000	45,683	1.87	45,683	-
			Total		\$ 755,303		\$ 755,303	

Note: The fair value of listed stocks and closed-end funds is based on the closing price at the end of the period; the fair value of open-end funds is based on the net fund value at the end of the period; the unlisted stocks are measured at fair value.

Teco Image Systems Co., Ltd. and its subsidiaries  
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more  
Nine months ended September 30, 2016

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchaser / seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions		Notes / accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	
Teco Image Systems Co., Ltd.	Teco Image Systems (DongGuan) Co.,Ltd	Subsidiary	Purchases	\$ 897,937	56	60 days after next monthly billings	NA	NA	(\$ 191,394) ( 45)	-
Teco Image Systems (DongGuan) Co., Ltd.	Teco Image Systems Co., Ltd.	Parent Company	Sales	( 897,937) (	99)	60 days after next monthly billings	NA	NA	191,394 99	-

Teco Image Systems Co., Ltd. and its subsidiaries  
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more  
 Nine months ended September 30, 2016

Table 3

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2016	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Teco Image Systems (DongGuan) Co., Ltd.	Teco Image Systems Co., Ltd.	Parent Company	\$ 191,394	7.54	\$ -	Not applicable	\$ 140,600	\$ -



Teco Image Systems Co., Ltd. and its subsidiaries  
 Significant inter-company transactions during the reporting period  
 Nine months ended September 30, 2016

Table 4

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Number (Note 2)	Company name	Counterparty	Relationship (Note 1)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Teco Image Systems Co., Ltd.	Teco Image Systems (DongGuan) Co., Ltd.	Parent company to subsidiary	Purchases	\$ 897,937	Approximately the same as those to third-party suppliers	50%
0	"	Teco Image Systems (DongGuan) Co., Ltd.	Parent company to subsidiary	Accounts payable	191,394	60 days after monthly billings	7%

Note 1: Individual transactions not reaching \$10,000 and the corresponding transactions of transactions disclosed by presenting parent company's transactions will not be disclosed.

Note 2: Parent company is '0'.

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.

Teco Image Systems Co., Ltd. and its subsidiaries  
Information on investees  
Nine months ended September 30, 2016

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2016			Net profit (loss) of the investee for the nine months ended September 30, 2016	Investment income (loss) recognised by the Company for the nine months ended September 30, 2016	Footnote
				Balance as at September 30, 2016	Balance as at December 31, 2015	Number of shares	Ownership				
							(%)	Book value			
Teco Image Systems Co., Ltd.	Atlas Tech Investment Co., Ltd.	British Virgin Islands	Professional investment company	\$ 196,096	\$ 196,096	6,248,313	100	\$ 81,075	\$ 52,304	\$ 52,304	Subsidiary
"	Image Holdings Limited	Samoa	Professional investment company	133,059	133,059	4,080,000	100	42,046	-	-	Subsidiary (Note 1)
Atlas Tech Investment Co., Ltd.	All-In-One International Co., Ltd.	Samoa	Professional investment company	83,648	83,648	2,410,000	100	10,257	( 222)	-	Sub-subsidiary (Note 2)
Atlas Tech Investment Co., Ltd.	Image System International Limited	Samoa	Professional investment company	148,304	148,304	4,812,423	100	52,456	52,171	-	Sub-subsidiary (Note 2)
Image Holding Limited	TIS KARRIE TECHNOLOGIES (H.K) COMPANY LIMITED	Hong Kong	Research, development, manufacturing and sales of multi-functional printers and related products	133,059	133,059	31,620,000	51	55,474	-	-	Sub-subsidiary (Notes 2 and 3)

Note 1: On March 15, 2016, the Board of Directors resolved for the Company to liquidate and cease the business of its wholly-owned subsidiary, Image Holding Limited. As of November 7, 2016, the liquidation is still in process.

Note 2: The investment income was recognized by a subsidiary company.

Note 3: On January 15, 2013, the Board of Directors resolved for the Company to liquidate and cease the business of TIS KARRIE TECHNOLOGIES (H.K) COMPANY LIMITED, a 51% owned subsidiary held by the Company's wholly-owned subsidiary, Image Holding Limited. As of November 7, 2016, the liquidation is still in process.

Teco Image Systems Co., Ltd. and its subsidiaries  
Information on investments in Mainland China  
Nine months ended September 30, 2016

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016 (Note 4)	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the nine months ended September 30, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2016	Net income of investee for the nine months ended September 30, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine months ended September 30, 2016 (Note 2)	Book value of investments in Mainland China as of September 30, 2016	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
TECO Image Systems (Suzhou) Co., Ltd.	Research, technical service, manufacturing and sales of multi-function printers and related products	\$ 81,528	2	\$ 81,528	\$ -	\$ -	\$ 81,528	(\$ 217)	100	(\$ 217)	\$ 10,145	\$ -	Note 5
Teco Pro-Systems (JiangXi) Co., Ltd.	Research, development, manufacturing and sales of multi-function printers and related products	32,710	2	32,710	-	-	32,710	359	100	359	18,300	-	Note 4
Teco Image Systems (DongGuan) Co., Ltd.	Research, development, manufacturing and sales of multi-function printers and related products	88,647	2	88,647	-	-	88,647	52,171	100	52,171	52,446	-	Note 3

Note 1: Investment methods are classified into the following three categories:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 2: The financial statements were reviewed by R.O.C. parent company's CPA.

Note 3: On December 25, 2012, the Board of Directors resolved for the Company to establish Teco Image Systems (DongGuan) Co., Ltd. in Mainland Area through Image Systems International Limited, the subsidiary is wholly-owned by Atlas Tech Investment Co., Ltd. The shareholding ratio was 100% and the total investment amount was USD3,000 thousand. The registration for the establishment of the investee company had been completed in January 2013.

Note 4: On August 6, 2014, the Board of Directors resolved for the Company to liquidate and cease the business of Teco Pro-Systems (JiangXi) Co., Ltd., a wholly-owned subsidiary held by the Company's wholly-owned subsidiary, Atlas Tech Investment Co., Ltd. As of November 7, 2016, the liquidation is still in process.

Note 5: On March 15, 2016, the Board of Directors resolved for the Company to liquidate and cease the business of TECO Image Systems (Suzhou) Co., Ltd., a wholly-owned subsidiary held by the Company's wholly-owned subsidiary, All-In-One International Co., Ltd. As of November 7, 2016, the liquidation is still in process.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2016	Investment amount approved by the Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 6)
Teco Image Systems Co., Ltd.	\$ 202,885	\$ 343,443	\$ 1,080,463

Note 6: The limitation is \$80,000 or 60% of net worth.

Teco Image Systems Co., Ltd. and its subsidiaries  
 Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area  
 Nine months ended September 30, 2016

Table 7

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				Others
	Amount	%	Amount	%	Balance at September 30, 2016	%	Balance at September 30, 2016	Purpose	Maximum balance during the nine months ended September 30, 2016	Balance at September 30, 2016	Interest rate	Interest during the nine months ended September 30, 2016	
Teco Image Systems (DongGuan) Co., Ltd.	(\$ 897,937)	(56)	\$ -	-	(\$ 191,394)	(45)	\$ -	-	\$ -	\$ -	-	\$ -	-