TECO IMAGE SYSTEMS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2017 AND 2016

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

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REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR17000232

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

Opinion

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

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

Basis for opinion

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

Key audit matters

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

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Valuation of inventories

Description

For accounting policies adopted for the valuation of inventories, please refer to Note 4(12). For the significant judgements applied in the accounting policies adopted for the valuation of inventories, please refer to Note 5(2). For details of inventories, please refer to Note 6(5).

Before producing new types of multiple-function printers, the Group will prepare sufficient materials based on the sales forecast. If the actual sales are lower than the expected results, the materials in storage will be excessive and be consumed slowly. The Group estimates net present value of inventories on the balance sheet date, and then writes down inventory cost to net present value. As the valuation of inventories involve judgements, and the valuation amounts are material, we identified the valuation of inventories as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures in relation to the key audit matter:

1. Observed physical inventory count at the end of period to identify whether there are obsolete, damaged or unsaleable inventories.
2. Obtained the policies for inventory valuation and determined whether the policies applied in provision of allowance for inventory valuation losses in the different periods are in agreement.
3. Obtained aging statements for each kind of inventory and tested the changes in ages of inventory. For selected samples with inventory number, we verified to changes record and expiration dates, checked the accuracy of classification range of inventory ages.
4. Obtained net realizable value statement of each kind of inventory and checked whether the applied calculation logic was in agreement for all inventory. Tested relevant parameters, including: sales or purchases data, reasonableness of marketing to sales ratio calculation, and relevant estimate document. Checked and compared allowance for valuation losses that the Group should provision at the lower of cost and net realizable value.

Existence of sales revenue

Description

For accounting policies adopted for the recognition of revenue, please refer to Note 4(24).

The Group mainly traded with stable and well-known customers over the years. Since the changes in new top ten customers might materially affect the consolidated financial statements of the Group and sales revenue is high-risk in nature, we identified the existence of sales revenue from new top ten customers as one of the key audit matters.

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How our audit addressed the matter

We performed the following audit procedures in relation to the key audit matter:

1. Understood the internal controls over sales.
2. Verified the appraisal report of new top ten customers by checking relevant information on them.
3. Tested whether the credit terms of new top ten customers have been approved appropriately.
4. Obtained and verified the details of sales and relevant supporting documents.
5. Performed confirmation procedures to new top ten customers to ascertain the existence and accuracy of the receivables.
6. Obtained and verified the subsequent collections details of accounts receivable and relevant supporting documents.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Teco Image Systems Co., Ltd. as at and for the years ended December 31, 2017 and 2016.

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

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

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

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

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

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

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

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

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

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

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

Huang, Shih Chun　　　　　　Wu, Yu Lung

For and on behalf of PricewaterhouseCoopers, Taiwan
March 19, 2018

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the 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
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2017			December 31, 2016		
				AMOUNT	%		AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$	732,958	26	$	725,081	26
1110	Financial assets at fair value through profit or loss - current	6(2)		355,609	13		360,925	13
1150	Notes receivable, net			10,876	-		3,607	-
1170	Accounts receivable, net	6(4)		575,842	20		555,346	20
1180	Accounts receivable - related parties			9	-		-	-
1200	Other receivables			8,379	-		8,382	-
1220	Current income tax assets	6(17)		12,738	1		39,964	2
130X	Inventories, net	6(5)		130,800	5		127,021	5
1410	Prepayments	7(2)		30,455	1		93,410	3
1470	Other current assets	6(1)		31,964	1		32,005	1
11XX	**Current Assets**			1,889,630	67		1,945,741	70
	Non-current assets							
1523	Available-for-sale financial assets - noncurrent	6(3)		854,254	30		775,153	28
1600	Property, plant and equipment, net	6(6)		21,260	1		29,021	1
1780	Intangible assets			12,288	1		5,354	-
1840	Deferred income tax assets	6(17)		38,637	1		31,598	1
1900	Other non-current assets			5,262	-		4,057	-
15XX	**Non-current assets**			931,701	33		845,183	30
1XXX	**Total assets**		$	2,821,331	100	$	2,790,924	100

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TECO IMAGE SYSTEMS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
	Current liabilities					
2170	Accounts payable		$ 450,355	16	$ 407,067	15
2180	Accounts payable - related parties	7(2)	430	-	797	-
2200	Other payables	6(7) and 7(2)	250,009	9	257,726	9
2230	Current income tax liabilities	6(17)	20,600	1	14,913	1
2250	Provisions for liabilities - current	6(10)	32,500	1	59,115	2
2300	Other current liabilities	6(8)	84,609	3	144,336	5
21XX	**Current Liabilities**		838,503	30	883,954	32
	Non-current liabilities					
2570	Deferred income tax liabilities	6(17)	393	-	5,277	-
2600	Other non-current liabilities	6(9)	29,872	1	40,412	1
25XX	**Non-current liabilities**		30,265	1	45,689	1
2XXX	**Total Liabilities**		868,768	31	929,643	33
	Equity attributable to owners of parent					
	Share capital	6(11)				
3110	Share capital - common stock		1,125,365	40	1,125,365	40
	Retained earnings	6(12)				
3310	Legal reserve		334,178	12	316,278	12
3350	Unappropriated retained earnings	6(17)	383,468	13	314,978	11
	Other equity interest					
3400	Other equity interest		109,552	4	36,430	1
31XX	**Equity attributable to owners of the parent**		1,952,563	69	1,793,051	64
36XX	**Non-controlling interest**		-	-	68,230	3
3XXX	**Total equity**		1,952,563	69	1,861,281	67
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 2,821,331	100	$ 2,790,924	100

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

TECO IMAGE SYSTEMS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

			Years ended December 31			
			2017		2016	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**	7(2)	$ 2,354,414	100	$ 2,426,234	100
5000	**Operating costs**	6(5)(15)(16), 7(2)(3)	(1,743,860)	(74)	(1,764,248)	(73)
5900	**Net operating margin**		610,554	26	661,986	27
	Operating expenses	6(15)(16), 7(2)(3)				
6100	Selling expenses		(72,677)	(3)	(94,740)	(4)
6200	General and administrative expenses		(183,861)	(8)	(172,048)	(7)
6300	Research and development expenses		(198,795)	(8)	(228,024)	(9)
6000	**Total operating expenses**		(455,333)	(19)	(494,812)	(20)
6900	**Operating profit**		155,221	7	167,174	7
	Non-operating income and expenses					
7010	Other income	6(13)	66,499	3	77,305	3
7020	Other gains and losses	6(14)	13,324	-	(26,115)	(1)
7000	**Total non-operating income and expenses**		79,823	3	51,190	2
7900	**Profit before income tax**		235,044	10	218,364	9
7950	Income tax expense	6(17)	(14,271)	(1)	(39,367)	(2)
8200	**Profit for the year**		$ 220,773	9	$ 178,997	7
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Actuarial gain on defined benefit plan		$ 796	-	$ 4,712	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(135)	-	(801)	-
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**		661	-	3,911	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statement translation differences of foreign operations		(8,351)	-	(7,790)	-
8362	Unrealized gain (loss) on valuation of available-for-sale financial assets	6(3)	79,101	3	(46,017)	(2)
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**		70,750	3	(53,807)	(2)
8300	**Total other comprehensive income (loss) for the year**		$ 71,411	3	($ 49,896)	(2)
8500	**Total comprehensive income for the year**		$ 292,184	12	$ 129,101	5
	Profit attributable to:					
8610	Owners of the parent		$ 220,773	9	$ 178,997	7
8620	Non-controlling interest		$ -	-	$ -	-
	Comprehensive income (loss) attributable to:					
8710	Owners of the parent		$ 296,059	12	$ 130,116	5
8720	Non-controlling interest		($ 3,875)	-	($ 1,015)	-
9750	**Basic earnings per share**	6(18)	$	1.96	$	1.59
9850	**Diluted earnings per share**	6(18)	$	1.96	$	1.59

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
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent							
			Retained Earnings		Other equity interest				
	Notes	Share capital - common stock	Legal reserve	Unappropriated retained earnings	Financial statement translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Total	Non-controlling interest	Total equity
Year ended December 31, 2016									
Balance at January 1, 2016		$ 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(12)								
Legal reserve appropriated		-	18,183	(18,183)	-	-	-	-	-
Cash dividends from earnings		-	-	(135,044)	-	-	(135,044)	-	(135,044)
Profit for the year		-	-	178,997	-	-	178,997	-	178,997
Other comprehensive (loss) profit		-	-	3,911	(6,775)	(46,017)	(48,881)	(1,015)	(49,896)
Balance at December 31, 2016		$ 1,125,365	$ 316,278	$ 314,978	$ 5,500	$ 30,930	$ 1,793,051	$ 68,230	$ 1,861,281
Year ended December 31, 2017									
Balance at January 1, 2017		$ 1,125,365	$ 316,278	$ 314,978	$ 5,500	$ 30,930	$ 1,793,051	$ 68,230	$ 1,861,281
Appropriations and distribution of 2016 retained earnings	6(12)								
Legal reserve appropriated		-	17,900	(17,900)	-	-	-	-	-
Cash dividends from earnings		-	-	(135,044)	-	-	(135,044)	-	(135,044)
Profit from liquidation of subsidiary		-	-	-	(1,503)	-	(1,503)	(64,355)	(65,858)
Profit for the year		-	-	220,773	-	-	220,773	-	220,773
Other comprehensive (loss) profit		-	-	661	(4,476)	79,101	75,286	(3,875)	71,411
Balance at December 31, 2017		$ 1,125,365	$ 334,178	$ 383,468	($ 479)	$ 110,031	$ 1,952,563	$ -	$ 1,952,563

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

TECO IMAGE SYSTEMS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 235,044	$ 218,364
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(15)	12,094	13,092
Amortization	6(15)	3,703	4,233
Net income on financial assets and liabilities at fair value through profit or loss	6(14)	(32,296)	5,797
Gain on doubtful debt recoveries	6(4)	-	(42)
Loss (gain) on disposal of property, plant and equipment	6(14)	23	(207)
Gain on reversal of property, plant and equipment impairment loss	6(14)	(787)	-
Gain on disposal of available-for-sale financial assets	6(14)	-	(1,047)
Interest income	6(13)	(1,038)	(768)
Dividend income	6(13)	(58,276)	(60,171)
Estimated litigation loss	6(14)	232	5,423
Estimated warranty liabilities	6(10)	23	2,369
Prepayments for business facilities transferred to expenses		348	138
Profit from liquidation of subsidiary	6(14)	(14,229)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets and liabilities held for trading		37,612	70,000
Notes receivable		(7,269)	(2,389)
Accounts receivable		(20,496)	8,710
Accounts receivable-related parties		(9)	-
Other receivables		1	65,065
Inventories		(3,779)	79,276
Prepayments		11,204	(46,731)
Changes in operating liabilities			
Accounts payable		43,288	(97,266)
Accounts payable - related parties		(367)	(2,791)
Other payables		(7,717)	(14,765)
Provisions-current		(26,244)	(725)
Other current liabilities		(59,727)	13,490
Other non-current liabilities		(9,744)	(39,379)
Cash inflow generated from operations		101,594	219,676
Interest received		1,038	1,513
Interest paid		-	(1)
Income tax refund received		29,288	-
Income tax paid		(22,703)	(39,158)
Net cash flows from operating activities		109,217	182,030

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TECO IMAGE SYSTEMS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31, 2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in other current assets		$ 41	($ 122)
Proceeds from disposal of available-for-sale financial assets		-	1,047
Acquisition of property, plant and equipment	6(6)	(3,699)	(9,944)
Proceeds from disposal of property, plant and equipment		-	587
Acquisition of intangible assets		(10,656)	(5,489)
Increase in refundable deposits		(995)	(57)
(Increase) decrease in prepayments for business facilities		(914)	287
Dividends received	6(13)	58,276	60,171
Decrease in other non-current assets		168	-
Net cash flows from investing activities		42,221	46,480
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in short-term borrowings		-	(1,000)
Cash dividends paid	6(12)	(135,044)	(135,044)
Net cash flows used in financing activities		(135,044)	(136,044)
Effect of exchange rate changes on cash and cash equivalents		(8,517)	(8,227)
Net increase in cash and cash equivalents		7,877	84,239
Cash and cash equivalents at beginning of year		725,081	640,842
Cash and cash equivalents at end of year		$ 732,958	$ 725,081

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
DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

(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 AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 19, 2018.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by the FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10, IFRS 12 and IAS 28, 'Investment entities: applying the consolidation exception'	January 1, 2016
Amendments to IFRS 11, 'Accounting for acquisition of interests in joint operations'	January 1, 2016
IFRS 14,'Regulatory deferral accounts'	January 1, 2016
Amendments to IAS 1, 'Disclosure initiative'	January 1, 2016
Amendments to IAS 16 and IAS 38, 'Clarification of acceptable methods of depreciation and amortisation'	January 1, 2016

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 16 and IAS 41, 'Agriculture: bearer plants'	January 1, 2016
Amendments to IAS 19, 'Defined benefit plans: employee contributions'	July 1, 2014
Amendments to IAS 27, 'Equity method in separate financial statements'	January 1, 2016
Amendments to IAS 36, 'Recoverable amount disclosures for non-financial assets'	January 1, 2014
Amendments to IAS 39, 'Novation of derivatives and continuation of hedge accounting'	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Annual improvements to IFRSs 2010-2012 cycle	July 1, 2014
Annual improvements to IFRSs 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

IFRS 9, 'Financial instruments':

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 or lifetime expected credit losses (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). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

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

In accordance with IFRS 9, the Company expects to reclassify financial assets at fair value through profit or loss and available-for-sale financial assets in the amounts of $154,105 and $854,254, respectively, and make an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income, decreasing retained earnings and increasing other equity interest in the amounts of $1,008,359, ($65,924) and $65,924, respectively.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

IFRS 16, 'Leases':

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1)Compliance statement

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

(2)Basis of preparation

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

(3)Basis of consolidation

A. Basis for preparation of consolidated financial statements

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

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

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

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)		
Name of investor	Name of subsidiary	Main business activities	December 31, 2017	December 31, 2016	Description
The Company	Atlas Tech Investment Co., Ltd. (Atlas)	Professional investment company	100	100	-
The Company	Image Holding Limited (IHL)	Professional investment company	-	100	Note 1
Atlas	All-In-One International Co., Ltd. (All-In-One)	Professional investment company	100	100	-
Atlas	Image Systems International Limited (ISI)	Professional investment company	100	100	-
Atlas	Teco Pro-Systems (JiangXi) Co., Ltd.	Research, development, manufacturing and sales of multi-function printers and related products	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	Note 3
ISI	Teco Image Systems (DongGuan) Co., Ltd.	Research, development, manufacturing and sales of multi-function printers and related products	100	100	-
IHL	TIS KARRIE TECHNOLOGIES (H.K) COMPANY LIMITED	Research, development, manufacturing and sales of multi-function printers and related products	-	51	Note 4

The financial statements of the abovementioned subsidiaries included in the consolidated financial statements for the years ended December 31, 2017 and 2016 have been audited by the Company's independent 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. The liquidation has been completed in the first half of 2017. Details of the profit from liquidation of subsidiary are provided in Note 6(14).

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 March 19, 2018, the liquidation process is still ongoing.

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 March 19, 2018, the liquidation process is still ongoing.

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. The liquidation has been completed in the first half of 2017.

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 New Taiwan dollars (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 libilities 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 when the Group 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)<u>Classification of current and non-current items</u>

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

(6)Cash equivalents

Cash equivalents refer to short-term highly liquid investments that are readily convertible to known 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) Accounts receivable

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 reorganization;

(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 moving average method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads. 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	3~4 years
Leasehold improvements	3~5 years
Others	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 and royalty 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) 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.

(18) 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.

(19) Provisions

Provisions for warranty 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.

(20) 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 expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense 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 net defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plans are 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.

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.

(21) <u>Income tax</u>

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. 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. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and liability simultaneously. Deferred tax assets is offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(22) 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.

(23) 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.

(24) 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.

(25) 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

After assessment, the Group's accounting policies have no significant uncertainty.

(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 December 31, 2017, the carrying amount of inventories was $130,800.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1)Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash on hand	$ 395	$ 918
Checking accounts and demand deposits	732,563	723,107
Time deposits	-	1,056
	$ 732,958	$ 725,081

A. The Group transacts 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. The Group has no cash and cash equivalents pledged to others.

C. As of December 31, 2017 and 2016, the Group's deposits with original maturity between 3 months and 1 year (shown as other current assets) amounted to $31,964 and $32,005, respectively.

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

	December 31, 2017	December 31, 2016
Current items:		
Financial assets held for trading		
Domestic open-end funds	$ 197,915	$ 197,915
Listed stocks	67,614	67,614
Foreign open-end funds	-	88,724
Non-hedging derivatives	554	-
	266,083	354,253
Valuation adjustment	89,526	6,672
	$ 355,609	$ 360,925

A. The Group recognised net (loss) gain of $32,296 and ($5,797) on financial assets held for trading for the years ended December 31, 2017 and 2016, respectively.

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

C. The non-hedging derivative instruments transaction and contract information are as follows:

	December 31, 2017	
Derivative instruments	Contract amount (notional principal)	Contract period
Current items:		
Foreign exchange swap	USD 2,000	2017.11.06~2018.01.05
Foreign exchange swap	USD 2,000	2017.12.18~2018.02.21
Foreign exchange swap	USD 2,000	2017.12.29~2018.01.29
Foreign exchange swap	USD 2,000	2017.12.29~2018.02.07
Foreign exchange swap	USD 2,000	2017.12.29~2018.02.27

(1) As of December 31, 2016, the Group had no transaction about non-derivative financial assets for hedging.

(2) The Group entered into foreign exchange swap to hedge exchange rate risk. However, these foreign exchange swap contracts are not accounted for under hedge accounting.

(3) Available-for-sale financial assets

	December 31, 2017	December 31, 2016
Non-current items:		
Listed stocks	$ 736,223	$ 736,223
Unlisted stocks	16,567	16,567
	752,790	752,790
Valuation adjustment	110,031	30,930
Accumulated impairment	(8,567)	(8,567)
	$ 854,254	$ 775,153

A. The Group recognised $79,101 and ($46,017) in other comprehensive income for fair value change for the years ended December 31, 2017 and 2016, respectively. There were no reclassification from equity to profit or loss for the periods then ended.

B. The Group has no available-for-sale financial assets pledged or collateralised.

(4) Accounts receivable

	December 31, 2017	December 31, 2016
Accounts receivable	$ 575,842	$ 576,966
Less: Allowance for bad debts	-	(21,620)
	$ 575,842	$ 555,346

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.

	December 31, 2017	December 31, 2016
Neither past due nor impaired	$ 575,842	$ 555,338

B. The ageing analysis of financial assets that were past due but not impaired is as follows:

	December 31, 2017	December 31, 2016
Up to 30 days	$ -	$ 8

The above ageing analysis was based on past due date.

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

(a) As of December 31, 2017 and 2016, the Group's accounts receivable that were impaired amounted to $0 and $21,620, respectively.

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

	2017		
	Individual provision	Group provision	Total
At January 1	$ 21,620	$ -	$ 21,620
Write-offs during the year	(21,620)	-	(21,620)
At December 31	$ -	$ -	$ -

	2016		
	Individual provision	Group provision	Total
At January 1	$ 21,664	$ -	$ 21,664
Reversal of impairment	(42)	-	(42)
Net exchange differences	(2)	-	(2)
At December 31	$ 21,620	$ -	$ 21,620

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

(5)Inventories

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 106,598	($ 25,413)	$ 81,185
Work in process	7,125	(112)	7,013
Finished goods	20,171	(1,775)	18,396
Merchandise	23,665	(2,825)	20,840
Inventory in transit	3,366	-	3,366
	$ 160,925	($ 30,125)	$ 130,800

	December 31, 2016		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 116,122	($ 24,342)	$ 91,780
Work in process	7,896	(21)	7,875
Finished goods	14,456	(2,841)	11,615
Merchandise	13,972	(484)	13,488
Inventory in transit	2,263	-	2,263
	$ 154,709	($ 27,688)	$ 127,021

A. Abovementioned inventories were not pledged or collateralised.

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

	Years ended December 31,	
	2017	2016
Cost of goods sold	$ 1,741,468	$ 1,770,089
Loss (gain from reversal) on decline in market value (Note)	2,411	(21,066)
Retirement loss	-	15,229
Revenue from scrap sales	-	(4)
Gain on physical inventory	(19)	-
	$ 1,743,860	$ 1,764,248

Note: By scrapping or selling inventories for which losses on market value decline had been recognised, the gain on reversal of inventory valuation accrued as a result of a decrease in allowance for inventory valuation losses.

(6)Property, plant and equipment

	Machinery and equipment	Mold equipment	Testing equipment	Transportation equipment	Office equipment	Leasehold improvements	Others	Total
At January 1, 2017								
Cost	$ 4,983	$ 2,932	$ 25,964	$ 900	$ 37,517	$ 33,084	$ 8,598	$ 113,978
Accumulated depreciation and impairment	(3,713)	(2,327)	(25,691)	(900)	(31,898)	(15,022)	(5,406)	(84,957)
	$ 1,270	$ 605	$ 273	$ -	$ 5,619	$ 18,062	$ 3,192	$ 29,021
2017								
Opening net book amount as at January 1	$ 1,270	$ 605	$ 273	$ -	$ 5,619	$ 18,062	$ 3,192	$ 29,021
Additions	992	104	548	-	1,740	-	315	3,699
Disposals	(22)	-	(1)	-	-	-	-	(23)
Reversal of impairment	384	-	182	-	210	-	11	787
Depreciation charge	(724)	(259)	(279)	-	(3,199)	(5,772)	(1,861)	(12,094)
Reclassifications (Note)	-	-	-	-	-	-	175	175
Net exchange differences	(6)	1	1	-	(4)	(298)	1	(305)
Closing net book amount as at December 31	$ 1,894	$ 451	$ 724	$ -	$ 4,366	$ 11,992	$ 1,833	$ 21,260
At December 31, 2017								
Cost	$ 4,079	$ 3,037	$ 26,123	$ 900	$ 38,860	$ 32,764	$ 9,090	$ 114,853
Accumulated depreciation and impairment	(2,185)	(2,586)	(25,399)	(900)	(34,494)	(20,772)	(7,257)	(93,593)
	$ 1,894	$ 451	$ 724	$ -	$ 4,366	$ 11,992	$ 1,833	$ 21,260

	Machinery and equipment	Mold equipment	Testing equipment	Transportation equipment	Office equipment	Leasehold improvements	Others	Total
At January 1, 2016								
Cost	$ 4,726	$ 2,154	$ 25,959	$ 900	$ 34,690	$ 24,373	$ 8,287	$ 101,089
Accumulated depreciation and impairment	(3,361)	(2,154)	(25,508)	(800)	(28,633)	(9,260)	(3,931)	(73,647)
	$ 1,365	$ -	$ 451	$ 100	$ 6,057	$ 15,113	$ 4,356	$ 27,442
2016								
Opening net book amount as at January 1	$ 1,365	$ -	$ 451	$ 100	$ 6,057	$ 15,113	$ 4,356	$ 27,442
Additions	600	778	83	-	3,210	4,167	1,106	9,944
Disposals	(4)	-	-	-	-	-	(376)	(380)
Depreciation charge	(640)	(173)	(256)	(100)	(3,587)	(6,444)	(1,892)	(13,092)
Reclassifications (Note)	54	-	-	-	-	6,543	-	6,597
Net exchange differences	(105)	-	(5)	-	(61)	(1,317)	(2)	(1,490)
Closing net book amount as at December 31	$ 1,270	$ 605	$ 273	$ -	$ 5,619	$ 18,062	$ 3,192	$ 29,021
At December 31, 2016								
Cost	$ 4,983	$ 2,932	$ 25,964	$ 900	$ 37,517	$ 33,084	$ 8,598	$ 113,978
Accumulated depreciation and impairment	(3,713)	(2,327)	(25,691)	(900)	(31,898)	(15,022)	(5,406)	(84,957)
	$ 1,270	$ 605	$ 273	$ -	$ 5,619	$ 18,062	$ 3,192	$ 29,021

Note: Reclassification was transferred from prepayments for business facilities.

Abovementioned property, plant and equipment was neither pledged nor collaterised and no interest was capitalised.

(7)Other payables

	December 31, 2017	December 31, 2016
Salaries and bonuses payable	$ 163,426	$ 155,316
Employees' compensation and directors' and supervisors' remuneration	26,327	24,732
Research and development expense payable	6,328	17,489
Service charge payable	11,164	12,508
Others	42,764	47,681
	$ 250,009	$ 257,726

(8)Other current liabilities

	December 31, 2017	December 31, 2016
Sales revenue received in advance	$ 82,943	$ 143,339
Other advance receipts	1,666	997
	$ 84,609	$ 144,336

(9)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 and its domestic subsidiaries contribute 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 and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions to cover the deficit by next March.

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

	December 31, 2017	December 31, 2016
Present value of defined benefit obligations	($ 70,216)	($ 83,338)
Fair value of plan assets	40,344	42,926
Net defined benefit liability	($ 29,872)	($ 40,412)

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	($ 83,338)	$ 42,926	($ 40,412)
Current service cost	(1,323)	-	(1,323)
Interest (expense) income	(1,242)	658	(584)
Past service cost	2,718	-	2,718
	(83,185)	43,584	(39,601)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(290)	(290)
Change in demographic assumptions	625	-	625
Change in financial assumptions	(2,186)	-	(2,186)
Experience adjustments	2,647	-	2,647
	1,086	(290)	796
Pension fund contribution	-	3,032	3,032
Paid pension	11,883	(5,982)	5,901
Balance at December 31	($ 70,216)	$ 40,344	($ 29,872)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2016			
Balance at January 1	($ 88,339)	$ 3,836	($ 84,503)
Current service cost	(1,388)	-	(1,388)
Interest (expense) income	(1,317)	74	(1,243)
Past service cost	676	-	676
	(90,368)	3,910	(86,458)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	151	151
Change in demographic assumptions	21	-	21
Experience adjustments	4,540	-	4,540
	4,561	151	4,712
Pension fund contribution	-	41,334	41,334
Paid pension	2,469	(2,469)	-
Balance at December 31	($ 83,338)	$ 42,926	($ 40,412)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and its domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and its domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and its domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Years ended December 31	
	2017	2016
Discount rate	1.25%	1.50%
Future salary increases	2.00%	2.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with future mortality rate estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2017				
Effect on present value of defined benefit obligation	($ 2,060)	$ 2,148	$ 2,126	($ 2,050)
December 31, 2016				
Effect on present value of defined benefit obligation	($ 2,571)	$ 2,683	$ 2,663	($ 2,564)

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

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2018 amounts to $2,510.

(g) As of December 31, 2017, the weighted average duration of the retirement plan is 11 years. The analysis of timing of the future pension payment was as follows:

	Amount
Within 1 year	$ 969
1-2 year(s)	2,846
2-5 years	12,780
Over 5 years	79,584
	$ 96,179

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 and ISI 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. 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 years ended December 31, 2017 and 2016, were $11,605 and $12,716, respectively.

(10) Provisions

	Product warranty	Legal claims	Total
At January 1, 2017	$ 32,897	$ 26,218	$ 59,115
Additional provisions	23	232	255
Used during the year	(420)	(25,824)	(26,244)
Net exchange differences	-	(626)	(626)
At December 31, 2017	$ 32,500	$ -	$ 32,500

	Product warranty	Legal claims	Total
At January 1, 2016	$ 31,256	$ 22,769	$ 54,025
Additional provisions	2,369	5,423	7,792
Used during the year	(725)	-	(725)
Net exchange differences	(3)	(1,974)	(1,977)
At December 31, 2016	$ 32,897	$ 26,218	$ 59,115

Analysis of total provisions:

	December 31, 2017	December 31, 2016
Current - product warranty	$ 32,500	$ 32,897
Current - legal claims	-	26,218
	$ 32,500	$ 59,115

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 (1).

(11) Share capital

A. As of December 31, 2017, 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 years ended December 31, 2017 and 2016, 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.

(12) Retained earnings/ Events after the balance sheet date

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:

(a) Details of appropriation of 2016 and 2015 earnings as resolved by the shareholders on June 21, 2017 and June 21, 2016, respectively, are as follows:

	Years ended December 31,			
	2016		2015	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve appropriated	$ 17,900		$ 18,183	
Cash dividends	135,044	$ 1.20	135,044	$ 1.20
	$ 152,944		$ 153,227	

(b) Details of appropriation of 2017 earnings as resolved by the Board of Directors on March 19, 2018 is as follows:

	Year ended December 31, 2017	
	Amount	Dividends per share (in dollars)
Legal reserve appropriated	$ 22,077	
Cash dividends	168,805	$ 1.50
	$ 190,882	

F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(16).

(13) Other income

	Years ended December 31,	
	2017	2016
Payables over 2 years transferred to revenue	$ 2,200	$ -
Interest from bank deposits	1,037	764
Dividend revenue	58,276	60,171
Other interest income	1	4
Others	4,985	16,366
	$ 66,499	$ 77,305

(14) Other gains and losses

	Years ended December 31,	
	2017	2016
Net gains (losses) on financial assets / liabilities at fair value through profit or loss	$ 32,296	($ 5,797)
Net currency exchange losses	(29,105)	(15,771)
Reversal of impairment gain recognised in profit or loss, property, plant and equipment	787	-
Profit from liquidation of subsidiary	14,229	-
(Losses) gains on disposal of property, plant and equipment	(23)	207
Gains on disposal of available-fo-sale financial assets	-	1,047
Litigation losses	(232)	(5,423)
Others	(4,628)	(378)
	$ 13,324	($ 26,115)

(15) Expenses by nature

	Years ended December 31, 2017	Years ended December 31, 2016
Employee benefit expense	$ 407,915	$ 419,115
Depreciation charge	$ 12,094	$ 13,092
Amortisation charge	$ 3,703	$ 4,233

(16) Employee benefit expense

	Years ended December 31, 2017	Years ended December 31, 2016
Wages and salaries	$ 335,883	$ 344,044
Employees' compensation and directors' and supervisors' remuneration	26,327	24,732
Labour and health insurance fees	17,623	17,582
Pension costs	10,794	14,671
Others	17,288	18,086
	$ 407,915	$ 419,115

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, 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 years ended December 31, 2017 and 2016, employees' compensation was accrued at $17,386 and $16,488, respectively; while directors' and supervisors' remuneration was accrued at $8,941 and $8,244, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 7.06% and 3.63% of distributable profit of current year as of the end of reporting period. The actual amount resolved by the Board of Directors on March 19, 2018 were $17,386 and $8,941, respectively. The employees' compensation will be paid in cash.

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

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

(17) Income tax/ Events after the balance sheet date

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31, 2017	Years ended December 31, 2016
Current tax:		
Current income tax assets	($ 12,738)	($ 39,964)
Current income tax liabilities	20,600	14,913
Receivables on receipts from income tax in prior years that have not yet been received	7,783	32,182
Payables on payments from income tax in prior years that have not yet been paid	(2,661)	(5,554)
Withholding and provisional tax	2,240	13,563
Offshore income tax expense	8,300	14,157
Tax on undistributed surplus earnings	(2,996)	(2,492)
Current tax on profit for the period	20,528	26,805
Prior year income tax underestimation	3,027	3,326
Total current tax	23,555	30,131
Deferred tax:		
Origination and reversal of temporary differences	(12,058)	6,274
Others:		
Tax on undistributed surplus earnings	2,996	2,492
Net exchange differences	(222)	470
Income tax expense	$ 14,271	$ 39,367

(b) Components of income tax expense:

	Years ended December 31, 2017	Years ended December 31, 2016
Remeasurement of defined benefit obligations	$ 135	$ 801

(c) For the years ended December 31, 2017 and 2016, the Company has no income tax relating to income tax (charged)/credited to equity during the period.

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31, 2017	2016
Tax calculated based on profit before tax and statutory tax rate (Note)	$ 53,297	$ 54,823
Expenses disallowed by tax regulation	238	-
Tax exempt income by tax regulation	(9,907)	(9,833)
Realization of loss on investments abroad	(25,294)	-
Temporary differences not recognised as deferred tax assets	(7,342)	-
Prior year income tax underestimation	3,027	3,326
Tax on undistributed earnings	2,996	2,492
Effect of other adjustments provided by regulations	(2,744)	(11,441)
Income tax expense	$ 14,271	$ 39,367

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

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

	January 1	Recognised in profit or loss	comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Loss for market value decline and obsolete and slow-moving inventories	$ 4,378	($ 206)	$ -	$ 4,172
After-service guarantee expense	5,593	(67)	-	5,526
Unpaid expense	9,265	(3,024)	-	6,241
Unused compensated absences payable	522	(264)	-	258
Pension payable	7,670	(2,200)	-	5,470
Amount of allowance for bad debts that exceed the limit for tax purpose	2,899	(2,899)	-	-
Unrealized exchange losses	1,271	(236)	-	1,035
Tax losses	-	15,935	-	15,935
	31,598	7,039	-	38,637
Deferred tax liabilities:				
Temporary differences:				
Unrealized exchange gains	(5,019)	5,019	-	-
Remeasurement of defined benefit obligations	(258)	-	(135)	(393)
	(5,277)	5,019	(135)	(393)
Total	$ 26,321	$ 12,058	($ 135)	$ 38,244

	Year ended December 31, 2016			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences :				
Loss for market value decline and obsolete and slow-moving inventories	$ 8,227	($ 3,849)	$ -	$ 4,378
After-service guarantee expense	5,301	292	-	5,593
Unpaid expense	8,246	1,019	-	9,265
Unused compensated absences payable	250	272	-	522
Pension payable	13,923	(6,253)	-	7,670
Amount of allowance for bad debts that exceed the limit for tax purpose	2,682	217	-	2,899
Unrealized exchange losses	915	356	-	1,271
Remeasurement of defined benefit obligations	543	-	(543)	-
	40,087	(7,946)	(543)	31,598
Deferred tax liabilities:				
Temporary differences :				
Unrealized exchange gains	(6,691)	1,672	-	(5,019)
Remeasurement of defined benefit obligations	-	-	(258)	(258)
	(6,691)	1,672	(258)	(5,277)
Total	$ 33,396	($ 6,274)	($ 801)	$ 26,321

Under the amendments to the Income Tax Act in February, 2018, the Company's applicable income tax rate will be raised from 17% to 20% and the tax rate on unappropriated retained earnings rate be lowered from 10% to 5% effective from January 1, 2018. This will increase the Company's deferred tax assets and deferred tax liabilities by $6,818 and $69, respectively, which will be adjusted in the first quarter of 2018.

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

Year ended December 31, 2017				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax asset amount	Expiry year
2013	$ 95,616	$ 17,010	$ 17,010	2018
2016	325	325	325	2021
2017	94,574	94,574	837	2022/2027
	$ 190,515	$ 111,909	$ 18,172	

Year ended December 31, 2016							
Year incurred	Amount filed/ assessed		Unused amount		Unrecognised deferred tax asset amount		Expiry year
2012	$	35,840	$	34,126	$	34,126	2017
2013		95,616		17,010		17,010	2018
2016		325		325		325	2021
	$	131,781	$	51,461	$	51,461	

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

	Years ended December 31,			
	2017		2016	
Deductible temporary differences	$	70,471	$	183,679

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

G. With the abolishment of the imputation tax system under the amendments to the Income Tax Act in February, 2018, the information on unappropriated retained earnings and the balance of the imputation credit account as of December 31, 2017, as well as the estimated creditable tax rate for the year ended December 31, 2017 is no longer disclosed.

Unappropriated retained earnings on December 31, 2016:

	December 31, 2016	
Earnings generated in and before 1997	$	-
Earnings generated in and after 1998		314,978
	$	314,978

H. As of December 31, 2016, the balance of the imputation tax credit account was $35,195. The creditable tax rate was 13.06% for the year ended December 31, 2016.

(18) Earnings per share

	Year ended December 31, 2017				
	Amount after tax		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)	
Basic (diluted) earnings per share					
Profit attributable to ordinary shareholders of the parent	$	220,773	112,537	$	1.96

	Year ended December 31, 2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic (diluted) earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 178,997	112,537	$ 1.59

(19)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 $34,830 and $29,026 for abovementioned transactions in profit or loss for the years ended December 31, 2017 and 2016, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2017	December 31, 2016
Within one year	$ 31,694	$ 20,370
Later than one year but not later than five years	48,720	5,098
	$ 80,414	$ 25,468

7. RELATED PARTY TRANSACTIONS

(1)Names and relationship of related parties

Names of related parties	Relationship with the Group
Creative Sensor Inc.	Common chairman.
Multilite International Co., Ltd.	Common chairman.
Lien Chang Electronic Enterprise Co., LTD.	Common chairman.
TECO ELECTRIC & MACHINERY CO., LTD.	This company's director is the Company's chairman.
TECNOS INTERNATIONAL CONSULTANT CO., LTD	The chairman of the securities holding company and the Company's chairman are within second degree of kinship.
Tong An Assets Management & Development Co., Ltd.	The chairman of the securities holding company and the Company's chairman are within second degree of kinship.

Names of related parties	Relationship with the Group
Karrie Technologies Co., Ltd. (Note)	Joint venture relationship with the Company.
All directors, president and key management	The Group's key management and governing body.

Note: The joint venture has completed the liquidation and was dissolved in the first half year of 2017, and the joint partnership was therefore ended.

(2) Significant related party transactions and balances

A. Sales

The amounts of sales transactions between the Group and the related parties are not disclosed since it is not significant and did not reach $3,000.

B. Purchases

(a) Purchases

The details of purchases from the related parties are as follows:

	Years ended December 31,	
	2017	2016
Entities with significant influence to the Group	$ 4,049	$ 13,675
Other related parties	51	-
	$ 4,100	$ 13,675

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.

(b) Payables

	December 31, 2017	December 31, 2016
Entities with significant influence to the Group	$ 430	$ 797

C. Leases / Operating expense / Other payables

(a) Operating expense

The Group leases offices from the entities with related parties (shown as operating expense):

	Years ended December 31,	
	2017	2016
Other related parties	$ 14,762	$ 14,761

The Group leases offices from the related parties with an agreed price. The rent is paid regularly under the leasing contract.

(b)Other payables

The Group's other payables generated from the abovementioned transactions:

	December 31, 2017	December 31, 2016
Other related parties	$ 703	$ 106

D. Transactions of the liquidation of subsidiary company / Prepayments

The Group is preparing for liquidation proceedings of a subsidiary company. As a result, the Group returned share capital to other related parties in advance (shown as other prepayments). The amounts of prepayment from related party transactions mentioned above are as follows:

	December 31, 2017	December 31, 2016
Karrie Technologies Co., Ltd.	$ -	$ 65,263

E. Transaction of payment on behalf of others / other payables

The amounts of advance money (shown as other payables) in relation to other transactions from the entities with the related parties are as follows:

	December 31, 2017	December 31, 2016
Entities with significant influence to the Group	$ -	$ 466
Other related parties	2,575	1,670
	$ 2,575	$ 2,136

(3)Key management compensation

	Years ended December 31,	
	2017	2016
Short-term employee benefits	$ 44,524	$ 40,111
Post-employment benefits	477	529
	$ 45,001	$ 40,640

8. PLEDGED ASSETS

None.

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 judgement 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. On November 2, 2017, Intermediate People's Court of Dongguan Municipality, Guangdong Province decided in the second instance, Teco Image Systems (DongGuan) Co. has to pay a compensation of $25,824; The Group had already paid the compensation in December, 2017.

(2)Commitments

As of December 31, 2017 and 2016, details of the future aggregate minimum lease payments under non-cancellable operating lease are provided in Note 6(19).

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1)For details of distribution of 2017 retained earnings which was resolved by the Board of Directors on March 19, 2018, please refer to Note 6(12).

(2)For the impact to the Company arising from the amendments to the Income Tax Act which were promulgated by the President of the Republic of China in February 2018, please refer to Note 6(17).

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 2017, the Group's strategy was unchanged from 2016. As of December 31, 2017 and 2016, the Group's debt to assets ratio was 31% and 33%, 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, accounts receivable-related parties, other receivables, other current assets (time deposits and other financial assets), other non-current assets (refundable deposits), accounts payable, accounts payable - related parties and other payables) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

B. Financial risk management policies

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

(b) Risk management is carried out by a central treasury department (Group treasury) 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

i. Foreign exchange risk

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

(ii) Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

(iii) 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:

	December 31, 2017		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD : NTD	$ 25,722	29.7600	$ 765,487
USD : RMB	203	6.5342	6,041
Investments Accounted for Using Equity Method			
RMB : NTD	31,320	4.5650	142,977
Financial liabilities			
Monetary items			
USD : NTD	4,277	29.7600	127,284
USD : RMB	8,452	6.5342	251,532

	December 31, 2016		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD : NTD	$ 23,668	32.2500	$ 763,293
USD : RMB	6,735	6.9370	217,204
Non-monetary items			
USD : NTD	1,109	32.2500	35,760
Investments Accounted for Using Equity Method			
RMB : NTD	20,552	4.6170	94,889
HKD : NTD	10,488	4.1580	43,609
Financial liabilities			
Monetary items			
USD : NTD	10,594	32.2500	341,657
USD : RMB	7,518	6.9370	242,456

(iv) Total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2017 and 2016, amounted to ($29,105) and ($15,771), respectively.

(v) Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2017		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income (loss)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD : NTD	1%	$ 7,655	$ -
USD : RMB	1%	60	-
Financial liabilities			
Monetary items			
USD : NTD	1%	(1,273)	-
USD : RMB	1%	(2,515)	-

	Year ended December 31, 2016		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income (loss)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD : NTD	1%	$ 7,633	$ -
USD : RMB	1%	2,172	-
Financial liabilities			
Monetary items			
USD : NTD	1%	(3,417)	-
USD : RMB	1%	(2,425)	-

ii. Price risk

(i) 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.

(ii) 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 years ended December 31, 2017 and 2016 would have increased by $3,556 and $3,609, respectively, as a result of losses/gains on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $8,543 and $7,752, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

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

iii. The credit quality 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 has the following undrawn borrowing facilities:

	December 31, 2017	December 31, 2016
Floating rate:		
Expiring within one year	$ 500,000	$ 400,000

iv. The Group's non-derivative financial assets are analyzed based on the remaining period at the balance sheet date to the contractual maturity date and they are all financial assets due for repayment within one year.

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

(3) Fair value information

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

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

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

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

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:

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through				
profit or loss - stocks and funds	$ 355,055	$ -	$ -	$ 355,055
- Cross currency swap	-	554	-	554
Available - for - sale financial assets				
- stocks	846,254	-	8,000	854,254
	$ 1,201,309	$ 554	$ 8,000	$ 1,209,863

December 31, 2016	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through				
profit or loss - stocks and funds	$ 360,925	$ -	$ -	$ 360,925
Available - for - sale financial assets				
- stocks	767,153	-	8,000	775,153
	$ 1,128,078	$ -	$ 8,000	$ 1,136,078

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) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

(d) 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 years ended December 31, 2017 and 2016, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2017 and 2016:

	2017	2016
	Non-derivative equity instrument	Non-derivative equity instrument
At January 1	$ 8,000	$ 8,000
Gains and losses recognised in other comprehensive income	-	-
At December 31	$ 8,000	$ 8,000

G. For the years ended December 31, 2017 and 2016, 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:

(a) December 31, 2017

	Fair value	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

(b) December 31, 2016

	Fair value	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. However, use of different valuation models or assumptions may result in different measurement. As of December 31, 2017 and 2016, there is no significant effect on financial assets categorised within Level 3 if the net assets had increased/decreased by 0.1%.

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: Please refer to Note 6(2) and 12(3).

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

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland 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 profit or loss of the Group's operation segments is measured by profit before tax and on which the performance is assessed.

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

In addition, the accounting policies and accounting estimates adopted by reportable segments are consistent with the summary of significant accounting policies in Note 4 and critical accounting estimates and assumption mentioned in Note 5.

(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 equal to 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.

(5)Information on products and services

The Group engaged in manufacturing and selling of multi-function machines, fax machines and scanners. Details of revenues are as follows:

	Years ended December 31,	
	2017	2016
Multi-function printers	$ 2,241,280	$ 2,316,907
Others	113,134	109,327
	$ 2,354,414	$ 2,426,234

(6)Geographical information

Details of the Group's revenues from external customers are separated by customers' location and separated the non-current assets by assets' location as follows:

	Years ended December 31,			
	2017		2016	
	Revenue	Non-current assets	Revenue	Non-current assets
The People's Republic of China and Hong kong	$ 2,088,327	$ 16,914	$ 2,191,099	$ 21,942
Japan	142,598	-	88,511	-
Taiwan	98,941	18,177	115,520	13,765
Others	24,548	-	31,104	-
	$ 2,354,414	$ 35,091	$ 2,426,234	$ 35,707

Note: Non-current assets do not include financial instruments, deferred income tax assets, pension plan asset and rights of insurance contracts.

(7)Major customer information

The Group is a single operating segment. Details of the revenue from individual customers that exceed 10% of net sale revenue in the statements of comprehensive income for the reported period are as follows:

	Years ended December 31,	
	2017	2016
Customer B	$ 1,999,206	$ 1,790,656
Customer R	23,287	255,774
	$ 2,022,493	$ 2,046,430

Table 1

Teco Image Systems Co., Ltd. and its subsidiaries
Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures)
Year ended December 31, 2017

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2017 Number of shares	Book value	Ownership (%)	Fair value	Footnote
Teco Image Systems Co., Ltd.	Fuh Hwa You Li Money Market Fund	None	Financial assets at fair value through profit or loss - current	1,491,299	$ 19,990	-	$ 19,990	-
"	Capital Money Market Fund	"	"	5,638,027	90,433	-	90,433	-
"	Mega Diamond Money Market Fund	"	"	7,261,969	90,527	-	90,527	-
"	Creative Sensor Inc.	Associates	"	5,950,000	154,105	4.68	154,105	-
"			Total		$ 355,055		$ 355,055	
	Creative Sensor Inc.	Associates	Available-for-sale financial assets - non-current	15,978,260	$ 413,837	12.58	$ 413,837	-
"	Koryo Electronics Co., Ltd.	"	"	9,994,000	238,357	19.29	238,357	-
"	TECO ELECTRIC & MACHINERY CO., LTD.	"	"	5,000,000	142,500	0.25	142,500	-
"	International United Technology Co., Ltd.	None	"	309,389	-	1.54	-	-
"	KROM Electronics Co., Ltd.	"	"	622,408	8,000	1.86	8,000	-
"	Convergence Tech Venture II Ltd.	"	"	420,000	-	5.71	-	-
"	Taiwan Pelican Express Co., Ltd.	Associates	"	1,781,000	51,560	1.87	51,560	-
			Total		$ 854,254		$ 854,254	

Note: The fair value of listed stocks and closed-end funds is based on the closing price at the end of the year; the fair value of open-end funds is based on the net fund value at the end of the year; 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
Year ended December 31, 2017

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes / accounts receivable (payable)		
Purchaser / seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes / accounts receivable (payable)	Footnote
Teco Image Systems Co., Ltd.	Teco Image Systems (DongGuan) Co.,Ltd	Subsidiary	Purchases	$ 1,207,988	54	60 days after next monthly billings	NA	NA	($ 356,220)	(73)	-
Teco Image Systems (DongGuan) Co., Ltd.	Teco Image Systems Co., Ltd.	Parent Company	Sales	(1,207,988)	(99)	60 days after next monthly billings	NA	NA	356,220	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

Year ended December 31, 2017

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2017	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Teco Image Systems (DongGuan) Co., Ltd.	Teco Image Systems Co., Ltd.	Parent Company	$ 356,220	4.25	$ -	Not applicable	$ 303,479	$ -

Teco Image Systems Co., Ltd. and its subsidiaries

Significant inter-company transactions during the reporting period

Year ended December 31, 2017

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

				Transaction			
Number (Note 2)	Company name	Counterparty	Relationship (Note 1)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Teco Image Systems Co., Ltd.	Teco Image Systems (DongGuan) Co., Ltd.	Parent company to subsidiary	Purchases	$ 1,207,988	Approximately the same as those to third-party suppliers	51%
0	"	Teco Image Systems (DongGuan) Co., Ltd.	Parent company to subsidiary	Accounts payable	356,220	60 days after monthly billings	13%

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 year-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.

Table 5

Teco Image Systems Co., Ltd. and its subsidiaries
Information on investees
Year ended December 31, 2017

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 December 31, 2017			Net profit (loss) of the investee for the year ended December 31, 2017	Investment income (loss) recognised by the Company for the year ended December 31 2017	Footnote
				Balance as at December 31, 2017	Balance as at December 31, 2016	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	$ 143,153	$ 48,516	$ 48,516	Subsidiary
"	Image Holding Limited	Samoa	"	-	133,059	-	-	-	-	-	Subsidiary (Note 1)
Atlas Tech Investment Co., Ltd.	All-In-One International Co., Ltd.	"	"	83,648	83,648	2,410,000	100	9,022	(846)	-	Sub-subsidiary (Note 2)
"	Image System International Limited	"	"	148,304	148,304	4,812,423	100	116,271	49,367	-	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	-	-	-	-	-	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. The liquidation process was completed in the first half of 2017.
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. The liquidation process was completed in the first half of 2017.

Table 6

Teco Image Systems Co., Ltd. and its subsidiaries
Information on investments in Mainland China
Year ended December 31, 2017

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, 2017 (Note 4)	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the year ended December 31, 2017: Remitted to Mainland China	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the year ended December 31, 2017: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Net income of investee for the year ended December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2017 (Note 2)	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017	Footnote
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	($ 837)	100	($ 837)	$ 8,915	$ -	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	-	100	-	17,801	-	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	49,367	100	49,367	116,261	-	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 audited 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 March 19, 2018, the liquidation process is still ongoing.

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 March 19, 2018, the liquidation process is still ongoing.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 6)
Teco Image Systems Co., Ltd.	$ 202,885	$ 341,553	$ 1,171,538

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

Year ended December 31, 2017

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
Investee in Mainland China	Amount	%	Amount	%	Balance at December 31, 2017	%	Balance at December 31, 2017	Purpose	Maximum balance during the year ended December 31, 2017	Balance at December 31, 2017	Interest rate	Interest during the year ended December 31, 2017	Others
Teco Image Systems (DongGuan) Co., Ltd.	($ 1,207,988)	(54)	$ -	-	($ 356,220)	(73)	$ -	-	$ -	$ -	-	$ -	-