TECO IMAGE SYSTEMS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT ACCOUNTANTS
JUNE 30, 2019 AND 2018

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS
TRANSLATED FROM CHINESE

PWCR19000041

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Teco Image Systems Co., Ltd. and subsidiaries (the "Group") as at June 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three months and six months then ended, as well as the statements of changes in equity and of cash flows for the six months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, and the reports of other independent accountants, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2019 and 2018, and of its consolidated financial performance for the three months and six months then ended and its consolidated cash flows for the six months then ended in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

Other matter

As described in Note 6(6) to the consolidated financial statements, we did not review the financial statements of certain investments accounted for using equity method. Those financial statements were reviewed by other independent accountants, whose reports thereon have been furnished to us, and our report expressed herein, insofar as it relates to the amounts included in the financial statements was based solely on the review reports of other independent accountants. These certain investments accounted for using equity method amounted to NT$69,524 thousand and NT$0, constituting 2.78% and 0% of the consolidated total assets as at June 30, 2019 and 2018, with total comprehensive income for the three months and six months then ended amounting to NT$1,574 thousand, NT$0, NT$1,086 thousand and NT$0, constituting 8.53%, 0%, 0.96% and 0% of the consolidated total comprehensive income.

Wu, Yu Lung　　　　　　　　　　Huang, Shih Chun

For and on behalf of PricewaterhouseCoopers, Taiwan

August 6, 2019

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the 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)
(The balance sheets as of June 30, 2019 and 2018 are reviewed, not audited)

	Assets	Notes	June 30, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%	June 30, 2018 AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 630,596	25	$ 651,368	26	$ 723,715	27
1110	Financial assets at fair value through profit or loss - current	6(2)	114,223	4	111,729	5	201,377	8
1150	Notes receivable, net	6(4)	-	-	6,376	-	771	-
1170	Accounts receivable, net	6(4)	391,440	16	555,293	22	499,404	19
1180	Accounts receivable - related parties		-	-	-	-	1,595	-
1200	Other receivables		4,005	-	5,255	-	6,510	-
1220	Current income tax assets	6(21)	485	-	143	-	9,987	-
130X	Inventories, net	6(5)	118,789	5	137,702	6	136,147	5
1410	Prepayments		39,636	2	36,261	1	32,950	1
11XX	**Current Assets**		1,299,174	52	1,504,127	60	1,612,456	60
	Non-current assets							
1517	Financial assets at fair value through other comprehensive income - noncurrent	6(3)	1,018,808	41	909,040	36	990,115	37
1550	Investments accounted for under equity method	6(6)	69,524	3	33,383	1	-	-
1600	Property, plant and equipment, net	6(7)	28,594	1	31,653	1	32,837	1
1755	Right-of-use assets	6(8)	49,045	2	-	-	-	-
1780	Intangible assets		10,258	-	7,260	-	9,552	1
1840	Deferred income tax assets		16,946	1	18,861	1	33,005	1
1900	Other non-current assets		4,158	-	9,925	1	9,477	-
15XX	**Non-current assets**		1,197,333	48	1,010,122	40	1,074,986	40
1XXX	**Total assets**		$ 2,496,507	100	$ 2,514,249	100	$ 2,687,442	100

(Continued)

TECO IMAGE SYSTEMS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of June 30, 2019 and 2018 are reviewed, not audited)

	Liabilities and Equity	Notes	June 30, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%	June 30, 2018 AMOUNT	%
	Current liabilities							
2120	Financial liabilities at fair value through profit or loss - current	6(9)	$ -	-	$ -	-	$ 7,196	-
2130	Contract liabilities - current	6(15)	63,943	2	44,559	2	32,067	1
2170	Accounts payable		294,181	12	446,817	18	377,023	14
2180	Accounts payable - related parties	7(2)	816	-	486	-	1,175	-
2200	Other payables	6(10) and 7(2)	296,721	12	217,203	9	389,455	15
2230	Current income tax liabilities	6(21)	-	-	5,106	-	7,781	1
2250	Provisions for liabilities - current	6(12)	23,217	1	25,683	1	32,435	1
2280	Current lease liabilities	7(2)	22,219	1	-	-	-	-
2300	Other current liabilities		1,486	-	2,776	-	1,231	-
21XX	**Current Liabilities**		702,583	28	742,630	30	848,363	32
	Non-current liabilities							
2570	Deferred income tax liabilities		2,433	-	762	-	462	-
2580	Non-current lease liabilities	7(2)	26,960	1	-	-	-	-
2600	Other non-current liabilities		23,159	1	24,043	1	29,139	1
25XX	**Non-current liabilities**		52,552	2	24,805	1	29,601	1
2XXX	**Total Liabilities**		755,135	30	767,435	31	877,964	33
	Equity attributable to owners of the parent							
	Share capital	6(13)						
3110	Share capital - common stock		1,125,365	45	1,125,365	45	1,125,365	42
	Capital surplus							
3200	Capital surplus	6(6)	55	-	-	-	-	-
	Retained earnings	6(14)						
3310	Legal reserve		372,303	15	356,255	14	356,255	13
3320	Special reserve		19,774	1	-	-	-	-
3350	Unappropriated retained earnings		132,116	5	284,968	11	169,788	6
	Other equity interest							
3400	Other equity interest		91,759	4	(19,774)	(1)	158,070	6
31XX	**Equity attributable to owners of the parent**		1,741,372	70	1,746,814	69	1,809,478	67
3XXX	**Total equity**		1,741,372	70	1,746,814	69	1,809,478	67
	Significant contingent liabilities and unrecognized contract commitments	9						
3X2X	**Total liabilities and equity**		$ 2,496,507	100	$ 2,514,249	100	$ 2,687,442	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)
(UNAUDITED)

			Three months ended June 30				Six months ended June 30			
			2019		2018		2019		2018	
	Items	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	**Operating revenues**	6(15) and 7(2)	$ 438,735	100	$ 512,815	100	$ 831,446	100	$ 974,322	100
5000	**Operating costs**	6(5)(19) and 7(2)	(339,772)	(77)	(403,383)	(79)	(657,042)	(79)	(735,113)	(75)
5900	**Net operating margin**		98,963	23	109,432	21	174,404	21	239,209	25
	Operating expenses	6(19) and 7(2)								
6100	Selling expenses		(14,951)	(4)	(13,189)	(2)	(27,663)	(3)	(27,111)	(3)
6200	General and administrative expenses		(36,135)	(8)	(39,303)	(8)	(71,203)	(9)	(75,692)	(8)
6300	Research and development expenses		(35,177)	(8)	(40,038)	(8)	(70,401)	(8)	(81,169)	(8)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	(66)	-	(93)	-	(7)	-	(144)	-
6000	**Total operating expenses**		(86,329)	(20)	(92,623)	(18)	(169,274)	(20)	(184,116)	(19)
6900	**Operating profit**		12,634	3	16,809	3	5,130	1	55,093	6
	Non-operating income and expenses									
7010	Other income	6(16)	2,025	1	636	-	4,700	1	1,395	-
7020	Other gains and losses	6(17)	(1,113)	-	2,085	1	(5,361)	(1)	(2,163)	-
7050	Finance costs	6(18)	(146)	-	(1)	-	(310)	-	(1)	-
7060	Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(6)	1,574	-	-	-	1,086	-	-	-
7000	**Total non-operating income and expenses**		2,340	1	2,720	1	115	-	(769)	-
7900	**Profit before income tax**		14,974	4	19,529	4	5,245	1	54,324	6
7950	Income tax expense	6(21)	(3,340)	(1)	(10,273)	(2)	(4,112)	(1)	(11,129)	(1)
8200	**Profit for the period**		$ 11,634	3	$ 9,256	2	$ 1,133	-	$ 43,195	5
	Other comprehensive income									
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss									
8316	Unrealized gain (loss) on valuation of equity instruments at fair value through other comprehensive income	6(3)	$ 8,882	2	($ 46,905)	(9)	$ 109,768	13	($ 18,244)	(2)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(21)	-	-	-	-	-	-	(69)	-
8310	**Components of other comprehensive income (loss) that will not be reclassified to profit or loss**		8,882	2	(46,905)	(9)	109,768	13	(18,313)	(2)
	Components of other comprehensive income (loss) that will be reclassified to profit or loss									
8361	Financial statement translation differences of foreign operations		(2,056)	(1)	(1,723)	(1)	1,765	1	838	-
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**		(2,056)	(1)	(1,723)	(1)	1,765	1	838	-
8300	**Total other comprehensive income (loss) for the period**		$ 6,826	1	($ 48,628)	(10)	$ 111,533	14	($ 17,475)	(2)
8500	**Total comprehensive income (loss) for the period**		$ 18,460	4	($ 39,372)	(8)	$ 112,666	14	$ 25,720	3
	Profit attributable to:									
8610	Owners of the parent		$ 11,634	3	$ 9,256	2	$ 1,133	-	$ 43,195	5
	Comprehensive income (loss) attributable to:									
8710	Owners of the parent		$ 18,460	4	($ 39,372)	(8)	$ 112,666	14	$ 25,720	3
9750	**Basic earnings per share**	6(22)	$ 0.10		$ 0.08		$ 0.01		$ 0.38	
9850	**Diluted earnings per share**	6(22)	$ 0.10		$ 0.08		$ 0.01		$ 0.38	

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)
(UNAUDITED)

		Equity attributable to owners of the parent								
			Capital surplus	Retained earnings			Other equity interest			
	Notes	Share capital - common stock	Changes in equity of associates and joint ventures accounted for using equity method	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gain or loss on valuation of financial assets at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	Total equity
Six months ended June 30, 2018										
Balance at January 1, 2018		$1,125,365	$ -	$ 334,178	$ -	$ 383,468	($ 479)	$ -	$ 110,031	$1,952,563
Effects of retrospective application and retrospective restatement		-	-	-	-	(65,924)	-	175,955	(110,031)	-
Balance at 1 January after adjustments		1,125,365	-	334,178	-	317,544	(479)	175,955	-	1,952,563
Profit for the period		-	-	-	-	43,195	-	-	-	43,195
Other comprehensive (loss) income for the period		-	-	-	-	(69)	838	(18,244)	-	(17,475)
Total comprehensive income		-	-	-	-	43,126	838	(18,244)	-	25,720
Appropriations and distribution of 2017 retained earnings	6(14)									
Legal reserve appropriated		-	-	22,077	-	(22,077)	-	-	-	-
Cash dividends from retained earnings		-	-	-	-	(168,805)	-	-	-	(168,805)
Balance at June 30, 2018		$1,125,365	$ -	$ 356,255	$ -	$ 169,788	$ 359	$ 157,711	$ -	$1,809,478
Six months ended June 30, 2019										
Balance at January 1, 2019		$1,125,365	$ -	$ 356,255	$ -	$ 284,968	($ 3,760)	($ 16,014)	$ -	$1,746,814
Profit for the period		-	-	-	-	1,133	-	-	-	1,133
Other comprehensive income for the period		-	-	-	-	-	1,765	109,768	-	111,533
Total comprehensive income		-	-	-	-	1,133	1,765	109,768	-	112,666
Appropriation and distribution of 2018 retained earnings	6(14)									
Legal reserve appropriated		-	-	16,048	-	(16,048)	-	-	-	-
Special reserve appropriated		-	-	-	19,774	(19,774)	-	-	-	-
Cash dividends from retained earnings		-	-	-	-	(118,163)	-	-	-	(118,163)
Changes in equity of associates and joint ventures accounted for using equity method	6(6)	-	55	-	-	-	-	-	-	55
Balance at June 30, 2019		$1,125,365	$ 55	$ 372,303	$ 19,774	$ 132,116	($ 1,995)	$ 93,754	$ -	$1,741,372

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)

(UNAUDITED)

	Notes	Six months ended June 30, 2019	Six months ended June 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 5,245	$ 54,324
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(19)	21,515	6,089
Amortization	6(19)	2,852	3,120
Net loss on financial assets and liabilities at fair value through profit or loss	6(17)	9,614	13,544
Expected credit loss	12(2)	7	144
Share of profit of associates and joint ventures accounted for using equity method	6(6)	(1,086)	-
Loss on disposal of property, plant and equipment	6(17)	-	12
(Reversal of) accrued product warranty provision	6(12)	(2,339)	8
Interest expense	6(18)	310	1
Interest income	6(16)	(3,577)	(665)
Prepayments for business facilities transferred to expenses		7,896	49
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		(12,108)	-
Notes receivable		6,376	10,105
Accounts receivable		163,846	76,294
Accounts receivable-related parties		-	(1,586)
Other receivables		1,250	1,869
Inventories		18,913	(5,347)
Prepayments		(3,375)	(2,495)
Changes in operating liabilities			
Financial liabilities at fair value through profit or loss		-	(6,222)
Contract liabilities-current		19,384	(50,876)
Accounts payable		(153,449)	(75,686)
Accounts payable - related parties		330	745
Other payables		(41,255)	(29,359)
Provisions-current		(127)	(73)
Other current liabilities		(1,290)	(435)
Other non-current liabilities		(884)	(733)
Cash inflow (outflow) generated from operations		38,048	(7,173)
Interest received		3,577	665
Interest paid		(310)	(1)
Income tax paid		(5,981)	(15,565)
Net cash flows from (used in) operating activities		35,334	(22,074)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in other current assets		-	31,964
Acquisition of property, plant and equipment	6(7)	(3,345)	(17,582)
Acquisition of intangible assets		(5,682)	(261)
Decrease (increase) in refundable deposits		203	(323)
Increase in prepayments for business facilities		-	(1,700)
Acquisition of investments accounted for using equity method	6(6)	(35,000)	-
Net cash flows (used in) from investing activities		(43,824)	12,098
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of the principal portion of lease liabilities	6(8)	(13,837)	-
Net cash flows used in financing activities		(13,837)	-
Effect of exchange rate changes on cash and cash equivalents		1,555	733
Net decrease in cash and cash equivalents		(20,772)	(9,243)
Cash and cash equivalents at beginning of period		651,368	732,958
Cash and cash equivalents at end of period		$ 630,596	$ 723,715

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

SIX MONTHS ENDED JUNE 30, 2019 AND 2018

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

(UNAUDITED)

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 reported to the Board of Directors on August 6, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

<u>IFRS 16, 'Leases':</u>

A. 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.

B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by FSC. On January 1, 2019, it is expected that 'right-of-use asset' and 'lease liability' will both be increased by $62,850.

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

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

   (b) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of $2,528 was recognised for the six months ended June 30, 2019.

   (c) The exclusion of initial direct costs for the measurement of 'right-of-use asset'.

   (d) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 1.12%.

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

Operating lease commitments disclosed by applying IAS17 as at December 31, 2018	$	67,482
Less: Short - term leases	(	3,589)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	$	63,893
Incremental borrowing interest rate at the date of initial application		1.12%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	$	62,850

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

None.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure initiative-Definition of Material'	January 1, 2019
Amendments to IFRS 3, 'Definition of a business'	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 17, 'Insurance contracts'	January 1, 2021

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1)Compliance statement

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

(2)Basis of preparation

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

(a) Financial assets at fair value through profit or loss.

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

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

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of 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	June 30, 2019	December 31, 2018	June 30, 2018	Description
The Company	Atlas Tech Investment Co., Ltd. (Atlas)	Professional investment company	100	100	100	-
Atlas	All-In-One International Co., Ltd. (AIO)	Professional investment company	100	100	100	-
Atlas	Image Systems International Limited (ISI)	Professional investment company	100	100	100	-
Atlas	Teco Pro-Systems (JiangXi) Co., Ltd.	Research, development, manufacturing and sales of multi-function printers and related products	100	100	100	Note 1
AIO	TECO Image Systems (Suzhou) Co., Ltd.	Research, technical service, manufacturing and sales of multi-function printers and related products	100	100	100	Note 2
ISI	Teco Image Systems (DongGuan) Co., Ltd.	Research, development, manufacturing and sales of multi-function printers and related products	100	100	100	-

The financial statements of the abovementioned subsidiaries- Teco Image Systems (DongGuan) Co., Ltd., ISI and Atlas and other subsidiaries included in the consolidated financial statements for the six months ended June 30, 2019 and 2018 have been reviewed by the Company's independent accountants.

Note 1: 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 August 6, 2019, the liquidation process is still ongoing.

Note 2: 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 August 6, 2019, the liquidation process is still ongoing.

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)<u>Foreign currency translation</u>

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.

(5)Classification of current and non-current items

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

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

(b) Assets held mainly for trading purposes;

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

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to 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 that are not measured at amortised cost or fair value through other comprehensive income.

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

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using settlement date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(13) 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.

(14) Investments accounted for using equity method / associates

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

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

C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

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

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group’s ownership percentage of the associate but maintains significant influence on the associate, then ‘capital surplus’ and ‘investments accounted for under the equity method’ shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group’s ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

(15) 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	3~5 years
Testing equipment	3~5 years
Transportation equipment	6 years
Office equipment	3~4 years
Leasehold improvements	3 years
Others	3~4 years

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

Effective 2019

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

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

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost. The amount of the initial measurement of lease liability.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(17) Leases (lessee)

Prior to 2019

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.

(18) 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 2 to 3 years.

(19) 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.

(20) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

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

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(22) Derecognition of financial liabilities

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

(23) Non-hedging and embedded derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(24) Provisions

Provisions for warranty are recognised when the Group has a 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.

(25) 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.

iv. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

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

Employees' compensation and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(26) Income tax

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

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

F. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

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

(27) 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.

(28) 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.

(29) Revenue recognition

A. The Group engages in the manufacture and sale of multi-function printers, fax machines, scanners and related products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customers has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

B. The sales usually are made with a credit term of 60 days. which is consistent with market practice. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

C. The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.

D. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(30) 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 innovation of multi-function printers and scanners, the Group may incur losses on decline in market value of these inventories caused by the unexpected decrease in sales revenue and the unusability of the materials for the new products. 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 June 30, 2019, the carrying amount of inventories was $118,789.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1)Cash and cash equivalents

	June 30, 2019	December 31, 2018	June 30, 2018
Cash on hand	$ 473	$ 516	$ 446
Checking accounts and demand deposits	507,618	528,707	723,269
Cash equivalents-time deposits	122,505	122,145	-
	$ 630,596	$ 651,368	$ 723,715

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.

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

	June 30, 2019	December 31, 2018	June 30, 2018
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Beneficiary certificates	$ 108,815	$ 108,815	$ 197,915
Non-hedging derivatives	2,933	728	-
	111,748	109,543	197,915
Valuation adjustment	2,475	2,186	3,462
	$ 114,223	$ 111,729	$ 201,377

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

	Three months ended June 30,	
	2019	2018
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	$ 146	$ 209
Non-hedging derivatives	2,933	-
	$ 3,079	$ 209

	Six months ended June 30,	
	2019	2018
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	$ 289	$ 427
Non-hedging derivatives	2,933	-
	$ 3,222	$ 427

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

	June 30, 2019		
Derivative financial assets	Contract amount (Notional principal)		Contract period
Current items:			
Foreign exchange swap	USD	1,000	2019.05.06~2019.07.08
Foreign exchange swap	USD	2,000	2019.05.22~2019.07.22
Foreign exchange swap	USD	2,000	2019.05.27~2019.07.29
Foreign exchange swap	USD	1,000	2019.05.28~2019.07.29
Foreign exchange swap	USD	2,000	2019.06.17~2019.08.19
Foreign exchange swap	USD	2,000	2019.06.19~2019.08.23
Foreign exchange swap	USD	2,000	2019.06.28~2019.08.28

	December 31, 2018	
Derivative financial assets	Contract amount (notional principal)	Contract period
Current items:		
Foreign exchange swap	USD 2,000	2018.11.21~2019.01.22
Foreign exchange swap	USD 2,000	2018.11.26~2019.01.28
Foreign exchange swap	USD 1,000	2018.11.27~2019.01.30
Foreign exchange swap	USD 2,000	2018.12.05~2019.02.11
Foreign exchange swap	USD 2,000	2018.12.10~2019.02.15
Foreign exchange swap	USD 2,000	2018.12.19~2019.02.19
Foreign exchange swap	USD 2,000	2018.12.28~2019.02.27
Foreign exchange swap	USD 1,000	2018.12.28~2019.03.05

June 30, 2018: None.

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

D. 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.

E. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

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

Items	June 30, 2019	December 31, 2018	June 30, 2018
Non-current items:			
Equity instruments			
Listed stocks	$ 803,837	$ 803,837	$ 803,837
Unlisted shares	121,217	121,217	28,567
	925,054	925,054	832,404
Valuation adjustment	93,754	(16,014)	157,711
	$ 1,018,808	$ 909,040	$ 990,115

A. The Group has elected to classify equity investments that are considered to be steady dividend income as financial assets at fair value through other comprehensive income.

B. The Group recognised the changes in fair value that were recognised in other comprehensive income (loss) amounting to $8,882, ($46,905), $109,768 and ($18,244) for the three months and six months ended June 30, 2019 and 2018, respectively.

C. As at June 30, 2019, December 31, 2018, and June 30, 2018 without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was $1,018,808, $909,040 and $990,115, respectively.

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

E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(4)Notes and accounts receivable

	June 30, 2019	December 31, 2018	June 30, 2018
Notes receivable	$ -	$ 6,378	$ 771
Less: Loss allowance	-	(2)	-
	$ -	$ 6,376	$ 771
Accounts receivable	391,614	555,458	499,548
Accounts receivable-related parties	-	-	1,595
	391,614	555,458	501,143
Less: Loss allowance	(174)	(165)	(144)
	$ 391,440	$ 555,293	$ 500,999

A. The ageing analysis of notes receivable and accounts receivable is as follows:

	June 30, 2019		
	Notes receivable	Accounts receivable	Total
Not past due	$ -	$ 391,456	$ 391,456
Up to 1~30 days	-	101	101
Over to 90 days	-	57	57
	$ -	$ 391,614	$ 391,614

	December 31, 2018		
	Notes receivable	Accounts receivable	Total
Not past due	$ 6,378	$ 550,982	$ 557,360
Up to 1~30 days	-	3,544	3,544
Up to 31~60 days	-	173	173
Up to 61~90 days	-	538	538
Over to 90 days	-	221	221
	$ 6,378	$ 555,458	$ 561,836

	June 30, 2018		
	Notes receivable	Accounts receivable	Total
Not past due	$ 771	$ 501,137	$ 501,908
Up to 1~30 days	-	6	6
	$ 771	$ 501,143	$ 501,914

The above ageing analysis was based on past due date.

B. As of June 30, 2019, December 31, 2018 and June 30, 2018, notes and accounts receivable were all from contracts with customers. And as of January 1, 2018, the balance of receivables from contracts with customers amounted to $586,727.

C. The Group did not hold any collateral for abovementioned notes and accounts receivable.

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

(5)Inventories

	June 30, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 101,755	($ 10,660)	$ 91,095
Work in progress	5,337	(40)	5,297
Finished goods	17,990	(1,519)	16,471
Merchandise	7,701	(1,775)	5,926
	$ 132,783	($ 13,994)	$ 118,789

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 117,782	($ 9,087)	$ 108,695
Work in progress	8,532	(423)	8,109
Finished goods	14,119	(279)	13,840
Merchandise	10,440	(3,512)	6,928
Inventory in transit	130	-	130
	$ 151,003	($ 13,301)	$ 137,702

	June 30, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 97,040	($ 12,162)	$ 84,878
Work in progress	7,275	(282)	6,993
Finished goods	33,513	(287)	33,226
Merchandise	14,177	(3,127)	11,050
	$ 152,005	($ 15,858)	$ 136,147

A. Abovementioned inventories were not pledged or collateralised.

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

	Three months ended June 30, 2019	Three months ended June 30, 2018
Cost of goods sold	$ 340,686	$ 406,296
Gain on reversal of decline in market value (Note)	(908)	(2,907)
Gain on physical inventory	(6)	(6)
	$ 339,772	$ 403,383

	Six months ended June 30, 2019	Six months ended June 30, 2018
Cost of goods sold	$ 656,388	$ 737,150
Loss on (gain on reversal of) decline in market value (Note)	660	(14,297)
Retirement loss	-	12,266
Gain on physical inventory	(6)	(6)
	$ 657,042	$ 735,113

Note: Gain on reversal of market value of inventories is generated from disposal of inventories that has been provisioned loss from decline in market value, and reclassified as loss on disposal of inventory.

(6) Investments accounted for using equity method

	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	Ownership	Amount	Ownership	Amount	Ownership
Associate:						
SOLMAX POWER TAIWAN LIMITED	$ 69,524	35.00%	$ 33,383	35.00%	$ -	-

	Three months ended June 30, 2019		Three months ended June 30, 2018	
	Share of profit (loss) of associated accounted for using equity method	Other comprehensive profit and loss (before tax)	Share of profit (loss) of associated accounted for using equity method	Other comprehensive profit and loss (before tax)
Associate:				
SOLMAX POWER TAIWAN LIMITED	$ 1,574	$ -	$ -	$ -

	Six months ended June 30,			
	2019		2018	
	Share of profit (loss) of associated accounted for using equity method	Other comprehensive profit and loss (before tax)	Share of profit (loss) of associated accounted for using equity method	Other comprehensive profit and loss (before tax)
Associate:				
SOLMAX POWER TAIWAN LIMITED	$ 1,086	$ -	$ -	$ -

A. The Group recognised investments accounted for using equity method and comprehensive income amounting to $69,524, $33,383 and $0 as at June 30, 2019, December 31, 2018 and June 30, 2018 and $1,574, $0, $1,086 and $0 for the three months and six months ended June 30, 2019 and 2018, respectively, based on the investees' financial statements audited or reviewed by other independent accountants.

B. The Group has a resolution through the Board of Directors on May 7, 2018 to invest $35,000 and $35,000 at $10 (in dollars) per share in Solmaxpower Taiwan Limited in the first quarter of 2019 and the third quarter of 2018, respectively. The ownership share is 35.00%.

C. The Group's associates - SOLMAX POWER TAIWAN LIMITED for using equity method, did not recognize its investees' capital increased by cash which caused the change of shareholding ratio and adjusted 「Capital surplus」 and 「Investments accounted for under equity method」. The Group adjusted 「Capital surplus」 and 「Investments accounted for under equity method」 by $55 which is from the change of the equity from SOLMAX POWER TAIWAN LIMITED.

D. The Group's associates accounted for using equity method were not material to the financial statements based on the Group's individual assessment. As of June 30, 2019, December 31, 2018 and June 30, 2018, the carrying amount of the Group's individually immaterial associates amounted to $69,524, $33,383 and $0. The Group's share of the operating results are summarised below:

	Three months ended June 30,	
	2019	2018
Profit for the period from continuing operations	1,574	$ -
Other comprehensive income, net of tax	-	-
Total comprehensive income	1,574	$ -

	Six months ended June 30,	
	2019	2018
Profit for the period from continuing operations	1,086	$ -
Other comprehensive income, net of tax	-	-
Total comprehensive income	1,086	$ -

E. The Group’s associate has no quoted market price and fair value.

(7)Property, plant and equipment

	2019							
	Machinery and equipment	Mold equipment	Testing equipment	Transportation equipment	Office equipment	Leasehold improvements	Others	
	Owner occupied	Owner occupied	Owner occupied	Owner occupied	Owner occupied	Owner occupied	Owner occupied	Total
At January 1,								
Cost	$ 7,919	$ 5,820	$ 24,705	$ 900	$ 38,523	$ 36,305	$ 16,586	$ 130,758
Accumulated depreciation and impairment	(2,945)	(3,287)	(23,699)	(900)	(35,923)	(26,271)	(6,080)	(99,105)
	$ 4,974	$ 2,533	$ 1,006	$ -	$ 2,600	$ 10,034	$ 10,506	$ 31,653
Opening net book amount as at January 1	$ 4,974	$ 2,533	$ 1,006	$ -	$ 2,600	$ 10,034	$ 10,506	$ 31,653
Additions	65	378	98	-	420	1,740	644	3,345
Depreciation charge	(686)	(399)	(174)	-	(887)	(2,711)	(1,743)	(6,600)
Net exchange differences	59	25	8	-	14	90	-	196
Closing net book amount as at June 30	$ 4,412	$ 2,537	$ 938	$ -	$ 2,147	$ 9,153	$ 9,407	$ 28,594
At June 30,								
Cost	$ 7,491	$ 6,227	$ 24,816	$ 900	$ 38,977	$ 38,347	$ 17,231	$ 133,989
Accumulated depreciation and impairment	(3,079)	(3,690)	(23,878)	(900)	(36,830)	(29,194)	(7,824)	(105,395)
	$ 4,412	$ 2,537	$ 938	$ -	$ 2,147	$ 9,153	$ 9,407	$ 28,594

	2018							
	Machinery and equipment	Mold equipment	Testing equipment	Transportation equipment	Office equipment	Leasehold improvements	Others	Total
At January 1,								
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
Opening net book amount as at January 1	$ 1,894	$ 451	$ 724	$ -	$ 4,366	$ 11,992	$ 1,833	$ 21,260
Additions	710	2,890	24	-	421	4,114	9,423	17,582
Disposals	-	-	-	-	(12)	-	-	(12)
Depreciation charge	(458)	(289)	(180)	-	(1,270)	(3,005)	(887)	(6,089)
Net exchange differences	9	(27)	2	-	10	101	1	96
Closing net book amount as at June 30	$ 2,155	$ 3,025	$ 570	$ -	$ 3,515	$ 13,202	$ 10,370	$ 32,837
At June 30,								
Cost	$ 4,807	$ 5,898	$ 24,149	$ 900	$ 38,634	$ 37,049	$ 18,514	$ 129,951
Accumulated depreciation and impairment	(2,652)	(2,873)	(23,579)	(900)	(35,119)	(23,847)	(8,144)	(97,114)
	$ 2,155	$ 3,025	$ 570	$ -	$ 3,515	$ 13,202	$ 10,370	$ 32,837

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

(8)Lease arrangements – lessee

Effective 2019

A. The Group leases various assets including plants, offices and business vehicles. Rental contracts are typically made for periods of 1 to 8 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used for borrowing, subleasing and tenancy disposal right or another way for others using it.

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

	Buildings	Business vehicles	Total
January 1, 2019	$ 59,434	$ 3,416	$ 62,850
Additions	-	2,786	2,786
Disposals	-	(2,140)	(2,140)
Depreciation charge	(14,142)	(773)	(14,915)
Net exchange differences	464	-	464
June 30, 2019	$ 45,756	$ 3,289	$ 49,045

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

	Three months ended June 30, 2019
Item affecting profit or loss	
Interest expense on lease liabilities	$ 146
Expense on short-term lease contracts	1,661
	$ 1,807

	Six months ended June 30, 2019
Item affecting profit or loss	
Interest expense on lease liabilities	$ 310
Expense on short-term lease contracts	3,270
	$ 3,580

D. For the three months and six months ended June 30, 2019, the Group's total cash outflow for repayments of the principal portion of lease liabilities were $9,775 and $13,837, respectively.

E. Extension and termination options

In determining the lease term, the Group takes into consideration all facts and circumstances that create an economic incentive. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

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

	June 30, 2019	December 31, 2018	June 30, 2018
Current items:			
Financial liabilities mandatorily measured at fair value through profit or loss			
Non-hedging derivatives instruments	$ -	$ -	$ 7,196

A. The Group recognised net loss amounting to ($8,303), ($19,654), ($12,836) and ($13,971) on financial liabilities at fair value through profit or loss for the three months and six months ended June 30, 2019 and 2018, respectively.

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

June 30, 2019: None.

December 31, 2018: None.

	June 30, 2018	
Derivative financial assets	Contract amount (notional principal)	Contract period
Current items:		
Foreign exchange swap	USD 2,000	2018.05.07~2018.08.07
Foreign exchange swap	USD 2,000	2018.05.09~2018.08.13
Foreign exchange swap	USD 2,000	2018.05.23~2018.07.23
Foreign exchange swap	USD 1,000	2018.05.29~2018.07.30
Foreign exchange swap	USD 2,000	2018.06.11~2018.08.31
Foreign exchange swap	USD 2,000	2018.06.25~2018.09.25
Foreign exchange swap	USD 1,000	2018.06.27~2018.09.27

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

D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2)

(10) Other payables

	June 30, 2019	December 31, 2018	June 30, 2018
Salaries and bonuses payable	$ 117,315	$ 143,546	$ 142,491
Dividends payable	118,163	-	168,805
Employees' compensation and directors' and supervisors' remuneration	22,899	22,391	32,551
Research and development expense payable	9,660	11,137	8,030
Service charge payable	7,336	10,567	8,267
Others	21,348	29,562	29,311
	$ 296,721	$ 217,203	$ 389,455

(11) 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) For the aforementioned pension plan, the Group recognised pension costs of $220, $365, $440 and $695 for the three months and six months ended June 30, 2019 and 2018, respectively.

(c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2020 amounts to $2,800.

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, AIO 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 three months and six months ended June 30, 2019 and 2018, were $2,419, $2,473, $4,932 and $4,966, respectively.

(12) Provisions

	2019	2018
At January 1, 2019	$ 25,683	$ 32,500
(Reversal of) additional provisions	(2,339)	8
Used during the period	(127)	(73)
At June 30, 2019	$ 23,217	$ 32,435

Analysis of total provisions:

	June 30, 2019	December 31, 2018	June 30, 2018
Current-product warranty	$ 23,217	$ 25,683	$ 32,435

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.

(13) Share capital

A. As of June 30, 2019, 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 six months ended June 30, 2019 and 2018, 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.

(14) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be distributed in the following order: (a) Pay all taxes; (b) Offset prior years' losses; (c) Set aside 10% as legal reserve; (d) Set aside or reverse special reserve; and (e) The remainder along with the beginning unappropriated earnings and reversal of special reserve is the shareholders' accumulated distributable earnings. The appropriation of the accumulated distributable earnings shall be proposed by the Board of Directors and resolved by the shareholders as the shareholders' bonus.

B. The Company's dividends policy is summarised below: The Company operates in a steady growth environment with investment made in developing business. In consideration of possible plant expansion and investment, the residual dividend policy is adopted. Cash dividends shall account for at least 5% of the total dividends distributed.

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

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

E. Appropriation of the Company's earnings is as follows:

Details of appropriation of 2018 and 2017 earnings as resolved by the shareholders on June 12, 2019 and June 20, 2018, respectively, are as follows:

	Years ended December 31,			
	2018		2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve appropriated	$ 16,048		$ 22,077	
Special reserve appropriated	19,774		-	
Cash dividends	118,163	1.05	168,805	1.50
	$ 153,985		$ 190,882	

F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(20).

(15) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

	Revenue from sale of multi-function printer		Other sales			
Three months ended June 30, 2019	Mainland China and Hong Kong	Taiwan and Others	Mainland China and Hong Kong	Japan and Others	Adjustment	Total
Revenue from external customer contracts	$ 383,791	$ 24,764	$ 1,679	$ 28,501	$ -	$ 438,735
Inter-segment revenue	313,274	-	-	-	(313,274)	-
Total segment revenue	$ 697,065	$ 24,764	$ 1,679	$ 28,501	($ 313,274)	$ 438,735

	Revenue from sale of multi-function printer		Other sales			
Three months ended June 30, 2018	Mainland China and Hong Kong	Taiwan and Others	Mainland China and Hong Kong	Japan and Others	Adjustment	Total
Revenue from external customer contracts	$ 460,644	$ 24,300	$ 2,110	$ 25,761	$ -	$ 512,815
Inter-segment revenue	374,958	-	-	-	(374,958)	-
Total segment revenue	$ 835,602	$ 24,300	$ 2,110	$ 25,761	($ 374,958)	$ 512,815

	Revenue from sale of multi-function printer		Other sales			
Six months ended June 30, 2019	Mainland China and Hong Kong	Taiwan and Others	Mainland China and Hong Kong	Japan and Others	Adjustment	Total
Revenue from external customer contracts	$ 734,524	$ 52,853	$ 2,827	$ 41,242	$ -	$ 831,446
Inter-segment revenue	601,616	-	-	-	(601,616)	-
Total segment revenue	$ 1,336,140	$ 52,853	$ 2,827	$ 41,242	($ 601,616)	$ 831,446

	Revenue from sale of multi-function printer		Other sales			
Six months ended June 30, 2018	Mainland China and Hong Kong	Taiwan and Others	Mainland China and Hong Kong	Japan and Others	Adjustment	Total
Revenue from external customer contracts	$ 841,620	$ 40,863	$ 34,059	$ 57,780	$ -	$ 974,322
Inter-segment revenue	685,834	-	-	-	(685,834)	-
Total segment revenue	$ 1,527,454	$ 40,863	$ 34,059	$ 57,780	($ 685,834)	$ 974,322

B. Contract liabilities

(a)The Group has recognised the following revenue-related contract liabilities:

	June 30, 2019	December 31, 2018	June 30, 2018	January 1, 2018
Contract liabilities-other sales	$ 63,943	$ 44,559	$ 32,067	$ 82,943

(b) For the three months and six months ended June 30, 2019 and 2018, revenue recognised that was included in the contract liability balance at the beginning of the period was $14,067, $10,255, $28,779 and $60,262, respectively.

(16) Other income

	Three months ended June 30, 2019	Three months ended June 30, 2018
Interest from bank deposits	$ 1,734	$ 384
Others	291	252
	$ 2,025	$ 636

	Six months ended June 30, 2019	Six months ended June 30, 2018
Interest from bank deposits	$ 3,577	$ 665
Others	1,123	730
	$ 4,700	$ 1,395

(17) Other gains and losses

	Three months ended June 30, 2019	Three months ended June 30, 2018
Net losses on financial assets / liabilities at fair value through profit or loss	($ 5,224)	($ 19,445)
Net currency exchange gains	4,165	21,597
Others	(54)	(67)
	($ 1,113)	$ 2,085

	Six months ended June 30, 2019	Six months ended June 30, 2018
Net losses on financial assets / liabilities at fair value through profit or loss	($ 9,614)	($ 13,544)
Net currency exchange gains	4,903	11,537
Losses on disposals of property, plant and equipment	-	(12)
Others	(650)	(144)
	($ 5,361)	($ 2,163)

(18) Finance costs

	Three months ended June 30,	
	2019	2018
Interest expense:		
Bank borrowings	$ -	$ 1
Lease liabilities	146	-
Finance costs	$ 146	$ 1

	Six months ended June 30,	
	2019	2018
Interest expense:		
Bank borrowings	$ -	$ 1
Lease liabilities	310	-
Finance costs	$ 310	$ 1

(19) Expenses by nature

	Three months ended June 30,	
	2019	2018
Employee benefit expense	$ 71,979	$ 83,558
Depreciation charges on property, plant, equipment and right-of-use assets	$ 10,849	$ 3,200
Amortisation charges on intangible assets and deferred accounts	$ 1,382	$ 1,556

	Six months ended June 30,	
	2019	2018
Employee benefit expense	$ 147,928	$ 169,461
Depreciation charges on property, plant, equipment and right-of-use assets	$ 21,515	$ 6,089
Amortisation charges on intangible assets and deferred accounts	$ 2,852	$ 3,120

(20) Employee benefit expense

	Three months ended June 30, 2019	Three months ended June 30, 2018
Wages and salaries	$ 60,888	$ 71,115
Labour and health insurance fees	3,143	3,120
Pension costs	2,639	2,838
Directors' remuneration	1,848	1,702
Others	3,461	4,783
	$ 71,979	$ 83,558

	Six months ended June 30, 2019	Six months ended June 30, 2018
Wages and salaries	$ 125,958	$ 145,992
Labour and health insurance fees	6,222	5,172
Pension costs	5,372	5,661
Directors' remuneration	2,988	3,935
Others	7,388	8,701
	$ 147,928	$ 169,461

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 three months and six months ended June 30, 2019 and 2018, employees' compensation was accrued at $332, $1,345, $332 and $4,072, respectively; while directors' and supervisors' remuneration was accrued at $176, $710, $176 and $2,152, respectively. The aforementioned amounts were recognised in salary expenses.

For the six months ended June 30, 2019, the employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 5.77% and 3.06% of distributable profit of current year as of the end of reporting period.

Employees' compensation and directors' and supervisors' remuneration for 2018 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2018 financial statements. For the year ended December 31, 2018, employees' compensation will be distributed in the form of cash, but has not yet been distributed.

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.

(21) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three months ended June 30, 2019	Three months ended June 30, 2018
Current tax:		
Current income tax assets	($ 165)	($ 121)
Current income tax liabilities	(3,675)	(7,484)
Receivables on receipts from income tax in prior years that have not yet been received	-	2,204
Payables on payments from income tax in prior years that have not yet been paid	3,675	10,244
Withholding and provisional tax	164	25
Offshore income tax expense	1,680	1,204
Tax on undistributed surplus earnings	-	(3,055)
Current tax on profit for the period	1,679	3,017
Prior year income tax (over) underestimation	(2,730)	551
Total current tax	(1,051)	3,568
Deferred tax:		
Origination and reversal of temporary differences	4,316	3,632
Others:		
Tax on undistributed surplus earnings	-	3,055
Impact of change in tax rate	-	-
Net exchange differences	75	18
Income tax expense	$ 3,340	$ 10,273

	Six months ended June 30,	
	2019	2018
Current tax:		
Current income tax assets	($ 485)	($ 9,987)
Current income tax liabilities	-	7,781
Receivables on receipts from income tax in prior years that have not yet been received	143	9,987
Payables on payments from income tax in prior years that have not yet been paid	-	(2,960)
Withholding and provisional tax	397	47
Offshore income tax expense	3,194	2,720
Tax on undistributed surplus earnings	-	(3,055)
Current tax on profits for the period	3,249	4,533
Prior year income tax overestimation	(2,730)	(2,110)
Total current tax	519	2,423
Deferred tax:		
Origination and reversal of temporary differences	3,586	12,450
Others:		
Tax on undistributed surplus earnings	-	3,055
Impact of change in tax rate	-	(6,818)
Net exchange differences	7	19
Income tax expense	$ 4,112	$ 11,129

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

	Three months ended June 30,	
	2019	2018
Impact of change in tax rate of remeasurement of defined benefit obligations	$ -	$ -

	Six months ended June 30,	
	2019	2018
Impact of change in tax rate of remeasurement of defined benefit obligations	$ -	$ 69

(c) For the three months and six months ended June 30, 2019 and 2018, the Company has no income tax relating to income tax (charged)/credited to equity during the period.

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

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

(22) Earnings per share

	Three months ended June 30, 2019		
	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	$ 11,634	112,537	0.10

	Three months ended June 30, 2018		
	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	$ 9,256	112,537	0.08

	Six months ended Junr 30, 2019		
	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	$ 1,133	112,537	0.01

	Six months ended June 30, 2018		
	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	$ 43,195	112,537	0.38

(23) Operating leases

Prior to 2019

The Group leases in offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 8 years. The Group recognised rental expenses of $9,064 and $18,604 for abovementioned transactions in profit or loss for the three months and six months ended June 30, 2018, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018	June 30, 2018
Within one year	$ 33,432	$ 25,715
Later than one year but not later than five years	34,050	40,851
	$ 67,482	$ 66,566

(24) Changes in liabilities from financing activities

	2019		
	Dividend payable (Shown in other payables)	Lease liabilities	Total
At January 1	$ -	$ 62,850	$ 62,850
Declaration of dividend	118,163	-	118,163
Increase in lease liabilities	-	3,096	3,096
Disposal of lease liabilities	-	(2,142)	(2,142)
Repayment of the principal portion of lease liabilities	-	(13,837)	(13,837)
Interest expense on lease liabilities	-	(310)	(310)
Lease liabilites transferred to accounts and other payables	-	(941)	(941)
Net exchange differences	-	463	463
At June 30	$ 118,163	$ 49,179	$ 167,342

	2018
	Dividend payable (Shown in other payables)
At January 1	$ -
Declaration of dividend	168,805
At June 30	$ 168,805

(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.
All directors, president and key management	The Group's key management and governing body.

(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:

	Three months ended June 30,	
	2019	2018
Entities with significant influence to the Group	$ 768	$ 2,243
Other related parties	778	-
	$ 1,546	$ 2,243

	Six months ended June 30,	
	2019	2018
Entities with significant influence to the Group	$ 1,911	$ 3,739
Other related parties	778	-
	$ 2,689	$ 3,739

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

	June 30, 2019	December 31, 2018	June 30, 2018
Entities with significant influence to the Group	$ 27	$ 486	$ 1,175
Other related parties	789	-	-
	$ 816	$ 486	$ 1,175

C. Leases transaction-lessee

(a)Operating expense

The Group leases plants and offices from the related parties. Rental contracts are typically made for period of 1 to 8 years. Rents are paid based on the contracts and are mutually agreed upon by both parties.

The Group leases plants and offices from the related parties:

	Three months ended June 30,	
	2019	2018
Other related parties	$ -	$ 2,954

	Six months ended June 30,	
	2019	2018
Other related parties	$ -	$ 6,666

(b)Other payables

The Group's other payables generated from leases transactions:

	June 30, 2019	December 31, 2018	June 30, 2018
Other related parties	$ -	$ 105	$ 116

(c) Acquisition of right-of-use assets.

(i) On January 1, 2018 (the date of initial application of IFRS 16), the Group increased right-of-use assets by $13,038 because of the IFRS 16. There is no acquisition of right-of-use assets from other related parties for the three months and six months ended June 30, 2019.

(d)Lease liabilities/interest expence

(i) The Group's lease liabilities generated from leases transactions:

	June 30, 2019	December 31, 2018	June 30, 2018
Other related parties	$ 7,176	$ -	$ -

(ii) The Group's interest expense generated from leases transactions:

	Three months ended June 30, 2019	Three months ended June 30, 2018
Other related parties	$ 23	$ -

	Six months ended June 30, 2019	Six months ended June 30, 2018
Other related parties	$ 54	$ -

D. 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:

	June 30, 2019	December 31, 2018	June 30, 2018
Entities with significant influence to the Group	$ -	$ 79	$ -
Other related parties	916	1,138	1,491
	$ 916	$ 1,217	$ 1,491

(3)Key management compensation

	Three months ended June 30, 2019	Three months ended June 30, 2018
Short-term employee benefits	$ 9,342	$ 9,910
Post-employment benefits	121	118
	$ 9,463	$ 10,028

	Six months ended June 30, 2019	Six months ended June 30, 2018
Short-term employee benefits	$ 22,596	$ 23,367
Post-employment benefits	251	237
	$ 22,847	$ 23,604

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

A. Contingencies

None.

B. Commitments

Details of the future aggregate minimum lease payments under non-cancellable operating lease are provided in Note 6(23).

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the debt to assets ratio. This ratio is calculated as total debt divided by total assets.

During 2019, the Group's strategy was unchanged from 2018. As of June 30, 2019, December 31, 2018 and June 30, 2018, the Group's debt to assets ratio was 30%, 31% and 33%, respectively.

(2)Financial risk of financial instruments

A. Financial instruments by category

	June 30, 2019	December 31, 2018	June 30, 2019
<u>Financial assets</u>			
Financial assets at fair value through profit or loss-current			
Financial assets mandatorily measured at fair value through profit or loss	$ 114,223	$ 111,729	$ 201,377
Financial assets at fair value through other comprehensive income-non-current			
Designation of equity instruments	1,018,808	909,040	990,115
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents	630,596	651,368	723,715
Notes receivable, net	-	6,376	771
Accounts receivable, net	391,440	555,293	499,404
Accounts receivable due from related parties, net	-	-	1,595
Other receivables	4,005	5,255	6,510
Other noncurrent assets -guarantee deposits paid	3,786	3,989	4,042
	$ 2,162,858	$ 2,243,050	$ 2,427,529
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss-current			
Financial liabilities mandatorily measured at fair value through profit or loss	$ -	$ -	$ 7,196
Financial liabilities at amortised cost			
Accounts payable	294,181	446,817	377,023
Accounts payable - related parties	816	486	1,175
Other payables	296,721	217,203	389,455
Lease liabilities-current	22,219	-	-
Lease liabilities-non-current	26,960	-	-
	$ 640,897	$ 664,506	$ 774,849

B. 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. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk.

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

(c) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Notes 6(2) and 6(9).

C. Significant financial risks and degrees of financial risks

(a) Market risk

<u>Foreign exchange risk</u>

i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Cross currency swap are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.

iii. The Group hedges foreign exchange rate by using cross currency swap. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Notes 6(2) and 6(9).

iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB and 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:

	June 30, 2019				
	Foreign currency amount (In thousands)		Exchange rate		Book value (NTD)
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD : NTD	$	24,160	31.0600	$	750,410
USD : RMB		10,360	6.8747		321,782
Financial liabilities					
Monetary items					
USD : NTD		12,913	31.0600		401,078
USD : RMB		5,752	6.8747		178,657

	December 31, 2018				
	Foreign currency amount (In thousands)		Exchange rate		Book value (NTD)
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD : NTD	$	30,087	30.7150	$	924,122
USD : RMB		13,833	6.8632		424,881
Financial liabilities					
Monetary items					
USD : NTD		17,956	30.7150		551,519
USD : RMB		10,904	6.8632		334,916

	June 30, 2018			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)				
Financial assets				
Monetary items				
USD : NTD	$ 25,741	30.4600	$ 784,071	
USD : RMB	12,260	6.6166	373,440	
Financial liabilities				
Monetary items				
USD : NTD	15,661	30.4600	477,034	
USD : RMB	10,080	6.6166	307,037	

v. Total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three months and six months ended June 30, 2019 and 2018, amounted to $4,165, $21,597, $4,903 and $11,537, respectively.

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

	Six months ended June 30, 2019		
	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%	$ 7,504	$ -
USD : RMB	1%	3,218	-
Financial liabilities			
Monetary items			
USD : NTD	1%	(4,011)	-
USD : RMB	1%	(1,787)	-

	Six months ended June 30, 2018		
	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%	$ 7,841	$ -
USD : RMB	1%	3,734	-
Financial liabilities			
Monetary items			
USD : NTD	1%	(4,770)	-
USD : RMB	1%	(3,070)	-

Price risk

i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

ii. Shares and beneficiary certificates issued by the domestic companies. 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 and beneficiary certificates had increased/decreased by 1% with all other variables held constant, post-tax profit for the six months ended June 30, 2019 and 2018 would have increased/decreased by $1,142 and $2,014, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $10,188 and $9,901 respectively, as a result of other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.

Cash flow and fair value 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. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

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

iii. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.

v. The Group classifies customers' accounts receivable, contract assets and rents receivable in accordance with credit rating of customer, credit risk on trade and customer types. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.

vi. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.

vii. Customers that are grouped as good customers have no significant default record in recent years. However, in accordance with IFRS 9, when measuring expected credit loss, the possibility of default should be taken into consideration even when the possibility of credit loss is remote.

The Group estimated forecast index before adjustment by the default rate in the past years using each consolidated entity as a unit. The Group considered that in the financial industry, the default rate should not be lower than 0.03% for numerous and unidentifiable individual investors. However, in accordance with the policy, the Group traces the credit risk of customers at any time, the Group refers to the reference rate set by the financial industry as a basis of forecast adjustment, and adjusts the expected loss rate referring to monitoring indicator and the nature of risk. The loss rate methodology is as follows:

	Without past due	Up to 30 days	Up to 60 days	Up to 90 days	Over 90 days	Total
At June 30, 2019						
Expected loss rate	0.030%	0.033%	0.036%	0.045%	100%	
Total book value	$ 391,456	$ 101	$ -	$ -	$ 57	$ 391,614
Loss allowance	$ 117	$ -	$ -	$ -	$ 57	$ 174

	Without past due	Up to 30 days	Up to 60 days	Up to 90 days	Over 90 days	Total
At December 31, 2018						
Expected loss rate	0.030%	0.033%	0.036%	0.045%	100%	
Total book value	$ 557,360	$ 3,544	$ 173	$ 538	$ 221	$ 561,836
Loss allowance	$ 166	$ 1	$ -	$ -	$ -	$ 167

	Without past due	Up to 30 days	Up to 60 days	Up to 90 days	Over 90 days	Total
At June 30, 2018						
Expected loss rate	0.030%	0.033%	0.036%	0.045%	100%	
Total book value	$ 501,908	$ 6	$ -	$ -	$ -	$ 501,914
Loss allowance	$ 144	$ -	$ -	$ -	$ -	$ 144

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

	2019		
	Accounts receivable	Notes receivable	Total
At January 1	$ 165	$ 2	$ 167
Provision of expected credit loss (gain)	9	(2)	7
At June 30	$ 174	$ -	$ 174

	2018		
	Accounts receivable	Notes receivable	Total
At January 1_IAS 39	$ -	$ -	$ -
Adjustments under new standards	-	-	-
At January 1_IAS 9	-	-	-
Provision of expected credit loss	144	-	144
At June 30	$ 144	$ -	$ 144

(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:

	June 30, 2019	December 31, 2018	June 30, 2018
Floating rate			
Expiring within one year	$ 500,000	$ 500,000	$ 500,000

iv. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings, except for the table below they are all financial liabilities due for repayment within one year. The amounts disclosed in the table are the contractual undiscounted cash flows.

June 30, 2019	Less than 3 months	Between 3 months and 1 year	Over 1 year	Total
Non-derivative financial liabilities				
Lease liabilities	$ 6,302	$ 18,905	$ 27,347	$ 52,554

December 31, 2018: None.

June 30, 2018: None.

(3) Fair value information

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

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

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

B. Financial instruments not measured at fair value, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

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

(a) The related information of natures of the assets and liabilities is as follows:

June 30, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
- Beneficiary certificates	$ 111,290	$ -	$ -	$ 111,290
- Non-hedging derivatives	-	2,933	-	2,933
Financial assets at fair value through other comprehensive income				
- Equity Securities	926,066	84,742	8,000	1,018,808
	$ 1,037,356	$ 87,675	$ 8,000	$ 1,133,031

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
-Beneficiary certificates	$ 111,001	$ -	$ -	111,001
-Non-hedging derivatives	-	728	-	728
Financial assets at fair value through other comparehersive income				
-Equity Securities	808,390	92,650	8,000	909,040
	$ 919,391	$ 93,378	$ 8,000	$ 1,020,769

Juen 30, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
-Beneficiary certificates	$ 201,377	$ -	$ -	$ 201,377
Financial assets at fair value through other comparehersive income				
-Equity Securities	982,115	-	8,000	990,115
	$ 1,183,492	$ -	$ 8,000	$ 1,191,492
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
-Non-hedging derivatives	$ -	$ 7,196	$ -	$ 7,196

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

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

(i) The fair value of listed shares is the closing price at the balance sheet date.

(ii) The fair value of beneficiary certificates is the net asset value at the balance sheet date.

ii. 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.

iii. 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.

iv. 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.

D. For the six months ended June 30, 2019 and 2018, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the six months ended June 30, 2019 and 2018:

	2019	2018
	Non-derivative equity instrument	Non-derivative equity instrument
At January 1	$ 8,000	$ 8,000
Gains or losses recognised in other comprehensive income	-	-
At June 30	$ 8,000	$ 8,000

F. For the six months ended June 30, 2019 and 2018, there was no transfer into or out from Level 3.

G. 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.

H. 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) June 30, 2019

	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, 2018

	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

(c) June 30, 2018

	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

I. 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. For the six months ended June 30, 2019 and 2018, there is no significant effect on other comprehensive income 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: None.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 2.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2), 6(9) and 12(3).

J. Significant inter-company transactions during the reporting periods: Please refer to table 3.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 4.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 5.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 6.

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.

Teco Image Systems Co., Ltd. and its subsidiaries

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

Six months ended June 30, 2019

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of June 30, 2019				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
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	$ 20,120	-	$ 20,120	-
"	Mega Diamond Money Market Fund	"	"	7,261,969	91,170	-	91,170	-
			Total		$ 111,290		$ 111,290	
"	Creative Sensor Inc.	Associates	Financial assets at fair value through other comprehensive income - non-current	21,928,260	$ 494,482	17.26	$ 494,482	-
"	Koryo Electronics Co., Ltd.	"	"	9,994,000	277,334	19.29	277,334	-
"	TECO ELECTRIC & MACHINERY CO., LTD.	"	"	5,000,000	114,000	0.25	114,000	-
"	International United Technology Co., Ltd.	None	"	159,335	-	0.97	-	-
"	KROM Electronics Co., Ltd.	"	"	622,408	8,000	1.86	8,000	-
"	Convergence Tech Venture II Ltd.	"	"	420,000	-	5.71	-	-
"	ProMOS TECHNOLOGIES	"	"	5,500,000	62,534	12.22	62,534	-
"	Darbe II Venture	"	"	2,500,000	22,208	7.19	22,208	-
"	Taiwan Pelican Express Co., Ltd.	Associates	"	1,781,000	40,250	1.87	40,250	-
			Total		$ 1,018,808		$ 1,018,808	

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

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

Six months ended June 30, 2019

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2019	Turnover rate	Overdue receivables Amount	Overdue receivables Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
Teco Image Systems (DongGuan) Co., Ltd.	Teco Image Systems Co., Ltd.	Parent Company	$ 247,673	2.92	$ -	Not applicable	$ 93,048	$ -

Teco Image Systems Co., Ltd. and its subsidiaries

Significant inter-company transactions during the reporting period

Six months ended June 30, 2019

Table 3

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	Cost of sales	$ 427,011	In accordance with the agreement between the parties	51%
0	"	Teco Image Systems (DongGuan) Co., Ltd.	Parent company to subsidiary	Accounts payable	247,673	60 days after monthly billings	10%

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.

Teco Image Systems Co., Ltd. and its subsidiaries

Information on investees

Six months ended June 30, 2019

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

				Initial investment amount		Shares held as at June 30, 2019					
Investor	Investee (Notes 1 and 2)	Location	Main business activities	Balance as at June 30, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the six months ended June 30, 2019	Investment income (loss) recognised by the Company for the six months ended June 30, 2019	Footnote
Teco Image Systems Co., Ltd.	Atlas Tech Investment Co., Ltd.	British Virgin Islands	Professional investment company	$ 196,096	$ 196,096	6,248,313	100	$ 157,700	($ 3,003)	($ 3,003)	Subsidiary
"	SOLMAX POWER TAIWAN LITMITED	R.O.C	Renewable energy-based electricity	70,000	35,000	7,000,000	35	69,524	3,103	1,086	Associates
Atlas Tech Investment Co., Ltd.	All-In-One International Co., Ltd.	Samoa	Professional investment company	83,648	83,648	2,410,000	100	7,829	2	-	Sub-subsidiary (Note)
"	Image System International Limited	"	"	148,304	148,304	4,812,423	100	132,182	(3,004)	-	Sub-subsidiary (Note)

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

Teco Image Systems Co., Ltd. and its subsidiaries

Information on investments in Mainland China

Six months ended June 30, 2019

Table 5

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, 2019	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the six months ended June 30, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2019	Net income of investee for the six months ended June 30, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six months ended June 30, 2019 (Note 2)	Book value of investments in Mainland China as of June 30, 2019	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
TECO Image Systems (Suzhou) Co., Ltd.	Research, technical service, manufacturing and sales of multi -function printers and related products	$ 81,528	2	$ 81,528	$ -	$ -	$ 81,528	$ -	100	$ -	$ 7,717	$ -	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	-	17,629	-	Note 4
Teco Image Systems (Dong Guan) Co., Ltd.	Research, development, manufacturing and sales of multi-function printers and related products	88,647	2	88,647	-	-	88,647	(3,004)	100	(3,004)	132,172	-	Note 3

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

(1) Directly invest in a company in Mainland China.

(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

(3) Others

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

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

Note 4: On August 6, 2014, the Board of Directors resolved for the Company to liquidate and cease the business of Teco Pro-Systems (JiangXi) Co., Ltd., a wholly-owned subsidiary held by the Company's wholly-owned subsidiary, Atlas Tech Investment Co., Ltd. As of August 6, 2019, 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 August 6, 2019, the liquidation process is still ongoing.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 6)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 7)
Teco Image Systems Co., Ltd.	$ 202,885	$ 231,906	$ 1,044,823

Note 6: As of June 30, 2019, ceiling on investments in Mainland China imposed by the Investment Commission of MOEA amounted to US$7.4 million.

Note 7: 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

Six months ended June 30, 2019

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

	Processing cost		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
Investee in Mainland China	Amount	%	Amount	%	Balance at June 30, 2019	%	Balance at June 30, 2019	Purpose	Maximum balance during the six months ended June 30, 2019	Balance at June 30, 2019	Interest rate	Interest during the six months ended June 30, 2019	Others
Teco Image Systems (DongGuan) Co., Ltd.	($ 427,011)	(55)	$ -	-	($ 247,673)	(84)	$ -	-	$ -	$ -	-	$ -	-