CREATIVE SENSOR INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2017 AND 2016

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

Creative Sensor Inc.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

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

Hereby declare,

Representative: Ko Ikujin

March 21, 2018

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

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

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

Basis for opinion

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

Key audit matters

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

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

Impairment assessment of investments accounted for using equity method

Description

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

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

How our audit addressed the matter

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

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

Existence of revenues of the newly top 10 significant customers

Description

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

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

How our audit addressed the matter

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

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

Other matter – Parent company only financial reports

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

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

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

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

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

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

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

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

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

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

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

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

Chang, Shu-Chiung   Chou Tseng, Hui-Chin

For and on behalf of PricewaterhouseCoopers, Taiwan

March 21, 2018

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

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

(Continued)

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

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

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

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

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

Years ended December 31.

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

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

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

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

CREATIVE SENSOR INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

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

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

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

1. HISTORY AND ORGANIZATION

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

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

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

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

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

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

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

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

IFRS 9, 'Financial instruments'

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

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

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

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

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

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

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

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

IFRS 16, 'Leases'

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

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

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

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

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

B. Subsidiaries included in the consolidated financial statements:

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

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

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

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

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

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

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

B. Translation of foreign operations

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

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

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

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

(5) Classification of current and non-current items

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

(6) Cash equivalents

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

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

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

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

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

(8) Available-for-sale financial assets

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

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

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

(9) Receivables

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

(10) Impairment of financial assets

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

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

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

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

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

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

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

(a) Financial assets measured at amortized cost

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

(b) Available-for-sale financial assets

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

(11) Derecognition of financial assets

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

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

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

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

(12) Inventories

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

(13) Investments accounted for using equity method / associates

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

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

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

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

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

(14) Property, plant and equipment

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

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

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

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

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

(15) Intangible assets

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

(16) Operating leases (lessee)

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

(17) Impairment of non-financial assets

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

(18) Borrowings

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

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

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

(a) Hybrid (combined) contracts; or

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

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

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

(20) Accounts payable

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

(21) Derecognition of financial liabilities

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

(22) Derivative financial instruments

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

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

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

(24) Employee share-based payment

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

(25) Income tax

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

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

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

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

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

(26) Revenue recognition

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

(27) Government grants

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

(28) Operating segments

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

Impairment assessment of investments accounted for using equity method

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

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

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

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

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

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

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

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

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

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

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

(3) Accounts receivable – net

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

The Group does not hold any collateral as security.

(4) Inventories

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

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

The cost of inventories recognized as expense for the period:

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

(5) Other current financial assets

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

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

(6) Available-for-sale financial assets

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

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

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

(7) Investments accounted for using equity method

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

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

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

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

Balance sheet

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

Statement of comprehensive income

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

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

(d) The Group owns less than 20% of the voting rights in Teco Image Systems Co., Ltd but holds one-third seats (2 out of 7 board seats) in the Board of Directors of Teco Image. The Group is a substantial shareholder of Teco Image and evaluates its investment accounted for under the equity method.

(e) In January 2008, the Group invested US$1,000,000 in K9 Inc. Due to the underperformance of K9 Inc. and changes in the Group’s investment strategies, the Group adopted the conservatism principle and wrote-off the original investment amount of US$1,000,000 (approximately NT$32,314 thousand) in June 2008. As of December 31, 2017 and 2016, the Group’s shareholding ratio in K9 Inc. and the ending balance of investment was all 33.82%, respectively. For the years ended December 31, 2017 and 2016, the investment income (loss) was both $0.

(8) Property, plant and equipment

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

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

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

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

(9) Other non-current assets

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

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

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

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

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

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

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

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

(11) Other payables

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

(12) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. In May 2016 and June 2017, the Department of Labor, Taipei City Government approved that the Company stop contributing to the retirement fund temporarily for 2017 and 2018.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(13) Capital stock

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

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

(14) Capital surplus

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

(15) Retained earnings

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

(a) Pay all taxes.

(b) Cover accumulated deficit.

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

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

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

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

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

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

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

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

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

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

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

Information about earnings appropriation as resolved at the Board of Directors' and stockholders' meetings will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

E. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6 (19).

(16) Other equity items

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

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

(17) Other income

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

(18) Other gains and losses

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

(19) Employee benefit expense, depreciation and amortization

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

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

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

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

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

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

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

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

(20) Income tax

A. Income tax expense

(a) Components of income tax expense:

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

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

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

B. Reconciliation between income tax expense and accounting profit:

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

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

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

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

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

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

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

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

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

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

(21) Earnings per share

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

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

(22) Operating leases

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

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

(23) Supplemental cash flow information

Investing activities with partial cash payments:

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

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

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

(2) Significant related party transactions and balances

A. Operating revenue

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

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

B. Purchases

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

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

C. Receivables from related parties

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

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

D. Payables to related parties

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

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

(3) Key management compensation

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

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

Please refer to Note 6(22).

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUNT EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

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

12. OTHERS

(1) Capital management

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

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

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

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

(2) Financial instruments

A. Fair value information of financial instruments

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

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

B. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group use cross currency swap and forward foreign exchange contracts, transacted with Group treasury. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity’s functional currency.

C. The Group’s businesses involve some non-functional currency operations (the Company’s and certain subsidiaries’ functional currency: NTD; other certain subsidiaries’ functional currency: RMB and USD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

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

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

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

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

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

Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

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

Interest rate risk

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

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

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with good ratings are accepted.

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

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

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

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

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

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

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

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

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

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

(c) Liquidity risk

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

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

Non-derivative financial liabilities

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

Non-derivative financial liabilities:

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

Derivative financial liabilities

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

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

(3) Fair value information

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

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

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

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

Level 3: Unobservable inputs for the asset or liability.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2017 and 2016 is as follows:

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

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

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

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

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

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

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

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

According to the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, the significant transactions for the year ended December 31, 2017 are as follows:

A. Loans to others: None.

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

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

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

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

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

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

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

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2)(10) and 12(3).

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

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

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

14. SEGMENT INFORMATION

(1) General information

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

(2) Measurement of segment information

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

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

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

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

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

(4) Reconciliation for segment income (loss)

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

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

(5) Information on products and services

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

(6) Geographical information

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

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

(7) Major customer information

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

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

Creative Sensor Inc. and subsidiaries

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

Year ended December 31, 2017

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

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

Securities held by	Marketable securities categories (Note 1)	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2017 Number of shares	Book value (Note 2)	Ownership (%)	Fair value	Footnote
The Company	Stock	TECO ELECTRIC & MACHINERY CO., LTD.	A company which accounts the Company using equity method	Available-for-sale financial assets - non-current	10,000	$ 285,000	0.50%	$ 285,000	
〃	〃	Koryo Electronics Co., Ltd.	-	〃	2,871	68,473	5.54%	68,473	
〃	〃	MUTUALPAK	-	〃	108	-	0.89%	-	
〃	〃	Taiwan Pelican Express Co., Ltd.	-	〃	1,781	51,560	2.07%	51,560	
						$ 405,033		$ 405,033	

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

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

Creative Sensor Inc. and subsidiaries

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

Year ended December 31, 2017

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

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

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

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

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

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

Creative Sensor Inc. and subsidiaries
Significant inter-company transactions during the reporting periods
Year ended December 31, 2017

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

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

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1) Parent company is ‘0’.
(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to:
(1) Parent company to subsidiary.
(2) Subsidiary to parent company.
(3) Subsidiary to subsidiary.

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

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

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

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2017	Initial investment amount: Balance as at December 31, 2016	Shares held as at December 31, 2017: Number of shares	Shares held as at December 31, 2017: Ownership (%)	Shares held as at December 31, 2017: Book value	Net profit (loss) of the investee for the year ended December 31, 2017	Investment income(loss) recognised by the Company for the year ended December 31, 2017 (Note)	Footnote
The Company	Creative Sensor Inc.	British Virgin Islands	Holding company	$ 974,576	$ 974,576	29,414,994	100	$ 2,521,824	$ 25,126	$ 25,126	Subsidiary
The Company	Creative Sensor (USA) Co.	U.S.A.	Collection of marketing information and maintaining customer relationship	3,169	3,169	100,000	100	2,952	65	65	Subsidiary
The Company	K9 Inc.	South Korea	Packaging for image sensor module	32,314	32,314	845,000	33.82	-	-	-	Investee accounted for using equity method
The Company	Teco Image Systems Co., Ltd.	Taiwan	Design, manufacturing and trading of multi-function printer, fax machine and scanner	271,728	271,728	11,996,000	10.66	324,929	220,773	23,529	Investee accounted for using equity method
Creative Sensor Inc.	Creative Sensor Co., Ltd.	Hong Kong	Holding company	977,388	977,388	29,501,368	100	1,897,733	48,324	-	Subsidiary

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

Creative Sensor Inc. and subsidiaries

Information on investments in Mainland China

Year ended December 31, 2017

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

A. Information on reinvestment in Mainland Area

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

Note 1: Through investing in an existing company in the third area (Creative Sensor Inc.), which then invested in the investee in Mainland China.

Note 2: The paid-in capital of two investee companies in the original currency amounted to RMB$123,920 thousand and RMB$217,215 thousand, respectively.

Note 3: Wuxi Creative Sensor Technology Co., Ltd.'s accumulated amount of remittance from Taiwan to Mainland China as of January 1 and December 31, 2017 in the original currency was both US$14,915 thousand. Nanchang Creative Sensor Technology Co., Ltd.'s accumulated amount of remittance from Taiwan to Mainland China as of January 1 and December 31, 2017 in the original currency was both US$14,500 thousand.

Note 4: Investment income (loss) recognised for the year ended December 31, 2017 was evaluated and disclosed based on the financial statements that are audited and attested by R.O.C. parent company's CPA.

B. Ceiling on reinvestments in Mainland Area

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
The Company	$ 875,685	$ 878,364	$ 2,042,616

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017 in original currency amounted to US$29,415 thousand.

Note 2: Investment amount in the original currency approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) amounted to US$29,505 thousand.
Furthermore, Wuxi Creative Sensor Technology Co., Ltd. distributed dividends to Creative Sensor Co., Ltd., then invested US$15,300 thousand in Nanchang Creative Sensor Technology Co., Ltd.