FocalTech Systems Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2016 and 2015

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2016 Amount	%	December 31, 2015 Amount	%	March 31, 2015 (Restated During Measurement Period) Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 2,233,326	15	$ 1,690,441	11	$ 2,502,285	16
Financial assets at fair value through profit or loss - current (Note 7)	126,119	1	129,120	1	-	-
Trade receivables, net (Note 8)	1,118,078	7	1,587,586	10	1,797,197	11
Inventories (Note 9)	2,354,969	16	2,543,876	17	2,878,708	18
Other financial assets (Note 10)	4,977,216	34	5,287,856	35	4,805,020	30
Other current assets	116,580	1	152,767	1	171,533	1
Total current assets	10,926,288	74	11,391,646	75	12,154,743	76
NON-CURRENT ASSETS						
Financial assets measured at cost (Note 11)	48,278	-	49,238	-	46,950	1
Property, plant and equipment (Note 13)	132,959	1	148,188	1	165,373	1
Goodwill (Notes 4, 14 and 27)	3,237,268	22	3,237,268	21	3,237,268	20
Other intangible assets (Note 15)	166,316	1	172,819	1	173,142	1
Deferred tax assets (Notes 4 and 24)	155,555	1	154,154	1	151,720	1
Other non-current assets (Note 31)	56,559	1	57,743	1	23,445	-
Total non-current assets	3,796,935	26	3,819,410	25	3,797,898	24
TOTAL	$ 14,723,223	100	$ 15,211,056	100	$ 15,952,641	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 16)	$ 244,606	2	$ 269,775	2	$ 219,100	2
Financial liabilities at fair value through profit or loss - current (Notes 7 and 29)	45,228	-	47,818	-	-	-
Trade payables (Note 18)	850,893	6	974,714	6	1,169,236	7
Other payables (Note 19)	800,477	5	980,385	7	709,184	5
Current tax liabilities (Notes 4 and 24)	5,375	-	3,254	-	40,321	-
Current portion of bonds payable (Note 17)	960,702	7	956,772	6	-	-
Other current liabilities	113,285	1	68,781	1	58,869	-
Total current liabilities	3,020,566	21	3,301,499	22	2,196,710	14
NON-CURRENT LIABILITIES						
Financial liabilities at fair value through profit or loss - non-current (Notes 7)	-	-	-	-	186,788	1
Bonds payable (Note 17)	-	-	-	-	945,076	6
Net defined benefit liabilities - non-current	48,067	-	48,168	-	44,223	-
Other non-current liabilities	10,400	-	10,400	-	10,400	-
Guarantee deposits received	79,768	1	87,850	1	63,379	1
Deferred tax liabilities (Notes 4 and 24)	180,387	1	190,372	1	170,363	1
Total non-current liabilities	318,622	2	336,790	2	1,420,229	9
Total liabilities	3,339,188	23	3,638,289	24	3,616,939	23
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 21 and 26)						
Share capital						
Ordinary shares	2,942,136	20	2,933,299	19	4,173,658	26
Capital surplus						
Additional paid-in capital	6,386,238	43	6,362,250	42	6,293,966	39
Employee share options	86,494	1	103,350	-	107,146	1
Treasury shares	236	-	236	-	236	-
Employee restricted shares	114,729	1	115,999	1	158,068	1
Employee share options - expired	12,183	-	10,806	-	10,782	-
Total capital surplus	6,599,880	45	6,592,641	43	6,570,198	41
Retained earnings						
Legal reserve	141,463	1	141,463	1	127,018	1
Undistributed earnings	1,259,792	8	1,358,815	9	1,198,320	7
Total retained earnings	1,401,255	9	1,500,278	10	1,325,338	8
Other equity						
Exchange differences from translating the financial statements of foreign operations	497,177	3	609,523	4	370,704	2
Unearned employee compensation	(56,413)	-	(62,974)	-	(104,196)	-
Total other equity	440,764	3	546,549	4	266,508	2
Total equity	11,384,035	77	11,572,767	76	12,335,702	77
TOTAL	$ 14,723,223	100	$ 15,211,056	100	$ 15,952,641	100

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

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended March 31			
	2016		2015	
	Amount	%	Amount	%
REVENUE (Note 22)	$ 2,308,567	100	$ 2,429,145	100
COSTS OF SALES (Notes 9 and 23)	(1,876,678)	(81)	(2,053,104)	(85)
GROSS MARGIN	431,889	19	376,041	15
OPERATING EXPENSES (Notes 20, 23, 26 and 30)				
Selling and marketing expenses	(102,998)	(5)	(100,996)	(4)
General and administrative expenses	(73,043)	(3)	(89,301)	(4)
Research and development expenses	(348,441)	(15)	(331,558)	(13)
Total operating expenses	(524,482)	(23)	(521,855)	(21)
OPERATIONS INCOME(LOSS)	(92,593)	(4)	(145,814)	(6)
NON-OPERATING INCOME AND EXPENSES (Note 23)				
Finance costs	(4,763)	-	(4,516)	-
Gain on disposal of investment	-	-	28	-
Loss on foreign currency exchange	(22,659)	(1)	(18,124)	(1)
Net gain on fair value change of financial assets and liabilities at fair value through profit or loss	2,092	-	96,333	4
Other gains and losses - net	2,110	-	1,811	-
Loss on disposal of property, plant and equipment	(1,986)	-	-	-
Interest income	13,214	1	19,900	1
Total non-operating income and expenses	(11,992)	-	95,432	4
INCOME BEFORE INCOME TAX	(104,585)	(4)	(50,382)	(2)
INCOME TAX EXPENSE (Notes 4 and 24)	5,551	-	(5,173)	-
NET INCOME	(99,034)	(4)	(55,555)	(2)
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences from translating the financial statements of foreign operations	(112,346)	(5)	(74,184)	(3)
Income tax benefit related to items that will be reclassified subsequently	-	-	12,611	-

(Continued)

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended March 31			
	2016		2015	
	Amount	%	Amount	%
Other comprehensive income for the period, net of income tax	(112,346)	(5)	(61,573)	(3)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ (211,380)	(9)	$ (117,128)	(5)
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ (99,034)	(4)	$ (55,555)	(2)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ (211,380)	(9)	$ (117,128)	(5)
EARNINGS PER SHARE (Note 25)				
Basic	$ (0.34)		$ (0.13)	
Diluted	$ (0.34)		$ (0.34)	

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

(Concluded)

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Share Capital	Capital Surplus						Retained Earnings		Other Equity		
	Ordinary Shares	Additional Paid-in Capital	Employee Share Options	Treasury Shares	Employee Restricted Shares	Share Options - Expired	Total	Legal Reserve	Undistributed Earnings	Exchange Differences on Translating The Financial Statement Of Foreign	Unearned Employee Compensation	Total Equity
BALANCE, JANUARY 1, 2015	$ 2,758,575	$ 2,372,113	$ 110,543	$ 236	$ 103,375	$ 10,782	$ 2,597,049	$ 127,018	$ 1,253,875	$ 432,277	$ (109,530)	$ 7,059,264
Changes in capital surplus for the reverse merger of the company	1,400,495	3,891,821	16,277	-	54,583	-	3,962,681	-	-	-	(13,216)	5,349,960
Compensation cost of employee share options (Notes 21 and 26)	-	-	2,202	-	-	-	2,202	-	-	-	-	2,202
Cancellation of employee restricted shares (Notes 21 and 26)	(528)	418	-	-	110	-	528	-	-	-	-	-
Issue of ordinary shares under employee share options (Notes 21 and 26)	15,116	29,614	(21,876)	-	-	-	7,738	-	-	-	-	22,854
Net income for the three months ended March 31, 2015	-	-	-	-	-	-	-	-	(55,555)	-	-	(55,555)
Other comprehensive income (loss) for the three months ended March 31, 2015, net of income tax	-	-	-	-	-	-	-	-	-	(61,573)	-	(61,573)
Total comprehensive income (loss) for the three months ended March 31, 2015	-	-	-	-	-	-	-	-	(55,555)	(61,573)	-	(117,128)
Compensation cost of employee restricted shares (Notes 21 and 26)	-	-	-	-	-	-	-	-	-	-	18,550	18,550
BALANCE AT MARCH 31, 2015	$ 4,173,658	$ 6,293,966	$ 107,146	$ 236	$ 158,068	$ 10,782	$ 6,570,198	$ 127,018	$ 1,198,320	$ 370,704	$ (104,196)	$ 12,335,702
BALANCE, JANUARY 1, 2016	$ 2,933,299	$ 6,362,250	$ 103,350	$ 236	$ 115,999	$ 10,806	$ 6,592,641	$ 141,463	$ 1,358,815	$ 609,523	$ (62,974)	$ 11,572,767
Dividend returned for unvested employee restricted shares	-	-	-	-	-	11	11	-	-	-	-	11
Compensation cost of employee share options (Notes 21 and 26)	-	-	1,392	-	-	-	1,392	-	-	-	-	1,392
Cancellation of employee restricted shares (Notes 21 and 26)	(582)	367	-	-	(1,270)	-	(903)	-	-	-	1,391	(94)
Issue of ordinary shares under employee share options (Notes 21 and 26)	9,419	23,621	(16,871)	-	-	-	6,750	-	-	-	-	16,169
Net loss for the three months ended March 31, 2016	-	-	-	-	-	-	-	-	(99,034)	-	-	(99,034)
Other comprehensive loss for the three months ended March 31, 2016, net of income tax	-	-	-	-	-	-	-	-	-	(112,346)	-	(112,346)
Total comprehensive income (loss) for the three months ended March 31, 2016	-	-	-	-	-	-	-	-	(99,034)	(112,346)	-	(211,380)
Employee share options expired (Notes 21 and 26)	-	-	(1,377)	-	-	1,377	-	-	-	-	-	-
Compensation cost of employee restricted shares (Notes 21 and 26)	-	-	-	-	-	-	-	-	-	-	5,170	5,170
BALANCE AT MARCH 31, 2016	$ 2,942,136	$ 6,386,238	$ 86,494	$ 236	$ 114,729	$ 12,194	$ 6,599,891	$ 141,463	$ 1,259,781	$ 497,177	$ (56,413)	$ 11,384,035

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

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31	
	2016	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax from continuing operation	$ (104,585)	$ (50,382)
Adjustments for:		
Depreciation expenses	14,221	15,684
Amortization expenses	11,446	12,011
Gain on financial assets and liabilities at fair value through profit or loss	(2,092)	(96,333)
Finance costs	4,763	4,516
Interest income	(13,214)	(19,900)
Compensation cost of employee share options	1,392	2,202
Compensation cost of employee restricted shares	5,170	18,550
Loss on disposal of property, plant and equipment	1,986	-
Gain on sale of available-for-sale financial assets	-	(28)
Write-down of inventories	62,388	30,695
Unrealized loss (gain) on foreign currency exchange	(1,160)	305
Changes in operating assets and liabilities		
Trade receivables	468,556	364,798
Inventories	114,798	(219,949)
Other current assets	32,279	(11,735)
Trade payables	(116,469)	(191,084)
Other payables	(169,504)	(112,016)
Other current liabilities	45,934	31,254
Net defined benefit liabilities	(101)	2,833
Cash generated from operations	355,808	(218,579)
Interest paid	(804)	(1,386)
Income tax paid	(751)	(5,235)
Net cash generated from operating activities	354,253	(225,200)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	-	(148,000)
Proceeds on sale of available-for-sale financial assets	-	148,028
Purchases for property, plant and equipment	(2,139)	(13,354)
Proceeds from disposal of property, plant and equipment	500	-
Purchase of intangible assets	(5,441)	-
Cash inflow on acquisition of the Company (Note 27)	-	717,370
Decrease in other financial assets	218,592	376,736
Decrease(increase) in other non-current assets	583	(712)
Interest received	16,239	19,403
Net cash generated from investing activities	228,334	1,099,471

(Continued)

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Three Months Ended March 31	
	2016	**2015**
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(20,114)	(97,400)
Decrease in guarantee deposits	(8,082)	(5,457)
Increase in other non-current liabilities	-	1,400
Issue of ordinary shares under employee share options	16,169	22,854
Payment for cancellation of employee restricted shares	(123)	(528)
Proceeds from dividend returned by unvested employee restricted shares	11	-
Net cash used in financing activities	(12,139)	(79,131)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(27,563)	(18,163)
NET INCREASE IN CASH AND CASH EQUIVALENTS	542,885	776,977
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,690,441	1,725,308
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 2,233,326	$ 2,502,285

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

(Concluded)

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

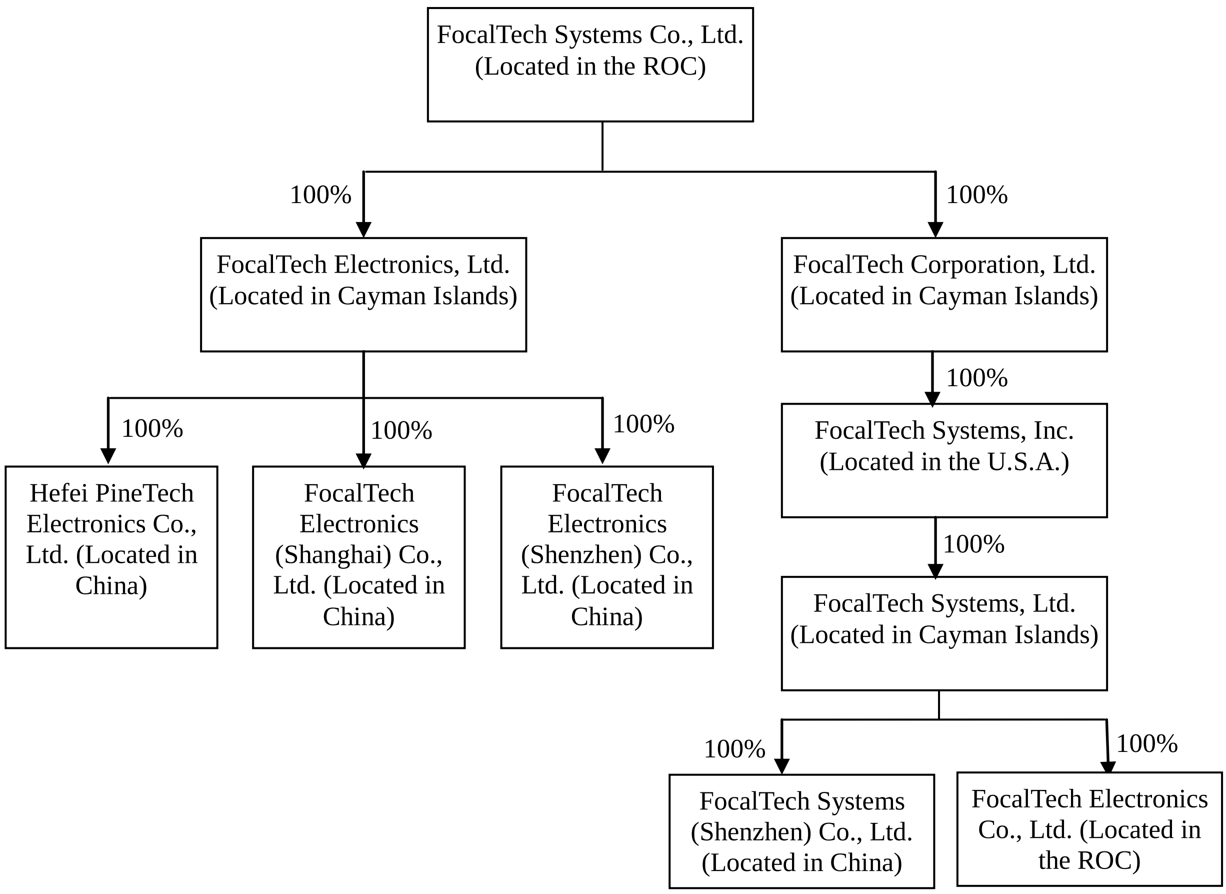
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

FocalTech Systems Co., Ltd. (the “FocalTech” or the “Company”) was incorporated in the Republic of China (“ROC”) in January 2006 and moved to Hsinchu Science Park in April of the same year. The Company was formerly known as Orise Technology Co., Ltd. and renamed on January 17, 2015. The Company is mainly engaged in research, development, design, and sale of LCD Drive IC, and also provision of the related hardware and software application design, manufacturing, repairs and consulting service.

The shareholders’ meeting of the Company resolved to acquire FocalTech Corporation, Ltd. through a share swap, under which each share of FocalTech Corporation Ltd. was swapped into 4.8 newly issued shares of the Company, with the reference date of the acquisition and share swap on January 2, 2015. According to the acquisition structure, Orise Holding (Cayman) Inc., the 100% owned subsidiary by the Company, was dissolved after the merger with FocalTech Corporation, Ltd. and FocalTech Corporation, Ltd. was the surviving company, and the Company issued new shares to the shareholders of FocalTech Corporation, Ltd. and FocalTech Corporation, Ltd. became a 100% owned subsidiary by the Company. This Acquisition was comprehensively considered as a reverse merger, where FocalTech Corporation, Ltd. was treated as the acquirer and the Company as the acquiree. In addition, the shares of FocalTech Corporation, Ltd. were delisted on January 2, 2015, approved by the Taiwan Stock Exchange.

The Company’s investment structure was as follow:



FocalTech Corporation, Ltd., the parent company of FocalTech Systems, Inc., was incorporated in the British Cayman Islands in July 2012. FocalTech Systems, Inc. was incorporated in the U.S.A. in October 2005. FocalTech Systems, Ltd., the 100% owned subsidiary by FocalTech Systems, Inc., was incorporated in the British Cayman Islands in October 2005. Both of FocalTech Electronics Co., Ltd. (incorporated in the ROC in June 2006) and FocalTech Systems (Shenzhen) Co., Ltd. (incorporated in China in April 2006) were the 100% owned subsidiaries by FocalTech Systems, Ltd.

The Company incorporated Focal Electronics, Ltd. in August 2014, and invested FocalTech Electronics (Shanghai) Co., Ltd and FocalTech Electronics (Shenzhen) Co., Ltd. in China through FocalTech Electronics, Ltd.. FocalTech Electronics (Shanghai) Co., Ltd and FocalTech Electronics (Shenzhen) Co., Ltd. were approved by Investment Commission, MOEA and completed incorporation in September 2014 and October 2014.

Hefei PineTech Electronics Co., Ltd. was treated as a subsidiary by control in substance, since its main operation decision should be approved by the Company.

The Company's shares have been listed on the Taiwan Stock Exchange ("TSE") since July 2007.

The consolidated financial statements are presented in the Company's functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on April 28, 2016.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

New IFRSs in issue but not yet endorsed by the FSC

On March 10, 2016, the FSC announced the scope of IFRSs to be endorsed and will take effect from January 1, 2017. The scope includes all IFRSs that were issued by the IASB before January 1, 2016 and have effective dates on or before January 1, 2017, which means the scope excludes those that are not yet effective as of January 1, 2017 such as IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" and those with undetermined effective date. In addition, the FSC announced that the Group should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 "Financial Instruments"	January 1, 2018(Note 4)
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
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 IASB
Amendments to IFRS 10, IFRS 12 and IAS 28""Investment Entities: Applying the Consolidation Exception"	January 1, 2016

Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

Note 4: On the Company's early partial adoption of IFRS 9, for financial liabilities designated as at fair value through profit or loss, the accounting treatments differ for the amounts of changes in fair value that are attributable to changes in the credit risk of that liability and for those amounts that are not attributable to the credit risk changes.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group's accounting policies, except for the following:

1) IFRS 9 "Financial Instruments"

<u>Recognition and measurement of financial assets</u>

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

<u>The impairment of financial assets</u>

IFRS 9 requires that impairment loss on financial assets is recognized by using the “Expected Credit Losses Model”. The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

2) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

In issuing IFRS 13 “Fair Value Measurement”, the IASB made consequential amendment to the disclosure requirements in IAS 36 “Impairment of Assets”, introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Group is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

3) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 2 “Share-based Payment”, IFRS 3 “Business Combinations” and IFRS 8 “Operating Segments” were amended in this annual improvement.

The amended IFRS 2 changes the definitions of "vesting condition" and "market condition" and adds definitions for "performance condition" and "service condition". The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Group or another entity in the same group or the market price of the equity instruments of the Group or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Group as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Group, but also of other entities outside the Group.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss.

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics". The amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segments' assets are regularly provided to the chief operating decision-maker.

IFRS 13 was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

4) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards, including IFRS 3, IFRS 13 and IAS 40 "Investment Property", were amended in this annual improvement.

IFRS 3 was amended to clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

5) Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"

The entity should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the entity.

The amended IAS 16 "Property, Plant and Equipment" requires that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 “Intangible Assets” requires that there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity’s use of the intangible asset will expire upon achievement of a revenue threshold); or

b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

An entity should apply the aforementioned amendments prospectively for annual periods beginning on or after the effective date.

6) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations from January 1, 2017.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 is effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

7) Annual Improvements to IFRSs: 2012-2014 Cycle

Several standards including IFRS 5 “Non-current assets held for sale and discontinued operations”, IFRS 7, IAS 19 and IAS 34 were amended in this annual improvement.

8) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within [operating activities/financing activities].

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and IAS 34 “Interim Financial Reporting” as endorsed by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

b. Basis of consolidation

About the detail information, holding percentages, and main business of the subsidiaries, please refer to Note 12.

c. Other significant accounting policies

Except for the following, the accounting policies applied in the consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2015.

1) Retirement benefit costs

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period’s pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Income taxes

As of March 31, 2016, December 31, 2015, and March 31, 2015, no deferred tax asset has been recognized on temporary differences for the subsidiaries of $22,810 thousand, $21,975 thousand, and

$17,216 thousand, respectively, due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available.

As of March 31, 2016, December 31, 2015, and March 31, 2015, no deferred tax liabilities has been recognized on earnings of the subsidiaries of $4,199,422 thousand, $4,392,962 thousand, and $3,821,012 thousand, respectively, due to the dividend policy of the subsidiaries was approved by the Company, the reversal of temporary differences of earning of the subsidiaries would be control. It's probable that the temporary differences will not reverse in the foreseeable future.

6. CASH AND CASH EQUIVALENTS

	March 31, 2016	December 31, 2015	March 31, 2015
Cash on hand	$ 2,569	$ 3,269	$ 2,494
Checking accounts and demand deposits	1,468,020	1,419,835	1,152,100
Cash equivalent (fixed deposit with original maturities less than three months)	762,737	267,337	1,347,691
	$ 2,233,326	$ 1,690,441	$ 2,502,285

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	March 31, 2016	December 31, 2015	March 31, 2015
Demand deposits	0.001%-0.35%	0.001%-0.35%	0.001%-0.35%
Fixed deposits	0.28%-1.5%	0.3%-6.5%	0.15%-3.8%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2016	December 31, 2015	March 31, 2015
Financial assets at FVTPL - current			
Financial assets designated as at FVTPL			
Credit-linked structured note	$ 126,119	$ 129,120	$ -
Financial liabilities at FVTPL - current			
Financial liabilities held for trading			
Convertible option attached to the convertible bonds	$ 45,228	$ 47,818	$ -
Financial liabilities at FVTPL – non-current			
Financial liabilities held for trading			
Convertible option attached to the convertible bonds	$ -	$ -	$ 186,788

8. TRADE RECEIVABLES, NET

	March 31, 2016	December 31, 2015	March 31, 2015
Notes receivables	$ 8	$ -	$ -
Trade receivables	1,227,499	1,699,191	1,903,617
Less: Allowance for doubtful accounts	(109,429)	(111,605)	(106,420)
Trade receivables, net	$ 1,118,078	$ 1,587,586	$ 1,797,197

The average payment term of the Group's customers was due in 60 days to 120 days after the month end of the shipment. The Group evaluated the coverage of the trade receivables and estimated the allowance for doubtful accounts based on customer payment records, current financial status and the change of credit reliability from payment term approved dates to balance sheet dates.

The aging of receivables that were past due but not impaired was as follows:

	March 31, 2016	December 31, 2015	March 31, 2015
Less than 60 days	$ 10,742	$ 20,488	$ 10,071
61-180 days	-	711	6,490
More than 180 days	13,270	13,534	-
	$ 24,012	$ 34,733	$ 16,561

The above aging schedule was based on the past due date from end of credit term.

The movements of the allowance for doubtful trade receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2015	$ -	$ -	$ -
Business combination (USD 3,400 thousand)	107,610	-	107,610
Foreign exchange translation	(190)	-	(190)
Balance at March 31, 2015	$ 106,420	$ -	$ 106,420
Balance at January 1, 2016	$ 111,605	$ -	$ 111,605
Foreign exchange translation	(2,176)	-	(2,176)
Balance at March 31, 2016	$ 109,429	$ -	$ 109,429

Wintek Corporation announced the material information on October 13, 2014. Due to loss of continuous operation, the board of directors of Wintek Corporation approved financial restructuring in accordance with the relevant rules of the Company Act. As of March 31, 2016, the Group recognized allowance of doubtful trade receivables against Wintek Corporation of $109,429 thousand.

9. INVENTORIES

	March 31, 2016	December 31, 2015	March 31, 2015
Finished goods	$ 917,571	$ 791,208	$ 1,260,186
Work in progress	663,943	622,755	954,601
Raw materials and supplies	773,455	1,129,913	663,921
	$ 2,354,969	$ 2,543,876	$ 2,878,708

The cost of inventories recognized as cost of goods sold included inventory write-downs for the three months ended March 31, 2016 and 2015, was $1,876,678 thousand, $2,053,104 thousand, $62,388 thousand and $30,695 thousand, respectively.

10. OTHER FINANCIAL ASSETS

	March 31, 2016	December 31, 2015	March 31, 2015
Time deposits with original maturities more than three months (a)	$ 4,848,680	$ 5,157,869	$ 4,805,020
Repurchase bonds (b)	128,536	129,987	-
	$ 4,977,216	$ 5,287,856	$ 4,805,020

a. As of March 31, 2016, December 31, 2015 and March 31, 2015, the market rate intervals of time deposits with original maturities more than three months were 0.62%-4.03%, 0.68%-5.5% and 0.62%-4%, respectively.

b. The Group bought USD 4,000 thousands of 183-day repurchase bonds at a discount with a coupon rate of 0% and an effective rate of 0.7428%.

11. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	March 31, 2016	December 31, 2015	March 31, 2015
Foreign unlisted preferred shares	$ 48,278	$ 49,238	$ 46,950

Management believed that the above unlisted equity investments held by the Group, whose fair value cannot be reliably measured due to the range of reasonable fair value estimates was so significant; therefore they were measured at cost less impairment at the end of reporting period.

Financial assets measured at cost were not pledged as collateral.

12. SUBSIDIARIES

Details of the Group's subsidiaries included in the consolidated financial statements were as follows:

Investor	Investee	Main Businesses	Proportion of Ownership March 31, 2016	Proportion of Ownership December 31, 2015	Proportion of Ownership March 31, 2015
FocalTech Systems Co., Ltd.	FocalTech Corporation, Ltd.	Investment activity	100%	100%	100%
	FocalTech Electronics, Ltd.	Research, development, manufacturing and sale of integrated circuits	100%	100%	100%
FocalTech Corporation, Ltd.	FocalTech Systems, Inc.	Investment activity	100%	100%	100%
FocalTech Systems, Inc.	FocalTech Systems, Ltd.	Research, development, manufacturing and sale of integrated circuits	100%	100%	100%
FocalTech Systems, Ltd.	FocalTech Systems (Shenzhen) Co., Ltd.	Design and research of integrated circuits	100%	100%	100%
	FocalTech Electronics Co., Ltd.	Import and export of integrated circuits	100%	100%	100%
FocalTech Electronics, Ltd.	FocalTech Electronics (Shanghai) Co., Ltd.	Sales support and post-sales service for affiliates' IC products	100%	100%	100%
	FocalTech Electronics (Shenzhen) Co., Ltd.	Design and research of integrated circuits	100%	100%	100%
	Hefei PineTech Electronics Co., Ltd.	Research, development, manufacturing and sale of integrated circuits	a	a	-

Remarks:

a. The Group has the power to appoint and remove the majority of the board of directors that has the power to direct its relevant activities of Hefei PineTech Electronics Co., Ltd.; therefore, Hefei PineTech Electronics Co., Ltd. is identified as a subsidiary of the Group.

As of March 31, 2016, the immaterial subsidiaries of the Group included FocalTech Electronics Co., Ltd., FocalTech Systems (Shenzhen) Co., Ltd., FocalTech Electronics (Shenzhen) Co., Ltd., FocalTech Electronics (Shanghai) Co., Ltd. and Hefei PineTech Electronics Co., Ltd. As of March 31, 2015, FocalTech Electronics., Ltd was not a material subsidiary either. The financial statements of the immaterial subsidiaries had not been reviewed by the auditers. As of March 31, 2016 and 2015, the total amounts of assets of the immaterial subsidiaries were $1,530,141 thousand, and $1,220,264 thousand, 10.39% and 7.66% of total consolidated assets, respectively. The total amounts of liabilities were $550,103 thousand, and $402,015 thousand, 16.47% and 11.11% of total consolidated liabilities, respectively. For the three months ended March 31, 2016 and 2015, the total immaterial subsidiaries comprehensive loss has been recognized $14,107 thousand, and $64,356 thousand, that hold 6.67% and 54.95% in the consolidated statements of comprehensive loss, respectively.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Development Equipment	Office Equipment	Information Equipment	Leasehold Improve-ments	Construction in Progress	Total
Cost							
Balance at January 1, 2015	$ 37,600	$ 137,724	$ 11,416	$ 32,058	$ 28,467	$ -	$ 247,265
Acquisitions through business combinations	-	26,460	304	-	30	2,492	29,286
Additions	-	1,591	159	1,453	1,400	8,751	13,354
Effect of foreign currency exchange differences	-	(1,454)	(109)	(417)	(230)	-	(2,210)
Balance at March 31, 2015	$ 37,600	$ 164,321	$ 11,770	$ 33,094	$ 29,667	$ 11,243	$ 287,695

Accumulated depreciation							
Balance at January 1, 2015	$ 348	$ 73,238	$ 5,508	$ 13,263	$ 15,518	$ -	$ 107,875
Depreciation	209	11,646	408	1,117	2,304	-	15,684
Effect of foreign currency exchange differences	-	(821)	(61)	(183)	(172)	-	(1,237)
Balance at March 31, 2015	$ 557	$ 84,063	$ 5,855	$ 14,197	$ 17,650	$ -	$ 122,322
Carrying amounts at January 1, 2015	$ 37,252	$ 64,486	$ 5,908	$ 18,795	$ 12,949	$ -	$ 139,390
Carrying amounts at March 31, 2015	$ 37,043	$ 80,258	$ 5,915	$ 18,897	$ 12,017	$ 11,243	$ 165,373
Cost							
Balance at January 1, 2016	$ 37,600	$ 195,807	$ 14,258	$ 37,443	$ 42,362	$ -	$ 327,470
Additions	-	1,713	75	540	-	-	2,328
Disposals	-	(8,162)	(71)	-	(5,108)	-	(13,341)
Effect of foreign currency exchange differences	-	(2,377)	(144)	(487)	(236)	-	(3,244)
Balance at March 31, 2016	$ 37,600	$ 186,981	$ 14,118	$ 37,496	$ 37,018	$ -	$ 313,213
Accumulated depreciation							
Balance at January 1, 2016	$ 1,184	$ 124,836	$ 7,243	$ 18,205	$ 27,814	$ -	$ 179,282
Depreciation	209	9,937	513	1,321	2,241	-	14,221
Disposals	-	(8,161)	(24)	-	(2,670)	-	(10,855)
Effect of foreign currency exchange differences	-	(1,842)	(77)	(251)	(224)	-	(2,394)
Balance at March 31, 2016	$ 1,393	$ 124,770	$ 7,655	$ 19,275	$ 27,161	$ -	$ 180,254
Carrying amounts at December 31, 2015 and January 1, 2016	$ 36,416	$ 70,971	$ 7,015	$ 19,238	$ 14,548	$ -	$ 148,188
Carrying amounts at March 31, 2016	$ 36,207	$ 62,211	$ 6,463	$ 18,221	$ 9,857	$ -	$ 132,959

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	45 years
Development equipment	3-5 years
Office equipment	3-5 years
Information equipment	3-5 years
Leasehold improvements	1-5 years

Property, plant and equipment were not been pledged as collateral.

14. GOODWILL

	March 31, 2016	December 31, 2015	March 31, 2015
Cost			
Balance as of January 1	$ 3,237,268	$ -	$ -
Acquisitions through business combinations	-	3,237,268	3,237,268
Balance as of March 31	$ 3,237,268	$ 3,237,268	$ 3,237,268

Note: Restated during measurement period.

The Group restated the recognized deferred tax asset and liabilities by the effective tax rate during measurement period of a year after acquisition. The original accounting standards and provisional sums in the acquiree had been adjusted and restated the compared information.

Items on consolidated balance sheet were increased (decreased) by the following amounts:

	January 2, 2015
Goodwill	$ (52,404)
Deferred tax assets	$ 75,924
Deferred tax liabilities	$ 23,520

15. OTHER INTANGIBLE ASSETS

	Licenses and Franchises	Software	Patents	Trademark	Total
Cost					
Balance at January 1, 2015	$ 47,569	$ 27,004	$ 272	$ -	$ 74,845
Acquisitions through business combinations	9,826	6,900	76,478	74,000	167,204
Effect of foreign currency exchange differences	(526)	(289)	(4)	-	(819)
Balance at March 31, 2015	$ 56,869	$ 33,615	$ 76,746	$ 74,000	$ 241,230
Accumulated amortization					
Balance at January 1, 2015	$ 35,378	$ 21,125	$ 237	$ -	$ 56,740
Amortization expense	4,863	3,342	1,956	1,850	12,011
Effect of foreign currency exchange differences	(417)	(243)	(3)	-	(663)
Balance at March 31, 2015	$ 39,824	$ 24,224	$ 2,190	$ 1,850	$ 68,088
Carrying amounts at January 1, 2015	$ 12,191	$ 5,879	$ 35	$ -	$ 18,105
Carrying amounts at March 31, 2015	$ 17,045	$ 9,391	$ 74,556	$ 72,150	$ 173,142
Cost					
Balance at January 1, 2016	$ 62,741	$ 60,367	$ 76,744	$ 74,000	$ 273,852
Additions	994	4,447	-	-	5,441
Effect of foreign currency exchange differences	(1,026)	(1,126)	(4)	-	(2,156)
Balance at March 31, 2016	$ 62,709	$ 63,688	$ 76,740	$ 74,000	$ 277,137

	Licenses and Franchises	Software	Patents	Trademark	Total
Accumulated amortization					
Balance at January 1, 2016	$ 50,675	$ 34,907	$ 8,051	$ 7,400	$ 101,033
Amortization expense	2,790	4,860	1,946	1,850	11,446
Effect of foreign currency exchange differences	(951)	(703)	(4)	-	(1,658)
Balance at March 31, 2016	$ 52,514	$ 39,064	$ 9,993	$ 9,250	$ 110,821
Carrying amounts at December 31, 2015 and January 1, 2016	$ 12,066	$ 25,460	$ 68,693	$ 66,600	$ 172,819
Carrying amounts at March 31, 2016	$ 10,195	$ 24,624	$ 66,747	$ 64,750	$ 166,316

(Concluded)

Other intangible assets were amortized on a straight-line basis over the estimated useful lives as follows:

Licenses and franchises	3-5 years
Software	1-5 years
Patents	7-10 years
Trademark	10 years

16. BORROWINGS

	March 31, 2016	December 31, 2015	March 31, 2015
Unsecured bank loans			
Amount	$ 244,606	$ 269,775	$ 219,100
Annual interest rate	1.37%-1.39%	1.25%-1.62%	0.93%-1.08%

17. BONDS PAYABLE

	March 31, 2016	December 31, 2015	March 31, 2015
Domestic 1st unsecured convertible bonds	$ 996,200	$ 996,200	$ 996,200
Less: Discounts on bonds payable	(35,498)	(39,428)	(51,124)
Less: Current portion	(960,702)	(956,772)	-
	$ -	$ -	$ 945,076

To enhance working capital, the Company issued the 1st unsecured convertible bonds on June 17, 2013, with a five-year maturity and zero coupon rate, aggregate principal amount of $1,000,000 thousand. The bondholder may request for conversion at conversion price (NT$57.03 per share at the time of issuance, adjusted pursuant to the determined formula as regulated in the Bond Issuance and Conversion Plan; as of December 31, 2015, the conversion price per share was NT$49.46) during the conversion period from July 18, 2013 to June 7, 2017, except the book closure periods for stock dividends, cash dividends, cash injection, and capital reduction, or request for buy-back at coupon value plus 3.3% premium after June 17,

2016. From July 19, 2013 to May 5, 2018, if the closing price of the Company's share exceeded 30% of the conversion price for 30 consecutive days on TSE or the outstanding amount was less than the 10 % of the insurance amount, the Company may redeem the remaining bonds in accordance with the agreed formula. The Company shall redeem the remaining bonds in full at the maturity date, June 17, 2018.
The fair value of the convertible bonds was reassessed at the reference date of the acquisition, and the conversion options of the convertible bonds, was reclassified as a derivative financial liability due to the convertible bonds were to be settled other than by the exchange of a fixed amount of cash or other financial asset for a fixed number of the Company's own equity instruments. The fair value of the reference day of the acquisition was as follows：

	January 2, 2015
Bonds Payable	$941,210
Options attached to the convertible bond (including conversion and redemption)	283,121

18. TRADE PAYABLE

	March 31, 2016	December 31, 2015	March 31, 2015
Trade payables	$ 850,893	$ 974,714	$ 1,169,236

The average credit period on purchases was 15-60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

19. OTHER PAYABLES

	March 31, 2016	December 31, 2015	March 31, 2015
Payable for rebates	$ 362,890	$ 438,250	$ 324,011
Payable for salaries and bonus	303,888	388,586	207,870
Payable for labor, health and social insurance	15,726	16,164	23,052
Reserve for litigations	82,927	94,317	106,623
Payable for professional services and others	35,046	43,068	47,628
	$ 800,477	$ 980,385	$ 709,184

20. RETIREMENT BENEFIT

Employee benefit expenses in respect of the Group's defined benefit retirement plans were $237 thousand and $247 thousand for the three months ended March 31, 2016 and 2015, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2015 and 2014.

21. EQUITY

	March 31, 2016	December 31, 2015	March 31, 2015
Share capital			
Ordinary shares	$ 2,942,136	$ 2,933,299	$ 4,173,658
Capital surplus	6,599,880	6,592,641	6,570,198
Retained earnings	1,401,255	1,500,278	1,325,338
Other equity	440,764	546,549	266,508
	$11,384,035	$11,572,767	$12,335,702

a. Share capital

Ordinary shares (NT$10 par value per share)

	March 31, 2016	December 31, 2015	March 31, 2015
Numbers of shares authorized (in thousands)	500,000	500,000	500,000
Shares authorized	$ 5,000,000	$ 5,000,000	$ 5,000,000
Number of shares issued and fully paid (in thousands)	294,214	293,330	417,366
Shares issued	$ 2,942,136	$ 2,933,299	$ 4,173,658

The Company acquired FocalTech Corporation, Ltd. through a share swap on January 2, 2015 (the reference date of the acquisition). The Company issued new shares to exchange 100% of the ownership of FocalTech Corporation, Ltd., each share of FocalTech Corporation, Ltd. swapped into 4.8 shares of the Company; the Company issued 275,858 thousand shares with a par value $10, amounting to $2,758,575 thousand. Since the acquisition was identified as a reverse merger, the share capital was retroactively adjusted as the original capital of the Company $1,400,495 thousand in addition to newly issued shares of $2,758,575 thousand, resulting in $4,159,070 thousand.

On March 5, 2015, the board of directors of the Company resolved to reduce 124,902 thousand of shares in cash, amounting to $1,249,021 thousand of capital. Based on the capital of $4,179,262 thousand before capital reduction, the capital was reduced approximately at 30%. The capital reduction was resolved by the shareholder’s meeting on June 10, 2015 and approved by the Financial Supervisory Commission on August 26, 2015; the reference date of the capital reduction at September 23, 2015 was resolved by the board of director on September 2, 2015 and the registration was completed on October 8, 2015.

b. Capital surplus

1) The capital surplus from shares issued in excess of par (additional paid-in capital from issuance of ordinary shares, conversion of bonds and treasury stock transaction) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company’s capital surplus and once a year).

2) The capital surplus from employee share options may not be used for any purposes, while those from the expiration or the redemption of convertible bonds may be used to offset a deficit.

3) The capital surplus from investment accounted for using equity method and employee restricted shares may not be used for any purposes.

c. Retained earnings and dividend policy

Under the Company's Articles of Incorporation, in the allocation of the net profits for each fiscal year, the Company should first offset its deficits in previous years and then set aside a legal reserve at 10% of the remaining profits until the accumulated legal capital reserve equals total capital. After deducting the legal reserve and any special reserve as required by laws or related regulations, the following appropriations are made sequentially from the balance:

1) Dividends to the shareholders at 6% of "ordinary share capital".
2) Remuneration to directors at 1.5%, bonus to employees not less than 1% of the balance after 6% dividend deduction.
3) Any balance, the distribution of earnings is proposed by the board of directors for approval at the stockholders' meeting. The undistributed earnings from previous years and the current year net income after all the deductions above could be available for dividend distribution. The cash portion should be equal or more than 10% of the total dividends. It is allowed not to distribute any cash dividend if the cash amount per share is less than NT 0.5.

If a deduction to shareholders' equity was accumulated in the previous year or occurred in the current year, for which the current year's earnings were not sufficient for appropriation of special reserve, the same amount of special reserve shall be made from the previous years' accumulated undistributed earnings and appropriated before distribution of earnings.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been proposed by the Company's board of directors on February 26, 2015 and are subject to the resolution of the shareholders in their meeting to be held on June 22, 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and the actual appropriations, please refer to Note 23(c). .

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of earnings for 2015 and 2014 have been approved by the board of directors and having been approved in the shareholders' meetings on February 26, 2016, and June 10, 2015, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share For the Year Ended December 31	
	2015	**2014**	**2015**	**2014**
Legal reserve	$ 23,582	$ 14,445		
Cash dividends	212,240	130,005	$ 0.7222	$ 0.3123

22. REVENUE

	For the Three Months Ended March 31	
	2016	2015
IC for portable devices	$ 2,306,883	$ 2,428,057
Others	1,684	1,088
	$ 2,308,567	$ 2,429,145

23. NET INCOME (LOSS)

a. Finance costs

	For the Three Months Ended March 31	
	2016	2015
Interest on convertible bonds	$ 3,930	$ 3,867
Interest on bank loans	759	606
Interest on deposits	74	43
	$ 4,763	$ 4,516

b. Depreciation and amortization

	For the Three Months Ended March 31	
	2016	2015
Property, plant and equipment	$ 14,221	$ 15,684
Intangible assets	11,446	12,011
	$ 25,667	$ 27,695
An analysis of deprecation by function		
Operating expenses	$ 19,238	$ 19,444
Operating costs	6,429	8,251
	$ 25,667	$ 27,695

c. Employee benefits expense

	For the Three Months Ended March 31	
	2016	2015
Post-employment benefits		
Defined contribution plans	$ 6,584	$ 6,266
Defined benefit plans (see Note 20)	237	247
Share-based payments	6,562	20,752
Other employee benefits	328,144	351,854
Total employee benefits expense	$ 341,527	$ 379,119

An analysis of employee benefits expense by function

Operating costs	$ 9,959	$ 26,968
Operating expenses	331,568	352,151
	$ 341,527	$ 379,119

The bonus to employee of the Company was estimated at a certain percentage of the net profit, due to the net loss after tax for three months ended March 31, 2015, the Company did not accrue any bonus to employees and remuneration to directors.

To be in compliance with the Company Act as amended in May 2015, the proposed amended Articles of Incorporation of the Company stipulate to distribute employees' compensation and remuneration to directors at the rates no less than 1% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors. Due to the net loss after tax for three months ended March 31, 2016, the Company did not accrue any bonus to employees and remuneration to directors.

If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The appropriations of employees' compensation and remuneration to directors for 2015 were resolved by the board of directors on February 26, 2016, and the appropriations of bonus to employees and remuneration to directors for 2014 were approved in the shareholders' meeting on June 10, 2015. The amounts of the employees' compensation/ bonus and remuneration to directors are disclosed on the table below. After the amendments to the Articles resolved in the shareholders' meeting held on June 22, 2016, the appropriations of the employees' compensation and remuneration to directors for 2015 were reported in the shareholders' meeting.

	For the Year Ended December 31			
	2015		**2014 (Note)**	
	Cash	**Share**	**Cash Bonus**	**Share Bonus**
Employees' compensation	$ 51,049	$ -	$ -	$ -
Remuneration of directors	635	-	-	-

Note 1：The bonuses to employees and remuneration to directors for 2014 which have been approved in the shareholders' meetings on June 10, 2015, which was distributed by the FocalTech Systems, co., Ltd. (formerly Orise Technology Co., Ltd.)

There was no difference between the amounts of the employees' compensation and the remuneration to directors resolved by the board of directors on February 26, 2016 and the amounts of the bonus to employees and the remuneration to directors approved in the shareholders' meetings on June 10, 2015, and the respective amounts recognized in the consolidated financial statements for the years ended December 31, 2015 and 2014.

Information on the employees' compensation and remuneration to directors resolved by the Company's board of directors in 2016 and bonus to employees, directors resolved by the shareholders' meeting in 2015 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

24. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense (income) were as follows:

	For the Three Months Ended March 31	
	2016	**2015**
Current tax		
In respect of the current year	$ 497	$ 5,774
Deferred tax		
In respect of the current year	(9,244)	(2,246)
Effect of foreign currency exchange differences	3,196	1,645
	(6,048)	(601)
Income tax expense recognized in profit or loss	$ (5,551)	$ 5,173

FocalTech Systems Ltd. and FocalTech Electronics, Ltd. are exempted from taxation under local tax regulation.

For other group entities, the applicable tax rate were as follow:

1) FocalTech Corporation, Ltd and FocalTech System, Inc.: 35%
2) The Company and FocalTech Electronics Co., Ltd.: 17%
3) FocalTech Electronics (Shenzhen) Co., Ltd., FocalTech Electronics (Shanghai) Co., Ltd., FocalTech Systems (Shenzhen) Co., Ltd., and Hefei PineTech Electronics Co., Ltd: 25%

b. The Company's integrated income tax

	March 31, 2016	**December 31, 2015**	**March 31, 2015**
Imputation credit accounts	$ 62,742	$ 62,742	$ 67,050

	For the Three Months Ended March 31	
	2016 (Expected)	**2015**
Creditable ratio for distribution of earnings	4.68%	20.02%

c. Income tax assessments

The Company's tax returns through 2013, and subsidiary "FocalTech Electronics Co., Ltd."s' through 2014 have been assessed by the tax authorities.

25. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Three Months Ended March 31	
	2016	**2015**
Basic earnings per share	$ (0.34)	$ (0.13)
Diluted earnings per share	$ (0.34)	$ (0.34)

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Year

	For the Three Months Ended March 31	
	2016	**2015**
Earnings used in the computation of basic earnings per share	$ (99,034)	$ (55,555)
Effect of potentially dilutive ordinary shares:		
Interest on convertible bonds after tax	-	3,209
Gain on valuation of convertible bonds	-	(96,333)
Earnings used in the computation of diluted earnings per share	$ (99,034)	$ (148,679)

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares):

	For the Three Months Ended March 31	
	2016	**2015**
Weighted average number of ordinary shares in computation of basic earnings per share	292,299	414,952
Effect of potentially dilutive ordinary shares:		
Convertible bonds	-	28,594
Weighted average number of ordinary shares used in the computation of diluted earnings per share	292,299	443,546

The computation of diluted earnings per share did not include the shares from the restricted shares for three months ended March 31 2016 and 2015 due to anti-dilution.

If the Group is able to select the settlement of the compensation or bonus paid to employees in cash or shares, the weighted average number of outstanding shares used in the computation of diluted earnings per share should include the diluting effect assuming the entire amount of the compensation or bonus settled in shares until the final number of shares distributed to employees is resolved in the following year.

26. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan in 2015

As approved by the FSC on July 6, 2015, the Company granted 2,800,000 options to qualified employees of the Company and its subsidiaries. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company at $10 per share, and 2,800,000 shares of ordinary shares ($10 par value) were required for this plan. The options granted are valid for 10 years and exercisable at 50% after the second anniversary from the grant date and at 25% each year thereafter. For any subsequent changes in the Company's capital surplus, such as issuance of shares in cash, earnings and capital surplus, consolidation, spin-off, share split, and issuance of global depositary receipts, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

	For the Three Months Ended March 31, 2016	
	Number of Options (In Thousands)	**Weighted-average Exercise Price (NT$)**
Balance at January 1	2,688,000	$ 12.7
Options forfeited	(97,000)	12.7
Balance at March 31	2,591,000	12.7
Weighted-average fair value of options granted ($)	$ 16.60	

Information about outstanding options was as follows:

Range of exercise price (NT$)	Weighted-average remaining contractual life (years)
March 31, 2016	**March 31, 2016**
$12.7	9.42

Options granted in 2015 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	September 2, 2015
Grant-date share price ($)	$24.40
Exercise price ($)	$10
Expected volatility	43.71%
Expected life (years)	10 years
Expected dividend yield	-
Risk-free interest rate	0.84%-0.92%

b. Employee share option plan in 2013

As approved by the FSC on July 11, 2013, the Company issued 2,000,000 options at a price lower the market price to qualified employees of the Company and its subsidiaries, amounting to $20,000 thousand in total. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company at $10 per share and to exercise at a price not lower than 50% of the closing price at the issue date of the options, and 2,000,000 shares of ordinary shares ($10 par value) were required for this plan. The options granted are valid for 6 years and exercisable at 50% after the second anniversary from the grant date and at 25% each year thereafter. For any subsequent changes in the Company's capital surplus, such as issuance of shares in cash, earnings and capital surplus, consolidation, spin-off, share split, and issuance of global depositary receipts, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

	For the Three Month Ended March 31			
	2016		2015	
	Number of Options (In Thousands)	**Weighted-average Exercise Price (NT$)**	**Number of Options (In Thousands)**	**Weighted-average Exercise Price (US$)**
Balance at January 1	1,578,500	$ 39.4	1,74,4000	$ 27.6
Options forfeited	(8,500)	39.4	(16,000)	27.6
Options exercised	(83,000)	39.4	-	-
Balance at March 31	1,487,000	39.4	1,728,000	27.6
Options exercisable, end of period	740,000	39.4	-	-

Information about outstanding options as of March 31, 2016 and 2015 was as follows:

Range of exercise price (NT$)		Weighted-average remaining contractual life (years)	
March 31		**March 31**	
2016	**2015**	**2016**	**2015**
$39.4	$27.6	3.25	4.25

Options granted in 2013 were priced using the Black-Scholes pricing model and the inputs to the model, which were re-priced at January 2, 2015, the reference date of the acquisition, and the inputs to the model for re-pricing were as follows:

	January 2, 2015
Grant-date share price ($)	$38.6
Exercise price ($)	$27.6
Expected volatility	45.97%
Expected life (years)	6 years
Expected dividend yield	-
Risk-free interest rate	0.72%-0.89%

c. Employee share option plan in 2006

The board of directors of FocalTech System, Inc. resolved to grant 3,950,600 options in February 1996, and resolved additional 1,000,000 options (only for buy-back of treasury socks and re-issuance for share options), 2,500,000 options, 2,300,000 options and 600,000 options in March 1997, July 2010, February 2012 and October 2012, respectively. As of December 31, 2012, 10,350,000 options were available for grant, including 1,000,000 options only buy-back of treasury stocks and re-issuance, and each option entitled the holder to subscribe for one ordinary share of FocalTech System, Inc. and could be granted to employees and directors of the Company and subsidiaries and engaged consultants.

Due to reconstruction of the Group, FocalTech Systems, Inc. transferred all the rights and obligations of the share options to FocalTech Corporation, Ltd. on December 31, 2012.

For attracting and retaining talented personnel as well as enhancing attachment and belongingness of employees, the board of directors resolved additional 1,000,000 options, 650,000 options, and 600,000 options to be granted in January 2012, March 2012 and April, 2012, respectively.

Exercise price of the share options was confirmed according to the resolution of the board of directors, and the exercise price and the number of options granted were adjusted by the subsequent changes in ordinary shares defined in the share option plan.

Due to FocalTech Corporation, Ltd. planned initial public offering, the employee share option plan in 1996 was terminated by the resolution of the board of directors on June 24, 2013. The options granted before the termination were still effective.

The options granted are valid for 10 years; except certain active employees may exercise the options earlier and leave employees extend the exercisable period of the options, the vesting conditions were as follows:

1) 25% of the options granted are exercisable after the secondary anniversary from the grant date, and 12.5% of the options granted become exercisable each half year thereafter, the vesting period amounting to 4 years in total; or
2) the options granted reach exercisable according to the condition of performance achievement.

Information on employee share options was as follows:

	For the Three Month Ended March 31			
	2016		2015	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (US$)
Balance at January 1	6,738,924	$ 18.61	2,434,079	$ 70.19
Options granted	-	-	11,683,576	14.37
Options forfeited	(439,800)	25.67	(673,800)	18.39
Options exercised	(941,906)	17.17	(1,511,618)	15.12
Balance at March 31	5,357,218	18.29	9,498,158	13.97
Options exercisable, end of period	3,280,029	15.64	2,098,365	11.35

Information about outstanding options was as follows:

Range of exercise price (NT$)		Weighted-average remaining contractual life (years)	
March 31		March 31	
2016	2015	2016	2015
$1.82	$1.43	4.07	5.08
2.07	1.62	4.80	5.81
2.22	1.75	50.7	6.07
2.39	1.88	5.32	6.32

3.14	2.46	5.56	6.57
4.37	3.43	5.86	6.86
5.53	4.34	6.09	7.09
7.09	5.57	6.32	7.32
14.25	11.21	5.86	6.86
17.95	14.13	6.57	7.57
25.52	20.09	6.88	7.88
29.47	23.20	7.02	8.02
33.42	26.31	7.23	8.23
38.29	30.13	6.83	7.84

As FocalTech Corporation, Ltd. acquired the Company in a reverse merger, the rights and obligations of the option plan were transferred to the Company. According to the requirements of the agreement of the acquisition and share swap, the adjusted number of shares for which each option entitles the holder to subscribe the Company's ordinary shares was 4.8 times the original number of the shares of FocalTech Corporation, Ltd. for which each option entitled the holder to subscribe, and the adjusted exercise price was the original exercise price divided by the share swap rate. No incremental compensation cost was recognized at the reference date of the acquisition since the modification to terms and conditions of agreement due to acquisition.

Compensation cost recognized was $1,392 thousand and $2,202 thousand for the three months ended March 31, 2016 and 2015.

d. Employee restricted shares plan in 2013

On June 18, 2013, the meeting of the Company's shareholders approved an employee restricted shares plan with a total amount of $10,000 thousand, consisting of 1,000 thousand shares, $10 par per share and issue price at $0 (free of payments). It was applied to the FSC and effective on August 15, 2013.

The grant date and issue date was October 3, 2013, and the fair value of each share at the grant date was $46.6. The employee restricted shares plan was remeasured at January 2, the reference date of acquisition, based on $38 per share, the closest opening price to the reference date.

Provided that the employees who acquired restricted shares keep active until the end of the vesting period, obey the service principles, and never violate the labor contracts, working principles or employee management rules, the vesting conditions were as follows:

1) the second anniversary from the grant date, 20% of acquired shares.
2) the third anniversary from the grant date, 30% of acquired shares.
3) the fourth anniversary from the grant date, 50% of acquired shares.

The restrictions on the rights of the employees who acquired the restricted shares but have not meet the vesting conditions were as follows:

1) The employees cannot sell, pledge, transfer, donate, or in any way dispose of these shares.
2) The Company enters into a trust agreement with a trust and custodian institution on behalf of the employees, and the institution exercises the rights in shareholders' meeting, in accordance with the agreement, such as attendance, proposing, speaking and voting.
3) The employees holding these shares are still entitled to receive cash and dividends in share and participating in capital increase in cash.
4) For the employees who meet vesting conditions in the periods, including the book closure periods for stock dividends, cash dividends, or cash injection, required by Article 165 item 3 of the Company Act, or due to other circumstances, the removal of restrictions and the delivery of the shares are ceased.

If an employee fails to meet the vesting conditions, the Company will recall and cancel his/her restricted shares.

e. Employee restricted shares plan in 2014

On February 24, 2014, the board of directors of FocalTech Corporation, Ltd. approved an employee restricted shares plan with a total amount of $8,000 thousand, consisting of 800,000 shares, $10 par per share, to apply for issuance at one times or several times for one year since the resolution date.

The Chairman decided August 20, 2014 as the record date of issuance, authorized by the board of directors of FocalTech Corporation, Ltd. on August 1, 2014. The restricted shares issued amounted to $3,854 thousand, consisting of 385,350 shares and issue price at $10 per share. August 1, 2014 and August 20, 2014 were the grant date and the issue date, respectively, and the fair of each share at the grant date was $247.5.

The Chairman decided November 7, 2014 as the record date of issuance, authorized by the board of directors of FocalTech Corporation, Ltd. On October 31, 2014. The restricted shares issued amounted to $4,057 thousand, consisting of 405,650 shares and issue price at $10 per share. October 31, 2014 and November 7, 2014 were the grant date and the issue date, respectively, and the fair of each share at the grant date was $173.

According to the employee restricted shares plan, one third of the restricted are vested when the employees who acquired the restricted shares keep working in FocalTech Corporation, Ltd. every anniversary since the grant date.

The restrictions on the rights of the employees who acquired the restricted shares but have not meet the vesting conditions were as follows;

1) The employees cannot sell, pledge, transfer, donate, or in any way dispose of these shares.
2) The Company enters into a trust agreement with a trust and custodian institution on behalf of the employees, and the institution exercises the rights in the shareholders' meeting, in accordance with the agreement, such as attendance, proposing, speaking and voting.
3) The same restrictions were applied to the cash dividends and stock dividends (appropriated from earnings or capital surplus) derived from the restricted shares not vested and related dividends.

If an employee fail to meeting the vesting conditions, FocalTech Corporation, Ltd. will buy back at the original issue price and cancel his/her restricted shares.

As FocalTech Corporation, Ltd. acquired the Company in a reverse merger, the rights and obligations of the restricted shares plan were also transferred to the Company. No incremental compensation cost was recognized at the reference date of the acquisition.

Compensation cost recognized was $5,170 thousand and $18,550 thousand for the three months ended March 31, 2016 and 2015.

27. BUSINESS COMBINATIONS

a. The Company as acquiree

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)
FocalTech Systems Co., Ltd. (the Company)	Development, manufacture and sale of wafer for consumer electronic	January 2, 2015	100%

The acquisition was for long-term development strategy, integration of resources and enhancement of competitiveness, in order to increase sales and profit and create more values.

b. Considerations transferred

	The Company
Acquired 100% ownership interest in FocalTech Corporation, Ltd. by issuing equity instruments	$ 5,321,880
Non-controlling interests	28,080
	$ 5,349,960

c. Fair value of assets acquired and liabilities assumed at the date of acquisition

	The Company
Current assets	
Cash and cash equivalents	$ 717,370
Trade and other receivables	2,177,210
Inventories	1,871,832
Others	53,948
Non-current assets	
Fixed assets	29,286
Intangible assets	167,204
Deferred tax assets	129,342
Others	3,339
Current liabilities	
Short-term borrowings	(316,500)
Trade and other payables	(1,344,710)
Others	(5,524)
Non-current liabilities	
Financial liabilities at fair value through profit and loss	(283,121)
Bonds payable	(941,210)
Deferred tax liabilities	(23,520)
Others	(122,254)
	$ 2,112,692

d. Non-controlling interests

For the outstanding share options and employee restricted shares granted by the Company to its employees, replacement awards were measured based on market prices at the reference date of the acquisition. The significant assumptions used in determining the market-value measurement were set out in Note 29.

1) Replacement award that is part of consideration transferred

	The Company
Share options	$ 16,277
Employee restricted shares	11,803
	$ 28,080

2) Replacement award attributable to post-combination services

	The Company
Share options	$ 13,062
Employee restricted shares	13,216
	$ 26,278

e. Goodwill arising on acquisition

	The Company
Consideration transferred	$ 5,321,880
Plus: Non-controlling interests (share options and employee restricted shares granted by the Company)	28,080
Less: Fair value of identifiable net assets acquired	(2,112,692)
Goodwill arising on acquisition	$ 3,237,268

Goodwill arose on the acquisition of the Company because the cost of the combination included a control premium and other intangible assets. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the Company. These benefits were not recognized separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

f. Impact of acquisitions on the results of the Group

The results of the acquirees since the acquisition date included in the consolidated statements of comprehensive income were as follows:

	The Company
Revenue	$ 7,230,043
Profit	$ 1,620

28. OPERATING LEASE ARRANGEMENTS

The Company is Lessee

The Company and its subsidiaries have lease contracts relate to office, plant and part of office equipment, above contracts would be expired after March 2018.

The lease payments recognized in profit or loss for the current period were as follows:

	March 31, 2016	December 31, 2015	March 31, 2015
Lease expenses recognized in profit or loss	$ 16,395	$ 65,764	$ 15,455

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	March 31, 2016	December 31, 2015	March 31, 2015
Not later than 1 year	$ 29,046	$ 44,645	$ 36,889
Later than 1 year and not later than 5 years	9,607	9,959	24,508
	$ 28,653	$ 54,604	$ 61,397

29. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

The management believes the carrying amounts of financial assets and financial liabilities not measured of fair value approximate their fair values or cannot be reliably measured.

b. Fair value of financial instruments that are measured at fair value

1) Fair value hierarchy

March 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Structured note	$ -	$ -	$ 126,119	$ 126,119
Financial liabilities at FVTPL				
Conversion option attached to the convertible bonds	$ -	$ -	$ 45,228	$ 45,228

December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Structured note	$ -	$ -	$ 129,120	$ 129,120
Financial liabilities at FVTPL				
Conversion option attached to the convertible bonds	$ -	$ -	$ 47,818	$ 47,818

March 31, 2015

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Conversion option attached to the convertible bonds	$ -	$ -	$ 186,788	$ 186,788

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the Three Months ended March 31, 2016

	Derivatives
Financial assets at FVTPL	
Structured note	
Balance at January 1, 2016	$ 129,120
Recognized in profit or loss (included in gain on financial assets at FVTPL) - unrealized	(498)
Effect of foreign currency exchange differences	(2,503)
Balance at March 31, 2016	$ 126,119

	Derivatives
Financial liabilities at FVTPL	
Conversion option attached to the convertible bonds	
Balance at January 1, 2016	$ 47,818
Recognized in profit or loss (included in gain on financial liabilities at FVTPL)	
Unrealized	(2,590)
Balance at March 31, 2016	$ 45,228

For the Three Months ended March 31, 2015

	Derivatives
Financial liabilities at FVTPL	
Conversion option attached to the convertible bonds	
Balance at January 1, 2015	$ -
Acquisitions through business combinations at January 2, 2015	283,121
Recognized in profit or loss (included in gain on financial liabilities at FVTPL) - unrealized	(96,333)
Balance at March 31, 2015	$ 186,788

3) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

a) Structured Note

Financial Instruments	Valuation Techniques and Inputs
Credit-Linked Note	The fair value provided by the Bank in accordance with the pricing model and / or assumptions of the current and future market conditions, the size and liquidity of the investment and the actual and potential hedging transactions after a reasonable review.

b) Conversion option attached to the convertible bond

The convertible bond was valuation by the model of Binary Tree Pricing to Convertible Bonds, the fair value was measured based on the valuation date, duration, the price of the Company's stock, conversion price, volatility, risk-free interest, risk discount and liquidity risk. The Company obtained the external financial instrument valuation report, the estimation and assumptions used in the valuation report are consistent the information that the market participants used to estimate and assume in the pricing of financial instrument.

The valuation inputs applied as follow:

	March 31, 2016
Volatility	50.73%
Risk-free interest	0.4114%
Risk discount rate	1.2035%
Liquidity risk	2.39%

4) Sensitivity analysis of the conversion option attached to the convertible bonds.

a) Foreign currency risk

The convertible bond was denominated at NT dollar, recognized the fair value through profit or loss which would not subject to exchange rate fluctuation.

b) Interest rate risk

If interest rates had been 10 or 20 basis points higher/lower and all other variables were held constant, the gain(loss) per NT100 thousand bond sheet on Financial liabilities at FVTPL for the three ended March 31, 2016 and 2015 would decrease/increase by $(130) thousands, $(250) thousands, $120 thousands and $250 thousand, respectively.

c) Share price risk

If price had been 7% or 10% higher/lower and all other variables were held constant, the gain(loss) per sheet on Financial liabilities at FVTPL for the three ended March 31, 2016 and 2015 would decrease/increase by $(720) thousands, $(1,000) thousands, $590 thousands and $790 thousand, respectively.

d) Volatility

If volatility had been 1% or 5% higher/lower and all other variables were held constant, the gain(loss) per sheet on Financial liabilities at FVTPL for the three ended March 31, 2016 and 2015 would decrease/increase by $(240) thousands, $(480) thousands, $110 thousands and $590 thousand, respectively.

c. Categories of financial instruments

	March 31, 2016	December 31, 2015	March 31, 2015
Financial assets			
Available-for-sale financial assets (Note 1)	$ 48,278	$ 49,238	$ 46,950
Loans and receivables (Note 2)	8,369,056	8,606,718	9,116,359
Fair value through profit or loss (FVTPL)			
Designated as at FVTPL	48,413	129,120	-

	March 31, 2016	December 31, 2015	March 31, 2015
Financial liabilities			
Fair value through profit or loss (FVTPL)			
Held for trading	45,228	47,818	186788
Amortized cost (3)	2,936,445	3,269,496	3,105,975

1) The balances included the carrying amount of available-for-sale and financial assets measured at cost.

2) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, trade receivables, other financial assets and guarantee deposits(included in other non-current assets).

3) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, trade and other payables, bonds payable and deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments include cash and cash equivalents, trade receivable, other financial assets, financial assets measured at cost, borrowings, trade and other payables, bonds payable. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The board of directors is solely responsible for established and monitored the framework of risk management of the Group, the board of directors authorized the chairman develop and monitored the risk management policy of the Company with the operation center of the Group, and regularly reported the situation to the board of directors.

The Group's financial risk management policies are developed for identifying and analyzing the financial risks to the Group, evaluating the impacts of the financial risks, and executing the financial-risk aversion policies. The financial risk management are periodically reviewed to reflect changes to the market and the operations. Through the internal controls, such as training and setting up managing requirements and procedures, the Group is engaged in developing a disciplined and constructive control environment, in order to have all employees understand own responsibilities.

The Group's board of directors monitors the management on managing the compliance to the financial risk management policies and procedures and reviews the appropriateness of risk management structure. To assist the board of directors, the internal auditors perform period and exceptional reviews on the controls and procedures of financial risk management and report the result of reviews to the board of directors.

The risk exposure, the targets, policies and procedures of evaluating and managing risks were disclosed as follow.

1) Market risk

The Group did not have financial instruments which involve material market risk due to price variations; thus, the market risk was immaterial.

a) Foreign currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities which were not in the same functional currency with the Group entity at the end of the reporting period are shown in Note 33.
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Sensitivity analysis

The Group was mainly exposed to the U.S. dollar and RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an decrease in pre-tax profit and other equity associated with New Taiwan dollars strengthen 5% against the relevant currency. For a 5% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	USD Impact		**RMB Impact**	
	For the Three Months Ended March 31		**For the Three Months Ended March 31**	
	2016	**2015**	**2016**	**2015**
Profit or loss/ equity	$ 47,158 (i)	$ 153,318 (i)	$ 7,981 (ii)	$ 42,891 (ii)

i. This was mainly attributable to the exposure outstanding on USD time deposits, trade receivables, trade, other payables, other current assets and other current liability.

ii. This was mainly attributable to the exposure to outstanding RMB time deposits.

b) Interest rate risk

The Group was exposed to interest risk arising from fixed rate time deposits, financial assets designated at FVTPL and other financial assets, and floating-rate demand deposits. The time deposits and financial assets designated at FVTPL were at fixed interest rates, and other financial assets were mainly at fixed rates or at guaranteed minimal interest rates and carried at amortized costs, and, therefore, the variations to interest rates did not affect future cash flows.

The carrying amount of the Group's financial assets with exposure to interest rates at the end of the reporting period were as follows.

	March 31, 2016	**December 31, 2015**	**March 31, 2015**
Fair value interest rate risk			
Financial assets	$ 5,866,072	$ 5,684,313	$ 6,152,711
Financial liabilities	$ 1,271,274	$ 1,296,443	$ 1,245,809
Cash flow interest rate risk			
Financial assets	$ 1,468,020	$ 1,419,835	$ 1,152,100

The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate assets, the analysis was prepared assuming the amount of the assets outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the three months ended March 31, 2016 and 2015 would decrease/increase by $918 thousand and $720 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation from the carrying amounts of the financial assets as recognized in the balance sheets.

In order to minimize credit risk, management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Group's credit risk was significantly reduced.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks and entities with high credit ratings.

The Group's concentration of credit risk was related to the five largest client of trade receivables. Ongoing credit evaluation is performed on the financial condition of trade receivables.

The Group's concentration of credit risk of 62% in total trade receivables as of March 31, 2016, was related to the Group's five largest customer, the remaining transactions with a large number of unrelated customers, thus, no other concentration of credit risk was observed.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, bank loans are a significant resource of liquidity for the Group.

As of March 31, 2016 and 2015, the Group had available unutilized short-term bank loan facilities of $3,164,644 thousand and $2,056,500 thousand, respectively.

a) Liquidity and interest risk rate tables for non-derivative financial liabilities

The Group's remaining contractual maturity for its non-derivative financial liabilities was based on the undiscounted cash flows, including interest and principal cash flow, of financial liabilities from the earliest date on which the Group can be required to pay.

March 31, 2016

	On Demand or Less than 1 Year	1-5 Years
Non-derivative financial liabilities		
Fixed interest rate liabilities		
Borrowing	$ 244,889	$ -
Bonds payable	1,026,385	-
	1,271,274	-
Non-interest bearing		
Trade payables	850,893	-
Other payables	800,255	-
Deposits received	-	79,768
	1,651,148	79,768
	$ 2,922,422	$ 79,768

b) Financing facilities

	March 31, 2016
Unsecured bank overdraft facility, reviewed annually:	
Amount used	$ 244,606
Amount unused	3,164,644
	$ 3,409,250

30. TRANSACTIONS WITH RELATED PARTIES

a. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

b. Compensation of key management personnel

	For the Three Months Ended March 31	
	2016	2015
Long-term employee benefits	$ 4,664	$ 3,203
Short-term employee benefits	15,455	17,444
Post-employment benefits	151	262
Share-based payments	1,592	3,270
	$ 21,862	$ 24,179

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	March 31, 2016	December 31, 2015	March 31, 2015
Pledge deposits (classified as other non-current assets)	$ 4,000	$ 4,000	$ 4,000

32. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

Due to the operating requirements, it was resolved by the Board on April 28, 2016 that FocalTech Systems, Ltd. Could make loans to the Company and FocalTech Electronics, Ltd. under the caps of $579,330 thousand and $2,574,800 thousand, respectively.
It was resolved by the Board on April 28, 2016 that the Company could purchase 5,000,000 shares at the price $19.67 to $42.94 from Taiwan Stock Exchange market during April 29, 2016 to June 28, 2016. The purpose of the share repurchase was to transfer to employees.

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

March 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 59,955	0.0311 (USD:NTD)	$ 1,929,647
USD	1,086	0.1548 (USD:RMB)	34,979
RMB	32,044	6.4612 (RMB:USD)	159,618
Financial liabilities			
Monetary items			
USD	20,519	0.0311 (USD:NTD)	660,127
USD	11,047	0.1548 (USD:RMB)	355,544

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 64,896	0.0305 (USD:NTD)	$ 2,838,274
USD	1,041	0.1540 (USD:RMB)	34,218
RMB	91,688	6.4936 (RMB:USD)	461,679
Financial liabilities			
Monetary items			
USD	24,555	0.0305 (USD:NTD)	97,406
USD	13,974	0.1540 (USD:RMB)	458,710

March 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 136,751	0.032 (USD:NTD)	$ 4,280,309
USD	3,512	0.1628 (USD:RMB)	109,918
RMB	168,336	6.1422(RMB:USD)	857,825
Financial liabilities			
Monetary items			
USD	37,399	0.032 (USD:NTD)	1,170,595
USD	4,897	0.1628 (USD:RMB)	153,267

34. SEGMENT INFORMATION

Segment information is provided to those who allocate resources and assesse segment performance separately. The Company’s operation focuses on the selling and developing portable device related IC under a single operation unit. Thus, the information of operating segment should not be disclosed individually.