FocalTech Systems Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2016 and 2015

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	June 30, 2016		December 31, 2015		June 30, 2015 (Restated During Measurement Period)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 2,785,133	19	$ 1,690,441	11	$ 2,488,125	15
Financial assets at fair value through profit or loss – current (Note 7 and 30)	127,188	1	129,120	1	-	-
Trade receivables, net (Note 8)	1,436,403	10	1,587,586	10	2,083,404	13
Inventories (Note 9)	2,736,633	19	2,543,876	17	2,470,244	15
Other financial assets (Note 10)	3,306,821	23	5,287,856	35	5,134,641	32
Other current assets	180,671	1	152,767	1	148,214	1
Total current assets	10,572,849	73	11,391,646	75	12,324,628	76
NON-CURRENT ASSETS						
Financial assets measured at cost (Note 11)	48,413	-	49,238	-	46,290	1
Property, plant and equipment (Note 13)	122,349	1	148,188	1	155,175	1
Goodwill (Note 14 and 27)	3,237,268	23	3,237,268	21	3,237,268	20
Other intangible assets (Note 15)	196,787	1	172,819	1	162,895	1
Deferred tax assets (Note 14)	148,398	1	154,154	1	176,789	1
Other non-current assets (Note 32)	89,367	1	57,743	1	23,301	-
Total non-current assets	3,842,582	27	3,819,410	25	3,801,718	24
TOTAL	$ 14,415,431	100	$ 15,211,056	100	$ 16,126,346	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 16)	$ 322,750	2	$ 269,775	2	$ 61,720	-
Financial liabilities at fair value through profit or loss - current (Note 7 and 30)	1,096	-	47,818	-	174,136	1
Trade payables (Note 18)	1,405,772	10	974,714	6	1,373,363	9
Other payables (Note 19)	918,026	6	980,385	7	868,741	5
Dividends payables (Note 21)	212,240	2	-	-	130,005	1
Current tax liabilities (Note 4)	2,529	-	3,254	-	9,605	-
Current portion of bonds payable (Note 17)	33,795	-	956,772	6	-	-
Other current liabilities	83,625	1	68,781	1	45,316	-
Total current liabilities	2,979,833	21	3,301,499	22	2,662,886	16
NON-CURRENT LIABILITIES						
Bonds payable (Note 17)	-	-	-	-	948,959	6
Deferred tax liabilities	183,249	1	190,372	1	194,906	1
Net defined benefit liabilities - non-current (Note 4)	47,970	-	48,168	-	44,094	-
Guarantee deposits received	78,828	1	87,850	1	66,385	1
Other non-current liabilities	10,400	-	10,400	-	10,400	-
Total non-current liabilities	320,447	2	336,790	2	1,264,744	8
Total liabilities	3,300,280	23	3,638,289	24	3,927,630	24
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)						
Share capital						
Ordinary shares	2,942,938	20	2,933,299	19	4,175,831	26
Capital surplus						
Additional paid-in capital	6,387,971	44	6,362,250	42	6,310,872	39
Employee share options	87,947	1	103,350	-	99,255	1
Treasury shares	236	-	236	-	236	-
Employee restricted shares	113,784	1	115,999	1	157,603	1
Employee share options - expired	12,235	-	10,806	-	10,782	-
Total capital surplus	6,602,173	46	6,592,641	43	6,578,748	41
Retained earnings						
Legal reserve	165,045	1	141,463	1	141,463	1
Undistributed earnings	1,095,133	8	1,358,815	9	1,116,896	7
Total retained earnings	1,260,178	9	1,500,278	10	1,258,359	8
Other equity						
Exchange differences from translating the financial statements of foreign operations	493,967	3	609,523	4	277,054	2
Unearned employee compensation	(51,498)	-	(62,974)	-	(91,276)	(1)
Total other equity	442,469	3	546,549	4	185,778	1
Treasury shares	(132,607)	(1)	-	-	-	-
Total equity	11,115,151	77	11,572,767	76	12,198,716	76
TOTAL	$ 14,415,431	100	$ 15,211,056	100	$ 16,126,346	100

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

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
REVENUE (Note 22)	$ 2,959,989	100	$ 3,202,491	100	$ 5,268,556	100	$ 5,631,636	100
COSTS OF SALES (Note 9 and 23)	(2,379,903)	(80)	(2,650,842)	(83)	(4,256,581)	(81)	(4,703,946)	(83)
GROSS MARGIN	580,086	20	551,649	17	1,011,975	19	927,690	17
OPERATING EXPENSES (Note 20, 23, 26 and 31)								
Selling and marketing expenses	(117,650)	(4)	(112,770)	(3)	(220,648)	(4)	(213,766)	(4)
General and administrative expenses	(73,812)	(3)	(82,096)	(3)	(146,855)	(3)	(171,397)	(3)
Research and development expenses	(303,444)	(10)	(328,143)	(10)	(651,885)	(12)	(659,701)	(12)
Total operating expenses	(494,906)	(17)	(523,009)	(16)	(1,019,388)	(19)	(1,044,864)	(19)
OPERATING INCOME (LOSS)	85,180	3	28,640	1	(7,413)	-	(117,174)	(2)
NON-OPERATING INCOME AND EXPENSES								
Finance costs (Note 23)	(2,491)	-	(4,297)	-	(7,254)	-	(8,813)	-
Gain on disposal of investment	-	-	5	-	-	-	33	-
Gain on financial assets and liabilities at fair value through profit or loss (Note 30)	15,790	-	12,652	-	17,882	-	108,985	2
Other gains and losses - net (Note 17)	(31,146)	(1)	16,393	1	(29,036)	(1)	18,204	-
Loss on disposal of property, plant and equipment	-	-	-	-	(1,986)	-	-	-
Loss on foreign currency exchange	(5,423)	-	(22,811)	(1)	(28,082)	(1)	(40,935)	(1)
Interest income	21,391	1	25,409	1	34,605	1	45,309	1
Total non-operating income and expenses	(1,879)	-	27,351	1	(13,871)	(1)	122,783	2
INCOME (LOSS) BEFORE INCOME TAX	83,301	3	55,991	2	(21,284)	(1)	5,609	-
INCOME TAX (EXPENSE) BENEFIT (Note 4 and 24)	(12,144)	(1)	7,035	-	(6,593)	-	1,862	-
NET INCOME (LOSS)	71,157	2	63,026	2	(27,877)	(1)	7,471	-
OTHER COMPREHENSIVE INCOME								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences from translating the financial statements of foreign operations	(3,210)	-	(81,039)	(3)	(115,556)	(2)	(155,223)	(3)

(Continued)

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In Thousands of New Taiwan Dollars, Except Earnings (Losses) Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Income tax relating to items that may be reclassified subsequently to profit or loss	-	-	(12,611)	-	-	-	-	-
Total other comprehensive loss (net of income tax)	(3,210)	-	(93,650)	(3)	(115,556)	(2)	(155,223)	(3)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ 67,947	2	$ (30,624)	(1)	$ (143,433)	(3)	$ (147,752)	(3)
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Company	$ 71,157	2	$ 63,026	2	$ (27,877)	(1)	$ 7,471	-
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	$ 67,947	2	$ (30,624)	(1)	$ (143,433)	(3)	$ (147,752)	(3)
EARNINGS (LOSSES) PER SHARE (Note 25)								
Basic	$ 0.24		$ 0.15		$ (0.10)		$ 0.02	
Diluted	$ 0.24		$ 0.12		$ (0.10)		$ (0.22)	

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			
						Employee				Exchange Differences From Translating The Financial Statements of Foreign Operations	Unearned Employee Compensation		
	Ordinary Shares	Additional Paid-in Capital	Employee Share Options	Treasury Shares	Employee Restricted Shares	Share Options - Expired	Total	Legal Reserve	Undistributed Earnings			Treasury Shares	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
Appropriation of 2014 earnings													
Legal reserve	-	-	-	-	-	-	-	14,445	(14,445)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	(130,005)	-	-	-	(130,005)
Net income for the six months ended June 30, 2015	-	-	-	-	-	-	-	-	7,471	-	-	-	7,471
Other comprehensive income (loss) for the six months ended June 30, 2015, net of income tax	-	-	-	-	-	-	-	-	-	(155,223)	-	-	(155,223)
Total comprehensive income (loss) for the six months ended June 30, 2015	-	-	-	-	-	-	-	-	7,471	(155,223)	-	-	(147,752)
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 (Note 26)	-	-	5,734	-	-	-	5,734	-	-	-	-	-	5,734
Issue of ordinary shares under employee share options (Note 26)	23,720	41,904	(33,299)	-	-	-	8,605	-	-	-	-	-	32,325
Compensation cost of employee restricted shares (Note 26)	-	-	-	-	-	-	-	-	-	-	29,190	-	29,190
Cancellation of employee restricted shares	(6,959)	5,034	-	-	(355)	-	4,679	-	-	-	2,280	-	-
BALANCE AT JUNE 30, 2015	$ 4,175,831	$ 6,310,872	$ 99,255	$ 236	$ 157,603	$ 10,782	$ 6,578,748	$ 141,463	$ 1,116,896	$ 277,054	$ (91,276)	$ -	$ 12,198,716
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
Appropriation of 2015 earnings													
Reserve merger	-	-	-	-	-	-	-	23,582	(23,582)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	(212,240)	-	-	-	(212,240)
Net loss for the six months ended June 30, 2016	-	-	-	-	-	-	-	-	(27,877)	-	-	-	(27,877)
Other comprehensive loss for the six months ended June 30, 2016, net of income tax	-	-	-	-	-	-	-	-	-	(115,556)	-	-	(115,556)
Total comprehensive income (loss) for the six months ended June 30, 2016	-	-	-	-	-	-	-	-	(27,877)	(115,556)	-	-	(143,433)
Buy-back of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	(132,607)	(132,607)
Compensation cost of employee share options (Note 26)	-	-	4,581	-	-	-	4,581	-	-	-	-	-	4,581
Issue of ordinary shares under employee share options (Note 26)	11,003	24,697	(18,555)	-	-	-	6,142	-	-	-	-	-	17,145
Employee share options expired (Note 26)	-	-	(1,429)	-	-	1,429	-	-	-	-	-	-	-
Compensation cost of employee restricted shares (Note 26)	-	-	-	-	-	-	-	-	-	-	9,002	-	9,002
Cancellation of employee restricted shares	(1,364)	1,024	-	-	(2,215)	-	(1,191)	-	-	-	2,474	-	(81)
Dividend returned for unvested employee restricted shares	-	-	-	-	-	-	-	-	17	-	-	-	17
BALANCE AT JUNE 30, 2016	$ 2,942,938	$ 6,387,971	$ 87,947	$ 236	$ 113,784	$ 12,235	$ 6,602,173	$ 165,045	$ 1,095,133	$ 493,967	$ (51,498)	$ (132,607)	$ 11,115,151

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 Six Months Ended June 30	
	2016	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax from continuing operation	$ (21,284)	$ 5,609
Adjustments for:		
Depreciation expenses	27,866	31,889
Amortization expenses	24,049	22,268
Gain on financial assets and liabilities at fair value through profit or loss	(17,882)	(108,985)
Finance costs	7,254	8,813
Interest income	(34,605)	(45,309)
Compensation cost of employee share options	4,581	5,734
Compensation cost of employee restricted shares	9,002	29,190
Loss on disposal of property, plant and equipment	1,986	-
Gain on disposal of available-for-sale financial assets	-	(33)
Write-down of inventories	94,902	58,920
Unrealized loss (gain) on foreign currency exchange	625	497
Loss on buy-back of bonds payable	32,022	-
Changes in operating assets and liabilities		
Trade receivables	147,675	78,041
Inventories	(306,593)	150,227
Other current assets	(40,294)	(6,735)
Trade payables	443,103	17,499
Other payables	(62,519)	56,379
Other current liabilities	14,654	18,021
Net defined benefit liabilities	(198)	2,704
Cash generated from operations	324,344	324,729
Interest paid	(1,264)	(2,005)
Income tax paid	(6,112)	(40,094)
Net cash generated from operating activities	316,968	282,630
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	-	(188,000)
Proceeds on sale of available-for-sale financial assets	-	188,033
Purchases for property, plant and equipment	(5,765)	(20,123)
Proceeds from disposal of property, plant and equipment	500	-
Purchase of intangible assets	(34,548)	(190)
Cash inflow from business combination	-	717,370
Decrease(increase) in other financial assets	1,918,411	(26,492)
Increase in other non-current assets	(34,194)	(673)
Interest received	43,408	62,534
Net cash generated from investing activities	1,887,812	732,459

(Continued)

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2016	**2015**
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	58,351	-
Repayments of short-term borrowings	-	(254,780)
Repayments of bonds payable	(990,326)	-
Decrease in guarantee deposits	(9,022)	(2,450)
Increase in other non-current liabilities	-	1,400
Issue of ordinary shares under employee share options	17,145	32,325
Buy-back of ordinary shares	(132,607)	-
Payment for cancellation of employee restricted shares	17	-
Proceeds from dividend returned by unvested employee restricted shares	(343)	(775)
Net cash used in financing activities	(1,056,785)	(224,280)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(53,303)	(27,992)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,094,692	762,817
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	$ 2,785,133	$ 2,488,125

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

(Concluded)

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

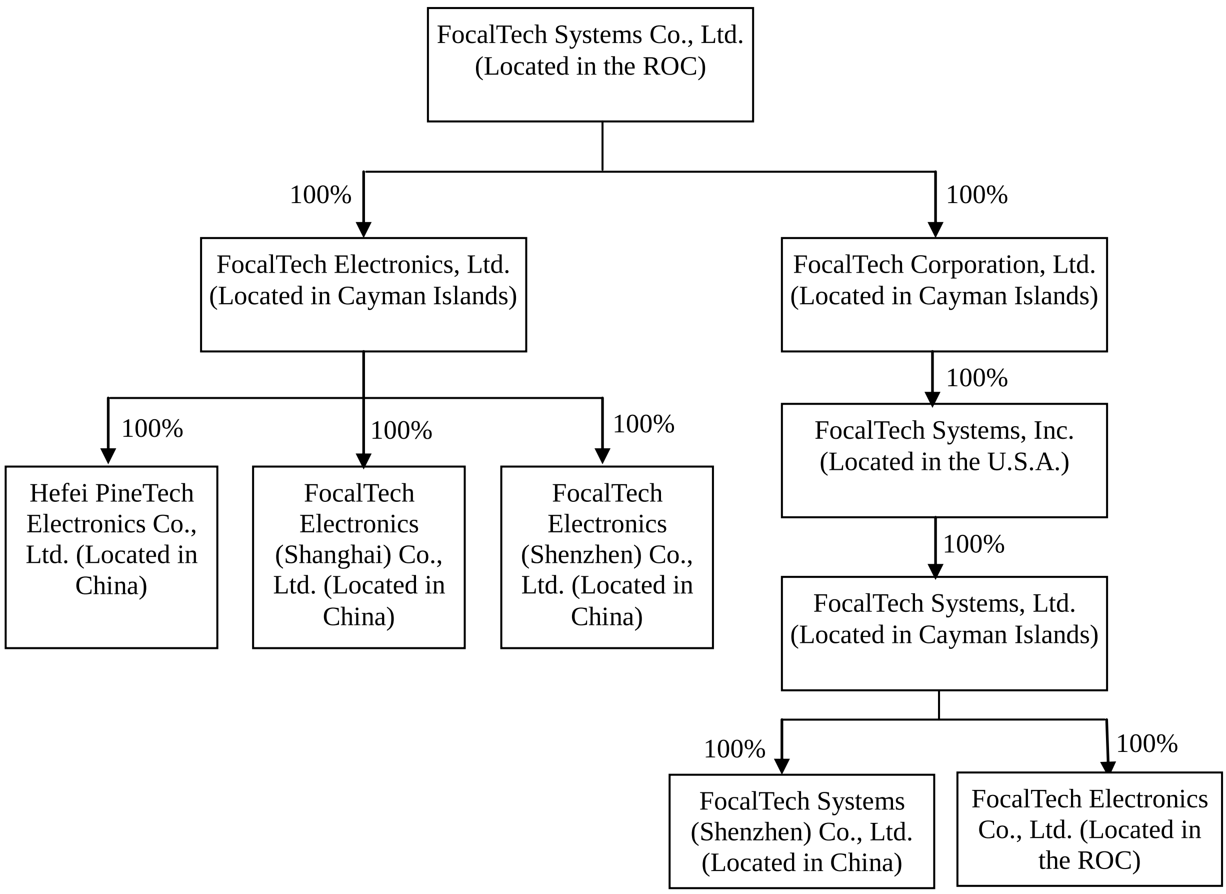
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 July 28, 2016.

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

a. International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting from 2017

Rule No. 1050026834 issued by the FSC endorsed the following IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") for application starting January 1, 2017.

New, Amended or Revised Standards and Interpretations (the "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)
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
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
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 or amended 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.

The initial application of the above 2016 IFRSs, whenever applied, would not have any material impact on the Group’s accounting policies, except for the following:

1) 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.

2) 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 insurance 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.

b. New IFRSs in issue but not yet endorsed by the FSC

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced their effective dates.

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 2 “Shared-Based Payment”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
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
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017

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

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

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.

The impairment of financial assets

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) 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.

3) 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.

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.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

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.

a. Income taxes

As of June 30, 2016, December 31, 2015, and June 30, 2015, no deferred tax liabilities has been recognized on earnings of the subsidiaries of $4,258,527 thousand, $4,392,962 thousand and $3,985,346 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.

b. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. Write-down of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	June 30, 2016	December 31, 2015	June 30, 2015
Cash on hand	$ 2,234	$ 3,269	$ 1,973
Checking accounts and demand deposits	2,079,046	1,419,835	2,372,830
Cash equivalent (fixed deposit with original maturities less than three months)	703,853	267,337	113,322
	$ 2,785,133	$ 1,690,441	$ 2,488,125

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

	June 30, 2016	December 31, 2015	June 30, 2015
Demand deposits	0.001%-0.35%	0.001%-0.35%	0.001%-0.35%
Fixed deposits	0.3%-1.3%	0.3%-6.5%	0.25%-5%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2016	December 31, 2015	June 30, 2015
Financial assets at FVTPL - current			
Financial assets designated as at FVTPL			
Credit-linked structured note	$ 127,188	$ 129,120	$ -
Financial liabilities at FVTPL - current			
Financial liabilities held for trading			
Convertible option of convertible bonds	$ 1,096	$ 47,818	$ 174,136

8. TRADE RECEIVABLES, NET

	June 30, 2016	December 31, 2015	June 30, 2015
Trade receivables	$ 1,546,138	$ 1,699,191	$ 2,188,328
Less: Allowance for doubtful accounts	(109,735)	(111,605)	(104,924)
Trade receivables, net	$ 1,436,403	$ 1,587,586	$ 2,083,404

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:

	June 30, 2016	December 31, 2015	June 30, 2015
Less than 60 days	$ 11,148	$ 20,488	$ 8,524
61-180 days	-	711	-
More than 180 days	13,307	13,534	12,723
	$ 24,455	$ 34,733	$ 21,247

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	(2,686)	-	(2,686)
Balance at June 30, 2015	$ 104,924	$ -	$ 104,924

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2016	$ 111,605	$ -	$ 111,605
Foreign exchange translation	(1,870)	-	(1,870)
Balance at June 30, 2016	$ 109,735	$ -	$ 109,735

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 June 30, 2016, the Group recognized allowance of doubtful trade receivables against Wintek Corporation of $109,735 thousand.

9. INVENTORIES

	June 30, 2016	December 31, 2015	June 30, 2015
Finished goods	$ 996,962	$ 791,208	$ 1,184,406
Work in progress	601,711	622,755	679,594
Raw materials and supplies	1,137,960	1,129,913	606,244
	$ 2,736,633	$ 2,543,876	$ 2,470,244

The cost of inventories recognized as cost of goods sold included inventory write-downs for the three months ended June 30, 2016 and 2015, and for the six months ended June 30, 2016 and 2015 was $32,514 thousand, $28,225 thousand, $94,902 thousand and $58,920 thousand, respectively.

10. OTHER FINANCIAL ASSETS

	June 30, 2016	December 31, 2015	June 30, 2015
Time deposits with original maturities more than three months (a)	$ 3,306,821	$ 5,157,869	$ 5,134,641
Repurchase bonds (b)	-	129,987	-
	$ 3,306,821	$ 5,287,856	$ 5,134,641

a. As of June 30, 2016, December 31, 2015 and June 30, 201, the market rate intervals of time deposits with original maturities more than three months were 0.36%-3.320%, 0.62%-4.0% and 0.68%-5.5%, 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

	June 30, 2016	December 31, 2015	June 30, 2015
Foreign unlisted preferred shares	$ 48,413	$ 49,238	$ 46,290

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:

			Proportion of Ownership		
Investor	**Investee**	**Main Businesses**	**June 30, 2016**	**December 31, 2015**	**June 30, 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	-

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 June 30, 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 June 30, 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 June 30, 2016 and 2015, the total amounts of assets of the immaterial subsidiaries were $1,894,348 thousand, and $1,106,311 thousand, 13.14% and 6.86% of total consolidated assets, respectively. The total amounts of liabilities were $444,028 thousand, and $363,350 thousand, 13.38% and 9.25% of total consolidated liabilities, respectively. For the three months ended June 30, 2016 and 2015, and for the six months ended June 30, 2016 and 2015, the total immaterial subsidiaries comprehensive loss has been recognized $27,810 thousand, $127,439 thousand, $41,412 thousand, and $191,795 thousand, that hold (44.46%), 416.14%, 28.34%, and 129.81% in the consolidated statements of comprehensive (income) 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 (Note 27)	-	26,460	304	-	30	2,492	29,286
Reclassification	-	-	-	-	11,243	(11,243)	-
Additions	-	5,832	660	2,702	2,331	8,751	20,276
Effect of foreign currency exchange differences	-	(3,099)	(180)	(682)	(383)	-	(4,344)
Balance at June 30, 2015	$ 37,600	$ 166,917	$ 12,200	$ 34,078	$ 41,688	$ -	$ 292,483
Accumulated depreciation							
Balance at January 1, 2015	$ 348	$ 73,238	$ 5,508	$ 13,263	$ 15,518	$ -	$ 107,875
Depreciation	418	22,452	828	2,266	5,925	-	31,889
Effect of foreign currency exchange differences	-	(1,768)	(100)	(302)	(286)	-	(2,456)
Balance at June 30, 2015	$ 766	$ 93,922	$ 6,236	$ 15,227	$ 21,157	$ -	$ 137,308
Carrying amounts at June 30, 2015	$ 36,834	$ 72,995	$ 5,964	$ 18,851	$ 20,531	$ -	$ 155,175
Cost							
Balance at January 1, 2016	$ 37,600	$ 195,807	$ 14,258	$ 37,443	$ 42,362	$ -	$ 327,470
Additions	-	2,781	610	2,720	-	-	6,111
Disposals	-	(8,076)	(71)	-	(5,109)	-	(13,256)
Effect of foreign currency exchange differences	-	(2,910)	(382)	(1,302)	(600)	-	(5,194)
Balance at June 30, 2016	$ 37,600	$ 187,602	$ 14,415	$ 38,861	$ 36,653	$ -	$ 315,131
Accumulated depreciation							
Balance at January 1, 2016	$ 1,184	$ 124,836	$ 7,243	$ 18,205	$ 27,814	$ -	$ 179,282
Depreciation	418	19,383	1,028	2,669	4,368	-	27,866
Disposals	-	(8,076)	(24)	-	(2,670)	-	(10,770)
Effect of foreign currency exchange differences	-	(2,168)	(196)	(659)	(573)	-	(3,596)
Balance at June 30, 2016	$ 1,602	$ 133,975	$ 8,051	$ 20,215	$ 28,939	$ -	$ 192,782
Carrying amounts at December 31, 2015 and January 1, 2016	$ 36,416	$ 70,971	$ 7,015	$ 19,238	$ 14,548	$ -	$ 140,189
Carrying amounts at June 30, 2016	$ 35,998	$ 53,627	$ 6,364	$ 18,646	$ 7,714	$ -	$ 122,349

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 have not been pledged as collateral for bank borrowings.

14. GOODWILL

	June 30, 2016	December 31, 2015	June 30, 2015
Cost			
Balance as of January 1	$ 3,237,268	$ -	$ -
Acquisitions through business combinations	-	3,237,268	3,237,268
Balance as of June 30	$ 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:

	June 30, 2015
Goodwill	$ 31,278
Deferred tax assets	$ (31,278)

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
Additions	-	190	-	-	190
Effect of foreign currency exchange differences	(1,187)	(645)	(7)	-	(1,839)
Balance at June 30, 2015	$ 56,208	$ 33,449	$ 76,743	$ 74,000	$ 240,400
Accumulated amortization					
Balance at January 1, 2015	$ 35,378	$ 21,125	$ 237	$ -	$ 56,740
Amortization expense	8,150	6,506	3,912	3,700	22,268
Effect of foreign currency exchange differences	(943)	(554)	(6)	-	(1,503)
Balance at June 30, 2015	$ 42,585	$ 27,077	$ 4,143	$ 3,700	$ 77,505
Carrying amounts at June 30, 2015	$ 13,623	$ 6,372	$ 72,600	$ 70,300	$ 162,895

	Licenses and Franchises	Software	Patents	Trademark	Total
Cost					
Balance at January 1, 2016	$ 62,741	$ 60,367	$ 76,744	$ 74,000	$ 273,852
Additions	2,441	46,556	-	-	48,997
Effect of foreign currency exchange differences	(872)	(1,602)	(10)	-	(2,484)
Balance at June 30, 2016	$ 64,310	$ 105,321	$ 76,734	$ 74,000	$ 320,365
Accumulated amortization					
Balance at January 1, 2016	$ 50,675	$ 34,907	$ 8,051	$ 7,400	$ 101,033
Amortization expense	5,777	10,679	3,893	3,700	24,049
Effect of foreign currency exchange differences	(833)	(661)	(10)	-	(1,504)
Balance at June 30, 2016	$ 55,619	$ 44,925	$ 11,934	$ 11,100	$ 123,578
Carrying amounts at December 31, 2015 and January 1, 2016	$ 12,066	$ 25,460	$ 68,693	$ 66,600	$ 172,819
Carrying amounts at June 30, 2016	$ 8,691	$ 60,396	$ 64,800	$ 62,900	$ 196,787

(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

	June 30, 2016	December 31, 2015	June 30, 2015
Unsecured bank loans			
Amount	$ 322,750	$ 269,775	$ 61,720
Annual interest rate	1.14%	1.25%-1.62%	0.93%

17. BONDS PAYABLE

	June 30, 2016	December 31, 2015	June 30, 2015
Domestic 1st unsecured convertible bonds	$ 34,900	$ 996,200	$ 996,200
Less: Discounts on bonds payable	(1,105)	(39,428)	(47,241)
Less: Current portion	(33,795)	(956,772)	-
	$ -	$ -	$ 948,959

The Company did not issue any convertible bonds during the 1st half year of 2016 and 2015. Except for the following, please refer to Note 18 of the consolidated financial statements of the year ended December 31, 2015 for the detailed information in the Bond Issuance and Conversion Plan.

The Company bought back 2,505 sheets of the bonds from the market during 2nd quarter in 2016. Besides, the Company was requested to buy back 7,108 sheets by the bondholder at 103.3% of the par value on June 17, 2016. The total payment for buy-back from the market and put option exercised by the bondholders was $990,326 thousand and the Company recognized the loss of $32,022 thousand.

18. TRADE PAYABLES

	June 30, 2016	December 31, 2015	June 30, 2015
Trade payables	$ 1,405,772	$ 974,714	$ 1,373,363

The average credit period on purchases was 30-60 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

	June 30, 2016	December 31, 2015	June 30, 2015
Payable for rebates	$ 371,201	$ 438,250	$ 389,575
Payable for salaries and bonus	372,889	388,586	309,472
Payable for labor, health and social insurance	16,050	16,164	26,878
Reserve for litigations	81,184	94,317	103,729
Payable for professional services and others	76,702	43,068	39,087
	$ 918,026	$ 980,385	$ 868,741

20. RETIREMENT BENEFIT

Employee benefit expenses in respect of the Group's defined benefit retirement plans were $236 thousand and $248 thousand, $473 thousand and $495 thousand for the three months ended June 30, 2016 and 2015,and six months ended June 30, 2016 and 2015, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2015 and 2014.

21. EQUITY

a. Share capital

Ordinary shares (NT$10 par value per share)

	June 30, 2016	December 31, 2015	June 30, 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)	294,294	293,330	417,583
Shares issued	$ 2,942,938	$ 2,933,299	$ 4,175,831

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

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been resolved by the shareholders' meeting on June 22, 2016. For the comparison of the original and amended of the "Articles of Incorporation" about the accrual basis of the employees' compensation and remuneration to directors, please refer to Note 23(c).

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.
Any balance, the distribution of earnings is proposed by the board of directors for approval at the stockholders' meeting.

Considering current and future development plans, investment conditions, capital requirements, and market competition situations, and shareholder benefits, The Company would appropriate the dividends to the shareholders not less than 10% of the current year's earnings. The dividends could be paid in cash or shares. 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.
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 having been approved in the shareholders' meetings on June 22, 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

d. Treasury shares

	Shares Transferred to Employees (In Thousands of Shares)
Number of shares at January 1, 2016	-
Increase during the period	5,000
Number of shares at June 30, 2016	5,000

The treasury shares held by the company cannot be pledged in accordance with the Regulations of Securities and Exchange Act and the company cannot have the rights to claim dividends and vote. The accounting treatment for treasury shares is the same no matter held by the company or its subsidiary. The subsidiary, holding the treasury shares, has the same rights as other shareholders expect participating in the capital increases and voting.

22. REVENUE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
IC for portable devices	$2,943,854	$3,200,151	$5,250,737	$5,628,208
Others	16,135	2,340	17,819	3,428
	$2,959,989	$3,202,491	$5,268,556	$5,631,636

23. NET INCOME (LOSS)

a. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Interest on convertible bonds	$ 2,323	$ 3,882	$ 6,253	$ 7,749
Interest on bank loans	168	415	927	1,021
Interest on deposits	-	-	74	43
	$ 2,491	$ 4,297	$ 7,254	$ 8,813

b. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Property, plant and equipment	$ 13,645	$ 16,205	$ 27,866	$ 31,889
Intangible assets	12,603	10,257	24,049	22,268
	$ 26,248	$ 26,462	$ 51,915	$ 54,157
An analysis of depreciation and amortization by function				
Operating expenses	$ 20,234	$ 18,816	$ 39,472	$ 38,260
Operating costs	6,014	7,646	12,443	15,897
	$ 26,248	$ 26,462	$ 51,915	$ 54,157

c. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Post-employment benefits				
Defined contribution plans	$ 6,755	$ 6,926	$ 13,339	$ 13,192
Defined benefit plans	236	248	473	495

Share-based payments	7,020	14,172	13,582	34,924
Other employee benefits	331,425	339,233	659,569	691,087
Total employee benefits expense	$ 345,436	$ 360,579	$ 686,963	$ 739,698
An analysis of employee benefits expense by function				
Operating costs	$ 30,046	$ 25,735	$ 40,005	$ 52,703
Operating expenses	315,390	334,844	646,958	686,995
	$ 345,436	$ 360,579	$ 686,963	$ 739,698

To be in compliance with the Company Act as amended in May 2015, the resolved 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 six months ended June 30, 2016, the Company did not accrue any bonus to employees and remuneration to directors for the three months and six months ended June 30, 2016.
The original Articles of Incorporation of the Company stipulate to distribute employees' compensation and remuneration to directors at the rates no less than 1% and 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors. The Company did not accrue recognized the bonus to employees and remuneration to directors for the three months and six months ended June 30, 2015.

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 had been 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/ bonus to employees	$ 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 June 30		For the Six Months Ended June 30	
	2016	**2015**	**2016**	**2015**
Current tax				
In respect of the current period	$ 6,212	$ 3,253	$ 6,709	$ 9,027
Adjustments for prior periods	-	701	-	701
	6,212	3,954	6,709	9,728
Deferred tax				
In respect of the current period	5,932	(10,989)	(116)	(11,590)
Income tax expense (income) recognized in profit or loss	$ 12,144	$ (7,035)	$ 6,593	$ (1,862)

b. The Company's integrated income tax

	June 30, 2016	December 31, 2015	June 30, 2015
Imputation credit account	$ 62,742	$ 62,742	$ 91,443

	For the Year Ended December 31	
	2015 (Expected)	**2014**
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 June 30		For the Six Months Ended June 30	
	2016	**2015**	**2016**	**2015**
Basic earnings (loss) per share	$ 0.24	$ 0.15	$ (0.10)	$ 0.02
Diluted earnings (loss) per share	$ 0.24	$ 0.12	$ (0.10)	$ (0.22)

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

Net Income for the Period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	**2015**	**2016**	**2015**
Earnings used in the computation of basic earnings per share	$ 71,157	$ 63,026	$ (27,877)	$ 7,471
Effect of potentially dilutive ordinary shares after tax:				
Convertible bonds	-	(9,429)	-	(102,553)
Earnings (loss) used in the computation of diluted earnings per share	$ 71,157	$ 53,597	$ (27,877)	$ (95,082)

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	**2015**	**2016**	**2015**
Weighted average number of ordinary shares in computation of basic earnings per share	291,350	413,233	291,825	411,822
Effect of potentially dilutive ordinary shares:				
Convertible bonds	-	28,594	-	28,594
Employee share option	3,484	5,593	-	-
Employees' compensation or bonus issue to employees	227	637	-	-
Employee restricted shares	-	-	-	-
Weighted average number of ordinary shares used in the computation of diluted earnings per share	295,061	448,057	291,825	440,416

Note: As upon table showed, the computation of diluted earnings per share did not include the shares from convertible bonds for three months and six months ended June 30, 2016, the restricted shares for six months ended June 30 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

The Company did not have new share option plan or restricted stock plan for employees for the six months ended June 30, 2016. Except for the following, please refer to Note 27 of the consolidated financial statements of the year ended December 31, 2015 for the detailed information in the Employee share option plan and Employee restricted shares plan .
Information on employee share options and employee restricted stocks were as follows:

a. Employee share option plan in 2015

	For the Six Months Ended June 30, 2016	
	Number of Options	Weighted-average Exercise Price (NT$)
Balance at January 1	2,688,000	$ 12.7
Options forfeited	(147,000)	12.7
Balance at June 30	2,541,000	12.7

b. Employee share option plan in 2013

	For the Six Months Ended June 30, 2015		For the Six Months Ended June 30, 2016	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance at January 1	1,578,500	$ 39.4	1,744,000	$ 27.6
Options forfeited	(63,000)	39.4	(56,000)	27.6
Options expired	(85,500)	39.4	-	-
Balance at June 30	1,430,000	39.4	1,688,000	27.6
Options exercisable, end of period	737,500	39.4	-	-

c. Employee share option plan in 2006

	For the Six Months Ended June 30			
	2016		2015	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance at January 1	6,738,924	$ 18.61	2,434,079	$ 70.19
Stock conversion at acquisition date	-	-	11,683,576	14.37
Options forfeited	(603,600)	25.53	(1,252,800)	17.55
Options expired	(1,100,306)	15.58	(2,372,059)	13.63
Balance at June 30	5,035,018	18.45	8,058,717	14.10

	For the Six Months Ended June 30			
	2016		2015	
	Number of Options (In Thousands)	**Weighted-average Exercise Price (NT$)**	**Number of Options (In Thousands)**	**Weighted-average Exercise Price (NT$)**
Options exercisable, end of period	3,641,229	16.23	2,425,927	11.08

For the six months ended June 30, 2016 and 2015, the Company recognized employee share options compensation cost of $4,581 thousand and $5,734 thousand, respectively.

d. Employee restricted shares plan in 2014 and 2013

For the six months ended June 30, 2016 and 2015, the Company recognized employee restricted stock compensation cost of $9,002 thousand and $29,190 thousand, respectively.

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 stock granted by FocalTech Systems Co., Ltd. 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-based measure at the acquisition were set out in Note 27 of the consolidated financial statements for the year ended December 31, 2015.

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.

28. NON-CASH TRANSACTIONS

The cash dividend of 2015 and 2014 resolved by the shareholder's meeting was $212,240 thousand and $130,005 thousand, respectively, and was not paid on June 30, 2016 and 2015. (Refer to Note 21)

29. 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 December 2017.

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

	June 30, 2016	December 31, 2015	June 30, 2015
Not later than 1 year	$ 50,403	$ 44,645	$ 24,164
Later than 1 year and not later than 5 years	2,303	9,959	12,493
	$ 52,706	$ 54,604	$ 36,657

30. 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

June 30, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Structured note	$ -	$ -	$ 127,188	$ 127,188
Financial liabilities at FVTPL				
Conversion option of the convertible bonds	$ -	$ -	$ 1,096	$ 1,096

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 of the convertible bonds	$ -	$ -	$ 47,818	$ 47,818

June 30, 2015

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Conversion option of the convertible bonds	$ -	$ -	$ 174,136	$ 174,136

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

For the six months ended June 30, 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	234
Effect of foreign currency exchange differences	(2,166)
Balance at June 30, 2016	$ 127,188

	Derivatives
Financial liabilities at FVTPL	
Conversion option of the convertible bonds	
Balance at January 1, 2016	$ 47,818
Recognized in profit or loss (included in gain on financial liabilities at FVTPL)	
Realized	(17,069)
Unrealized	(579)
Repayments	(29,074)
Balance at June 30, 2016	$ 1,096

(Concluded)

For the six months ended June 30, 2015

Financial liabilities at FVTPL	Derivatives
Conversion option of 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	(108,985)
Balance at June 30, 2016	$ 174,136

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

a) Derivative instrument- Structured Note was a Credit-Linked Note, and it's fair value provided by the Counterparty (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) Derivative instrument- 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.

c. Categories of financial instruments

	June 30, 2016	December 31, 2015	June 30, 2015
Financial assets			
Fair value through profit or loss (FVTPL)			
Designated as at FVTPL	$ 127,188	$ 129,120	$ -
Loans and receivables (Note 1)	7,568,392	8,606,718	9,718,023
Available-for-sale financial assets (Note 2)	48,413	49,238	46,290
Financial liabilities			
Fair value through profit or loss (FVTPL)			
Held for trading	1,096	47,818	174,136
Amortized cost (3)	2,971,411	3,269,496	3,449,173

1) 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).

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

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, Financial assets and liabilities at FVTPL, 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.

1) Market risk

The major financial risks from the Company's operation were foreign currency exchange risk (refer to below a) and interest rate risk (refer to below b).

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 34.
.

<u>Sensitivity analysis</u>

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 Six Months Ended June 30		For the Six Months Ended June 30	
	2015	2014	2015	2014
Profit or loss/ equity	$ 35,091 (i)	$ 129,380 (i)	$ 4,105 (ii)	$ 42,693 (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, other financial assets, borrowings, and bonds payable 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.

	June 30, 2016	December 31, 2015	June 30, 2015
Fair value interest rate risk			
Financial assets	$ 4,137,862	$ 5,684,313	$ 5,247,963
Financial liabilities	$ 356,545	$ 1,296,443	$ 1,088,224
Cash flow interest rate risk			
Financial assets	$ 2,079,046	$ 1,419,835	$ 2,372,830

Sensitivity analysis

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 six months ended June 30, 2016 and 2015 would decrease/increase by $2,599 thousand and $2,966 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 54% in total trade receivables as of June 30, 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 June 30, 2016 and 2015, the Group had available unutilized short-term bank loan facilities of $2,468,250 thousand and $2,108,600 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.

June 30, 2015

	On Demand or Less than 1 Year	1-5 Years
Non-derivative financial liabilities		
Fixed interest rate liabilities		
Borrowing	$ 322,770	$ -
Bonds payable	-	34,900
	322,770	34,900
Non-interest bearing		
Trade payables	1,405,772	-
Other payables	918,026	-
Deposits received	-	78,828
	2,323,798	78,828
	$ 2,646,568	$ 113,728

b) Financing facilities

	June 30, 2015
Unsecured bank overdraft facility, reviewed annually:	
Amount used	$ 322,750
Amount unused	2,468,250
	$ 2,791,000

31. 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 Six Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Long-term employee benefits	$ -	$ -	$ 4,664	$ 3,203
Short-term employee benefits	11,321	12,669	26,776	30,113
Post-employment benefits	152	179	303	441
Share-based payments	1,269	1,144	2,861	4,414
	$ 12,742	$ 13,992	$ 34,604	$ 38,171

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for legal proceedings and import customs duties:

	June 30, 2016	December 31, 2015	June 30, 2015
Pledge deposits (classified as other non-current assets)	$ 38,070	$ 4,000	$ 4,000

33. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

Due to the operating requirements , it was resolved by the board on July 28, 2016 that the total amount the company guarantees its subsidiaries FocalTech Systems, Ltd. and FocalTech Electronics, Ltd. was increased $322,750 thousand.

34. 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:

June 30, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 51,061	32.2750 (USD:NTD)	$ 1,648,001
USD	16,234	6.6312 (USD:RMB)	523,949
RMB	16,867	0.1508 (RMB:USD)	82,094
Financial liabilities			
Monetary items			
USD	39,129	32.2750 (USD:NTD)	1,262,872
USD	6,422	6.6312 (USD:RMB)	207,261

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 64,896	32.8250 (USD:NTD)	$ 2,130,162
USD	1,041	6.4936 (USD:RMB)	34,218
RMB	91,688	0.1540 (RMB:USD)	461,679
Financial liabilities			
Monetary items			
USD	24,555	32.8250 (USD:NTD)	831,778
USD	13,974	6.4936 (USD:RMB)	458,710

June 30, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 119,135	30.8642 (USD:NTD)	$ 3,676,017
USD	1,558	6.1136 (USD:RMB)	48,162
RMB	169,124	0.1636 (RMB:USD)	853,856
Financial liabilities			
Monetary items			
USD	31,954	30.8642 (USD:NTD)	986,137
USD	4,875	6.1136 (USD:RMB)	150,448

35. 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..