

**FocalTech Systems Co., Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Three Months Ended March 31, 2017 and 2016**

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2017		December 31, 2016		March 31, 2016	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 2,214,779	16	\$ 3,265,779	22	\$ 2,233,326	15
Financial assets at fair value through profit or loss - current (Note 7)	-	-	-	-	126,119	1
Trade receivables, net (Note 9)	1,145,304	8	1,334,499	9	1,118,078	7
Inventories (Note 10)	3,030,734	21	2,537,657	17	2,354,969	16
Other financial assets (Note 11)	2,241,574	16	2,304,897	15	4,977,216	34
Other current assets	146,017	1	123,117	1	116,580	1
Total current assets	8,778,408	62	9,565,949	64	10,926,288	74
NON-CURRENT ASSETS						
Available-for-sale financial assets - non-current (Note 8)	174,275	1	175,839	1	-	-
Financial assets measured at cost - non-current (Note 12)	75,825	-	80,625	-	48,278	-
Property, plant and equipment (Note 14)	107,895	1	112,096	1	132,959	1
Goodwill (Notes 15)	3,237,268	23	3,237,268	22	3,237,268	22
Other intangible assets (Note 16)	244,116	2	202,982	1	166,316	1
Deferred tax assets	141,838	1	136,369	1	155,555	1
Other non-current assets (Note 14 and 31)	1,370,990	10	1,446,203	10	56,559	1
Total non-current assets	5,352,207	38	5,391,382	36	3,796,935	26
TOTAL	\$ 14,130,615	100	\$ 14,957,331	100	\$ 14,723,223	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 17)	\$ 606,600	4	\$ 645,000	4	\$ 244,606	2
Financial liabilities at fair value through profit or loss - current (Notes 7 and 29)	-	-	-	-	45,228	-
Trade payables (Note 19)	1,271,993	9	1,540,640	10	850,893	6
Other payables (Note 20)	740,864	5	905,327	6	800,477	5
Current tax liabilities (Notes 4)	6,797	-	8,858	-	5,375	-
Current portion of bonds payable (Note 18)	-	-	-	-	960,702	7
Other current liabilities	63,358	1	63,080	1	113,285	1
Total current liabilities	2,689,612	19	3,162,905	21	3,020,566	21
NON-CURRENT LIABILITIES						
Deferred tax liabilities	176,181	1	185,983	1	180,387	1
Net defined benefit liabilities - non-current	46,327	-	46,386	1	48,067	-
Guarantee deposits received	106,531	1	113,275	1	79,768	1
Other non-current liabilities	10,400	-	10,400	-	10,400	-
Total non-current liabilities	339,439	2	356,044	3	318,622	2
Total liabilities	3,029,051	21	3,518,949	24	3,339,188	23
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 22 and 27)						
Share capital						
Ordinary shares	2,970,232	21	2,965,344	20	2,942,136	20
Capital surplus						
Additional paid-in capital	6,487,567	46	6,468,819	43	6,386,238	43
Treasury shares	40,868	-	40,305	-	236	-
Changes in ownership interests in subsidiaries	582	-	582	-	-	-
Employee share options	24,214	-	27,578	-	86,494	1
Employee restricted shares	73,785	1	73,797	1	114,729	1
Employee share options - expired	15,384	-	14,765	-	12,183	-
Total capital surplus	6,642,400	47	6,625,846	44	6,599,880	45
Retained earnings						
Legal reserve	165,045	1	165,045	1	141,463	1
Undistributed earnings	1,331,321	10	1,335,160	9	1,259,792	8
Total retained earnings	1,496,366	11	1,500,205	10	1,401,255	9
Other equity						
Exchange differences from translating the financial statements of foreign operations	79,975	-	433,584	3	497,177	3
Equity directly associated with non-current assets held for sale	(1,581)	-	(1,498)	-	-	-
Unearned employee compensation	(33,744)	-	(36,040)	-	(56,413)	-
Total other equity	44,650	-	396,046	3	440,764	3
Treasury shares	(61,665)	-	(62,992)	(1)	-	-
Equity attributable to owners of the company	11,091,983	79	11,424,449	76	11,384,035	77
NON-CONTROLLING INTERESTS	9,581	-	13,933	-	-	-
Total equity	11,101,564	79	11,438,382	76	11,384,035	77
TOTAL	\$ 14,130,615	100	\$ 14,957,331	100	\$ 14,723,223	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			
	2017		2016	
	Amount	%	Amount	%
REVENUE (Note 23)	\$ 2,161,081	100	\$ 2,308,567	100
COSTS OF SALES (Notes 10 and 24)	<u>(1,663,119)</u>	<u>(77)</u>	<u>(1,876,678)</u>	<u>(81)</u>
GROSS MARGIN	<u>497,962</u>	<u>23</u>	<u>431,889</u>	<u>19</u>
OPERATING EXPENSES (Notes 21, 24, 28 and 30)				
Selling and marketing expenses	(103,893)	(5)	(102,998)	(5)
General and administrative expenses	(72,042)	(4)	(73,043)	(3)
Research and development expenses	<u>(305,951)</u>	<u>(14)</u>	<u>(348,441)</u>	<u>(15)</u>
Total operating expenses	<u>(481,886)</u>	<u>(23)</u>	<u>(524,482)</u>	<u>(23)</u>
OPERATIONS INCOME(LOSS)	<u>16,076</u>	<u>-</u>	<u>(92,593)</u>	<u>(4)</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Note 24)	(2,619)	-	(4,763)	-
Interest income	15,874	1	13,214	1
Loss on foreign currency exchange	(44,633)	(2)	(22,659)	(1)
Other gains and losses - net	<u>4,869</u>	<u>-</u>	<u>2,216</u>	<u>-</u>
Total non-operating income and expenses	<u>(26,509)</u>	<u>(1)</u>	<u>(11,992)</u>	<u>-</u>
INCOME BEFORE INCOME TAX	(10,433)	(1)	(104,585)	(4)
INCOME TAX EXPENSE (Notes 4 and 25)	<u>2,234</u>	<u>-</u>	<u>5,551</u>	<u>-</u>
NET INCOME	<u>(8,199)</u>	<u>(1)</u>	<u>(99,034)</u>	<u>(4)</u>
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences from translating the financial statements of foreign operations	(353,609)	(16)	(112,346)	(5)
Unrealized loss on available-for-sale financial assets	<u>(83)</u>	<u>-</u>	<u>-</u>	<u>-</u>

(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			
	2017		2016	
	Amount	%	Amount	%
Other comprehensive income for the period, net of income tax	<u>(353,692)</u>	<u>(16)</u>	<u>(112,346)</u>	<u>(5)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ (361,891)</u>	<u>(17)</u>	<u>\$ (211,380)</u>	<u>(9)</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ (3,847)	-	\$ (99,034)	(4)
Non-controlling interests	<u>(4,352)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (8,199)</u>	<u>-</u>	<u>\$ (99,034)</u>	<u>(4)</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ (357,539)	(17)	\$ (211,380)	(9)
Non-controlling interests	<u>(4,352)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (361,891)</u>	<u>(17)</u>	<u>\$ (211,380)</u>	<u>(9)</u>
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ (0.01)</u>		<u>\$ (0.34)</u>	
Diluted	<u>\$ (0.01)</u>		<u>\$ (0.34)</u>	

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)

Equity Attributable to Owners of the Company

	Share Capital		Retained Earnings		Other Equity			Treasury Shares	Total	Non-controlling Interests	Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Undistributed Earnings	Exchange Differences from Translating Financial Statement of Foreign Operations	Equity Directly Associated with Non-current Assets Held for Sale	Unearned Employee Compensation				
BALANCE, JANUARY 1, 2016	\$ 2,933,299	\$ 6,592,641	\$ 141,463	\$ 1,358,815	\$ 609,523	\$ -	(\$ 62,974)	\$ -	\$ 11,572,767	\$ -	\$ 11,572,767
Net loss for the three months ended March 31, 2016	-	-	-	(99,034)	-	-	-	-	(99,034)	-	(99,034)
Other comprehensive loss for the three months ended March 31, 2016, net of income tax	-	-	-	-	(112,346)	-	-	-	(112,346)	-	(112,346)
Total comprehensive income (loss) for the three months ended March 31, 2016	-	-	-	(99,034)	(112,346)	-	-	-	(211,380)	-	(211,380)
Compensation cost of employee share options (Notes 22 and 27)	-	1,392	-	-	-	-	-	-	1,392	-	1,392
Issue of ordinary shares under employee share options (Notes 22 and 27)	9,419	6,750	-	-	-	-	-	-	16,169	-	16,169
Compensation cost of employee restricted shares (Notes 27)	-	-	-	-	-	-	5,170	-	5,170	-	5,170
Cancellation of employee restricted shares (Notes 22)	(582)	(903)	-	-	-	-	1,391	-	(94)	-	(94)
Dividend returned for unvested employee restricted shares	-	-	-	11	-	-	-	-	11	-	11
BALANCE AT MARCH 31, 2016	\$ 2,942,136	\$ 6,599,880	\$ 141,463	\$ 1,259,792	\$ 497,177	\$ -	(\$ 56,413)	\$ -	\$ 11,384,035	\$ -	\$ 11,384,035
BALANCE, JANUARY 1, 2017	\$ 2,965,344	\$ 6,625,846	\$ 165,045	\$ 1,335,160	\$ 433,584	(\$ 1,498)	(\$ 36,040)	(\$ 62,992)	\$ 11,424,449	\$ 13,933	\$ 11,438,382
Net loss for the three months ended March 31, 2017	-	-	-	(3,847)	-	-	-	-	(3,847)	(4,352)	(8,199)
Other comprehensive loss for the three months ended March 31, 2017, net of income tax	-	-	-	-	(353,609)	(83)	-	-	(353,692)	-	(353,692)
Total comprehensive income (loss) for the three months ended March 31, 2017	-	-	-	(3,847)	(353,609)	(83)	-	-	(357,539)	(4,352)	(361,891)
Treasury stock transferred to employees (Note 22 and 27)	-	-	-	-	-	-	-	1,327	1,327	-	1,327
Compensation cost of employee share options (Note 22 and 27)	-	7,399	-	-	-	-	-	-	7,399	-	7,399
Issue of ordinary shares under employee share options (Note 22 and 27)	4,983	9,059	-	-	-	-	-	-	14,042	-	14,042
Compensation cost of employee restricted shares (Note 27)	-	-	-	-	-	-	2,296	-	2,296	-	2,296
Cancellation of employee restricted shares (Note 22)	(95)	96	-	-	-	-	-	-	1	-	1
Dividend return on unvested employee restricted shares	-	-	-	8	-	-	-	-	8	-	8
BALANCE AT MARCH 31, 2017	\$ 2,970,232	\$ 6,642,400	\$ 165,045	\$ 1,331,321	\$ 79,975	(\$ 1,581)	(\$ 33,744)	(\$ 61,665)	\$ 11,091,983	\$ 9,581	\$ 11,101,564

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	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax from continuing operation	\$ (10,433)	\$ (104,585)
Adjustments for:		
Depreciation expenses	9,949	14,221
Amortization expenses	16,568	11,446
Gain on financial assets and liabilities at fair value through profit or loss	-	(2,092)
Finance costs	2,619	4,763
Interest income	(15,874)	(13,214)
Compensation cost of employee share options	7,399	1,392
Compensation cost of employee restricted shares	2,296	5,170
Loss on disposal of property, plant and equipment	-	1,986
Write-down of inventories	12,861	62,388
Unrealized loss (gain) on foreign currency exchange	(2,400)	(1,160)
Changes in operating assets and liabilities		
Trade receivables	162,193	468,556
Inventories	(604,880)	114,798
Other current assets	(23,523)	32,279
Trade payables	(219,578)	(116,469)
Other payables	(128,679)	(169,504)
Other current liabilities	3,143	45,934
Net defined benefit liabilities	(59)	(101)
Cash generated from operations	(788,398)	355,808
Interest paid	(2,143)	(804)
Income tax paid	(5,405)	(751)
Net cash generated from operating activities	<u>(795,946)</u>	<u>354,253</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	(9,242)	-
Purchase for property, plant and equipment	(7,310)	(2,139)
Proceeds from disposal of property, plant and equipment	-	500
Purchase of intangible assets	(63,433)	(5,441)
Decrease in other financial assets	(67,979)	218,592
Decrease(increase) in other non-current assets	(2,643)	583
Interest received	11,856	16,239
Net cash generated from investing activities	<u>(138,751)</u>	<u>228,334</u>

(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	
	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	-	(20,114)
Decrease in guarantee deposits	(6,744)	(8,082)
Issue of ordinary shares under employee share options	14,042	16,169
Treasury stock transferred to employees	1,327	-
Payment for cancellation of employee restricted shares	(28)	(123)
Proceeds from dividend returned by unvested employee restricted shares	<u>8</u>	<u>11</u>
Net cash used in financing activities	<u>8,605</u>	<u>(12,139)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(124,908)</u>	<u>(27,563)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,051,000)	542,885
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>3,265,779</u>	<u>1,690,441</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 2,214,779</u>	<u>\$ 2,233,326</u>

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, with the reference date of the acquisition and share swap on January 2, 2015. This Acquisition was comprehensively considered as a reverse merger, where FocalTech Corporation, Ltd. was treated as the acquirer and the Company as the acquiree.

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 25, 2017.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) recognized and issued into effect by the Financial Supervisory Commission (FSC) (collectively, “IFRSs”).

Except the following items, the initial adoption in 2017 of the IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers above would not result in material impact on the Company’s accounting policies:

- 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. The accounting treatments are different among the share-based payment agreements of “market condition,” “non-market condition,” and “non-vesting condition.” The amendment above would affect the accounting treatments of the share-based payment agreements from 2017.

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.

3) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments append several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs recognized by the FSC and applied from 2017. In addition, as a result of the implementation review of IFRSs in Taiwan, the amendments emphasize certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second degree relatives of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship with the Group, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Group has significant transactions. If the transaction or balance with a specific related party is 10% or more of the Group’s respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

The disclosure is required if there is a significant difference between the following operation result and the expectation set on acquisition date.

The disclosures of related impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017, please refer to Note 15.

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. The FSC announced that amendments to IFRS 9 and IFRS 15 will be applicable starting January 1, 2018. 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)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	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
Amendment to IFRS 15 “Clarifications to IFRS 15”	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
Amendments to IAS 40 “Transfers of investment property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

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 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

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 measure an equity investment, which is not held for trading, in the fair value, 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.

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9. Under IFRS 9, the classification, measurement and impairment of financial assets are applied retrospectively. The difference between the previous carrying amounts and the carrying amounts at the date of initial application should be recognized in the current period. Restatement of prior periods is not required.

2) IFRS 15 “Revenue from Contracts with Customers” and the related amendments

IFRS 15 specifies the recognition principle of income generated from the customer contracts; also, the guidelines will replace IAS 18 “Income,” IAS 11 “Construction Contracts,” and related interpretations.

The Consolidated Company after adopting IFRS 15 has income recognized according to 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 and related amendment are effective, the combined company 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 Company 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 Company 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 Company 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.

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

When IFRS 16 becomes effective, the Company 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) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IAS 21 stipulated that a foreign currency transaction shall be recorded in the functional currency by the spot exchange rate at the date of the transaction. IFRIC 22 further explains that the transaction date is the date on which an entity recognizes payment or receipt of advance consideration for a non-monetary asset or non-monetary liability. If there are multiple payments or receipts in advance, the entity shall discriminate the date of the transaction for each payment or receipt of advance consideration respectively.

The Company shall apply IFRIC 22 either retrospectively or prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after (a) the beginning of the reporting period in which the entity first applies IFRIC 22, or (b) the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies IFRIC 22.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’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 Preparation

The accompanying consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values, as explained in the accounting policies

below.

The evaluation of fair value could be classified into Degree 1 to Degree 3 by the observable intensity and importance of related input value:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation

About the detail information, holding percentages, and main business of the subsidiaries, please refer to Note 13.

d. 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, 2016.

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, ESTIMATIONS AND ASSUMPTIONS

Except for the following, the uncertainty of critical accounting judgments, estimations and assumptions applied are consistent with those in the consolidated financial statements for the year ended December 31, 2016.

Income taxes

As of March 31, 2017, December 31, 2016, and March 31, 2016, no deferred tax liabilities has been recognized on earnings of the subsidiaries of \$4,076,760 thousand, \$4,328,808 thousand, and \$4,199,422 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 and it's probable that the temporary differences will not reverse in the foreseeable future.

6. CASH AND CASH EQUIVALENTS

	March 31, 2017	December 31, 2016	March 31, 2016
Cash on hand	\$ 3,112	\$ 4,321	\$ 2,569
Checking accounts and demand deposits	782,398	1,343,883	1,468,020
Cash equivalent (fixed deposit with original maturities less than three months)	<u>1,429,269</u>	<u>1,917,575</u>	<u>762,737</u>
	<u>\$ 2,214,779</u>	<u>\$ 3,265,779</u>	<u>\$ 2,233,326</u>

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

	March 31, 2017	December 31, 2016	March 31, 2016
Demand deposits	0.001%-0.35%	0.001%-0.35%	0.001%-0.35%
Fixed deposits	0.6%-3.5%	0.2%-6%	0.28%-1.5%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Financial assets at FVTPL - current</u>			
Financial assets designated as at FVTPL			
Credit-linked structured note	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,119</u>
<u>Financial liabilities at FVTPL - current</u>			
Financial liabilities held for trading			
Convertible option attached to the convertible bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,228</u>

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS - NON-CURRENT

	March 31, 2017	December 31, 2016	March 31, 2016
Foreign investments			
Fixed income bonds	<u>\$ 174,275</u>	<u>\$ 175,839</u>	<u>\$ -</u>

In July 2016, the Group bought fixed income bonds, with the yield rates between 1.708% and 2.6739%. The maturity dates were of January 20, 2018 and March 13,2020, respectively.

Available-for-sale financial assets were not been pledged as a collateral.

9. TRADE RECEIVABLES, NET

	March 31, 2017	December 31, 2016	March 31, 2016
Notes receivables	\$ 6	\$ -	\$ 8
Trade receivables	1,248,420	1,444,149	1,227,499
Less: Allowance for doubtful accounts	<u>(103,122)</u>	<u>(109,650)</u>	<u>(109,429)</u>
Trade receivables, net	<u>\$ 1,145,304</u>	<u>\$ 1,334,499</u>	<u>\$ 1,118,078</u>

The average credit period on sales of goods was 60-120 days. No interest was charged on trade receivables. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowance for impairment loss were recognized based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

For the trade receivables balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss, because there was not a significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

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

	March 31, 2017	December 31, 2016	March 31, 2016
Less than 60 days	\$ 40,488	\$ 3,053	\$ 10,742
61-180 days	1,093	-	-
More than 180 days	<u>12,505</u>	<u>19,634</u>	<u>13,270</u>
	<u>\$ 54,086</u>	<u>\$ 22,687</u>	<u>\$ 24,012</u>

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, 2016	\$ 111,605	\$ -	\$ 111,605
Foreign exchange translation	<u>(2,176)</u>	<u>-</u>	<u>(2,176)</u>
Balance at March 31, 2016	<u>\$ 109,429</u>	<u>\$ -</u>	<u>\$ 109,429</u>
Balance at January 1, 2017	\$ 109,650	\$ -	\$ 109,650
Foreign exchange translation	<u>(6,528)</u>	<u>-</u>	<u>(6,528)</u>
Balance at March 31, 2017	<u>\$ 103,122</u>	<u>\$ -</u>	<u>\$ 103,122</u>

10. INVENTORIES

	March 31, 2017	December 31, 2016	March 31, 2016
Finished goods	\$ 1,206,562	\$ 920,412	\$ 917,571
Work in progress	964,982	874,762	663,943
Raw materials and supplies	<u>859,190</u>	<u>742,483</u>	<u>773,455</u>
	<u>\$ 3,030,734</u>	<u>\$ 2,537,657</u>	<u>\$ 2,354,969</u>

The cost of goods sold for the three months ended March 31, 2017 and 2016 was \$1,663,119 thousand and \$1,876,678 thousand, included inventory write-downs was \$12,861 thousand and \$62,388 thousand, respectively.

11. OTHER FINANCIAL ASSETS

	March 31, 2017	December 31, 2016	March 31, 2016
Time deposits with original maturities more than three months (a)	\$ 2,241,574	\$ 2,304,897	\$ 4,848,680
Repurchase bonds (b)	<u>-</u>	<u>-</u>	<u>128,536</u>
	<u>\$ 2,241,574</u>	<u>\$ 2,304,897</u>	<u>\$ 4,977,216</u>

- a. As of March 31, 2017, December 31, 2016 and March 31, 2016, the market rate intervals of time deposits with original maturities more than three months were 0.4%-2.7%, 0.40%-2.20% and 0.62%-4.03%, respectively.
- b. In 2015, 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%.

12. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	March 31, 2017	December 31, 2016	March 31, 2016
Foreign unlisted preferred shares	\$ 45,495	\$ 48,375	\$ 48,278
Private Funds	<u>30,330</u>	<u>32,250</u>	<u>-</u>
	<u>\$ 75,825</u>	<u>\$ 80,625</u>	<u>\$ 48,278</u>

Management believed that the above 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.

13. 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, 2017	December 31, 2016	March 31, 2016
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 Smart Sensors Co., Ltd.	Research, development, manufacturing and sale of integrated circuits	69%	69%(a)	-
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	100%	b	b

- a. FocalTech Smart Sensors Co., Ltd. was incorporated in July 2016, 100% owned by the Group. The Group's holding diluted to 69% after the capital injection in November 2016.
- b. The Group has the power to appoint and remove the majority of the board of directors and has the power to control the 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, 2017 and 2016, the immaterial subsidiaries of the Group included FocalTech Smart Sensors Co., Ltd., 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. The financial statements of the immaterial subsidiaries had not been reviewed by the auditors.

As of March 31, 2017 and 2016, the total amounts of assets of the immaterial subsidiaries were \$1,892,116 thousand and \$1,530,141 thousand, 13.39% and 10.39% of total consolidated assets, respectively. The total amounts of liabilities were \$530,786 thousand, and \$550,103 thousand, 17.52% and 16.47% of total consolidated liabilities, respectively. For the three months ended March 31, 2017 and 2016, the total immaterial subsidiaries comprehensive loss has been recognized \$97,024 thousand and \$14,107 thousand, that held 26.81% and 6.67% in the consolidated statements of comprehensive loss, respectively.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Development Equipment	Office Equipment	Information Equipment	Leasehold Improvements	Construction in Progress	Total
<u>Cost</u>							
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	<u>\$ 37,600</u>	<u>\$ 186,981</u>	<u>\$ 14,118</u>	<u>\$ 37,496</u>	<u>\$ 37,018</u>	<u>\$ -</u>	<u>\$ 313,213</u>
<u>Accumulated depreciation</u>							
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	<u>\$ 1,393</u>	<u>\$ 124,770</u>	<u>\$ 7,655</u>	<u>\$ 19,275</u>	<u>\$ 27,161</u>	<u>\$ -</u>	<u>\$ 180,254</u>
Carrying amounts at March 31, 2016	<u>\$ 36,207</u>	<u>\$ 62,211</u>	<u>\$ 6,463</u>	<u>\$ 18,221</u>	<u>\$ 9,857</u>	<u>\$ -</u>	<u>\$ 132,959</u>
<u>Cost</u>							
Balance at January 1, 2017	\$ 37,600	\$ 159,892	\$ 14,180	\$ 38,730	\$ 35,956	\$ -	\$286,358
Additions	-	4,198	-	270	-	3,555	8,023
Disposals	-	(550)	-	-	-	-	(550)
Effect of foreign currency exchange differences	-	(5,545)	(533)	(1,863)	(808)	-	(8,749)
Balance at March 31, 2017	<u>\$ 37,600</u>	<u>\$ 157,995</u>	<u>\$ 13,647</u>	<u>\$ 37,137</u>	<u>\$ 35,148</u>	<u>\$ 3,555</u>	<u>\$ 285,082</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2017	\$ 2,020	\$ 109,056	\$ 8,839	\$ 22,142	\$ 32,205	\$ -	\$ 174,262
Depreciation	209	6,009	506	1,361	1,864	-	9,949
Disposals	-	(550)	-	-	-	-	(550)
Effect of foreign currency exchange differences	-	(4,312)	(311)	(1,058)	(793)	-	(6,474)
Balance at March 31, 2017	<u>\$ 2,229</u>	<u>\$110,203</u>	<u>\$ 9,034</u>	<u>\$ 22,445</u>	<u>\$ 33,276</u>	<u>\$ -</u>	<u>\$ 177,187</u>
Carrying amounts at December 31, 2016 and January 1, 2017	<u>\$ 35,580</u>	<u>\$ 50,836</u>	<u>\$ 5,341</u>	<u>\$ 16,588</u>	<u>\$ 3,571</u>	<u>\$ -</u>	<u>\$ 112,096</u>
Carrying amounts at March 31, 2017	<u>\$ 35,371</u>	<u>\$ 47,792</u>	<u>\$ 4,613</u>	<u>\$ 14,692</u>	<u>\$ 1,872</u>	<u>\$ 3,555</u>	<u>\$ 107,895</u>

FocalTech Systems (Shenzhen) Co., Ltd. prepaid RMB 292,408 thousand in the 3rd quarter of 2016 for the office building, recorded as other non-current assets. The Group will reclassify as Buildings after obtaining official registration and related documents.

Property, plant and equipment were 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.

15. GOODWILL

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Cost</u>			
	<u>\$ 3,237,268</u>	<u>\$ 3,237,268</u>	<u>\$ 3,237,268</u>

The reverse merger by FocalTech Corporation, Ltd. on January 2, 2015, with the goodwill of 3,237,268, could bring in the synergy of integration of LCD driver and touch controller under the industry trend. IDC (Integrated Driver Controller) revenue and profit was lower than expected due to longer design-in schedule in panel makers, more complicated verification items for Brand customers and more time to lean the process for the supply chain...etc,. The recoverable amount from IDC (Integrated Driver Controller) still exceeded the carrying value so the Company did not recognize any impairment for the goodwill.

The recoverable amount is calculated by IDC projected net cash flows, discounted at 9.57%, under the assumptions of management team judgments and historical experiences with regard to future growth rates and market shares of smartphone, gross margins and forecasted operating expenses.

16. OTHER INTANGIBLE ASSETS

	Licenses and Franchises	Software	Patents	Trademark	Total
<u>Cost</u>					
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	<u>(1,026)</u>	<u>(1,126)</u>	<u>(4)</u>	<u>-</u>	<u>(2,156)</u>
Balance at March 31, 2016	<u>\$ 62,709</u>	<u>\$ 63,688</u>	<u>\$ 76,740</u>	<u>\$ 74,000</u>	<u>\$ 277,137</u>
<u>Accumulated amortization</u>					
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	<u>(951)</u>	<u>(703)</u>	<u>(4)</u>	<u>-</u>	<u>(1,658)</u>
Licenses and Franchises					
Balance at March 31, 2016	<u>\$ 52,514</u>	<u>\$ 39,064</u>	<u>\$ 9,993</u>	<u>\$ 9,250</u>	<u>\$ 110,821</u>
Carrying amounts at March 31, 2016	<u>\$ 10,195</u>	<u>\$ 24,624</u>	<u>\$ 66,747</u>	<u>\$ 64,750</u>	<u>\$ 166,316</u>
<u>Cost</u>					
Balance at January 1, 2017	\$ 66,668	\$ 141,943	\$ 76,723	\$ 74,000	\$ 359,334
Additions	62,189	1,244	-	-	63,433
Effect of foreign currency exchange differences	<u>(4,674)</u>	<u>(7,888)</u>	<u>(14)</u>	<u>-</u>	<u>(12,576)</u>
Balance at March 31, 2017	<u>\$ 124,183</u>	<u>\$ 135,299</u>	<u>\$ 76,709</u>	<u>\$ 74,000</u>	<u>\$ 410,191</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2017	\$ 60,058	\$ 65,679	\$ 15,815	\$ 14,800	\$ 156,352
Amortization expense	2,722	10,050	1,946	1,850	16,568
Effect of foreign currency exchange differences	<u>(3,121)</u>	<u>(3,710)</u>	<u>(14)</u>	<u>-</u>	<u>(6,845)</u>
Balance at March 31, 2017	<u>\$ 59,659</u>	<u>\$ 72,019</u>	<u>\$ 17,747</u>	<u>\$ 16,650</u>	<u>\$ 166,075</u>
Carrying amounts at December 31, 2016 and January 1, 2017	<u>\$ 6,610</u>	<u>\$ 76,264</u>	<u>\$ 60,908</u>	<u>\$ 59,200</u>	<u>\$ 202,982</u>
Carrying amounts at March 31, 2017	<u>\$ 64,524</u>	<u>\$ 63,280</u>	<u>\$ 58,962</u>	<u>\$ 57,350</u>	<u>\$ 244,116</u>

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

17. BORROWINGS

	March 31, 2017	December 31, 2016	March 31, 2016
Unsecured bank loans			
Amount	<u>\$ 606,600</u>	<u>\$ 645,000</u>	<u>\$ 244,606</u>
Annual interest rate	1.46%	1.80%-1.85%	1.37%-1.39%

18. BONDS PAYABLE

	March 31, 2017	December 31, 2016	March 31, 2016
Domestic 1st unsecured convertible bonds	\$ -	\$ -	\$ 996,200
Less: Discounts on bonds payable	-	-	(35,498)
Less: Current portion	<u>-</u>	<u>-</u>	<u>(960,702)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The bond liability was fully settled during 2016, referring to Note 18 of the consolidated financial statements for the year ended December 31, 2016 for the detail.

19. TRADE PAYABLE

	March 31, 2017	December 31, 2016	March 31, 2016
Trade payables	<u>\$ 1,271,993</u>	<u>\$ 1,540,640</u>	<u>\$ 850,893</u>

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.

20. OTHER PAYABLES

	March 31, 2017	December 31, 2016	March 31, 2016
Payable for rebates	\$ 309,469	\$ 367,744	\$ 362,890
Payable for salaries and bonus	314,911	384,011	303,888
Payable for labor, health and social insurance	14,486	14,601	15,726
Reserve for litigations	67,807	73,040	82,927
Payable for professional services and others	<u>34,191</u>	<u>65,931</u>	<u>35,046</u>
	<u>\$ 740,864</u>	<u>\$ 905,327</u>	<u>\$ 800,477</u>

21. RETIREMENT BENEFIT

Employee benefit expenses in respect of the Group's defined benefit retirement plans were \$231 thousand and \$237 thousand for the three months ended March 31, 2017 and 2016, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2016 and 2015.

22. EQUITY

a. Share capital

Ordinary shares (NT\$10 par value per share)

	March 31, 2017	December 31, 2016	March 31, 2016
Numbers of shares authorized (in thousands)	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
Shares authorized	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>297,023</u>	<u>296,534</u>	<u>294,214</u>
Shares issued	<u>\$ 2,970,232</u>	<u>\$ 2,965,344</u>	<u>\$ 2,942,136</u>

b. Capital surplus

	Additional Paid-in Capital (1)	Treasury Shares (1)	Changes in ownership interests in subsidiaries (2)	Employee Share Options (3)	Employee Restricted Shares (3)	Employee Share Options -Expired (2)	Total
BALANCE, JANUARY 1, 2016	\$6,362,250	\$ 236	\$ -	\$ 103,350	\$ 115,999	\$ 10,806	\$6,592,641
Compensation cost of employee share options	-	-	-	1,392	-	-	1,392
Issue of ordinary shares under employee share options	23,621	-	-	(16,871)	-	-	6,750
Employee Share Options -Expired	-	-	-	(1,377)	-	1,377	-
Cancellation of employee restricted stock	367	-	-	-	(1,270)	-	(903)
BALANCE AT MARCH 31, 2016	<u>\$6,386,238</u>	<u>\$ 236</u>	<u>\$ -</u>	<u>\$ 86,494</u>	<u>\$ 114,729</u>	<u>\$ 12,183</u>	<u>\$6,599,880</u>
BALANCE, JANUARY 1, 2017	\$6,468,819	\$ 40,305	\$ 582	\$ 27,578	\$ 73,797	\$ 14,765	\$6,625,846
Treasury Stock transferred to Employees	-	563	-	(563)	-	-	-
Compensation cost of employee share options	-	-	-	7,399	-	-	7,399
Issue of ordinary shares under employee share options	18,640	-	-	(9,581)	-	-	9,059
Employee share options expired	-	-	-	(619)	-	619	-
Cancellation of employee restricted stock	108	-	-	-	(12)	-	96
BALANCE AT MARCH 31, 2017	<u>\$6,487,567</u>	<u>\$ 40,868</u>	<u>\$ 582</u>	<u>\$ 24,214</u>	<u>\$ 73,785</u>	<u>\$ 15,384</u>	<u>\$6,642,400</u>

1) This type of capital surplus 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 converted to share capital (at a certain percentage of the Company's capital surplus annually).

2) This type of capital surplus may be used to offset a deficit.

3) This type of capital surplus cannot 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.

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. 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 24(c).

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.

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 2016 and 2015 had been proposed by the company's board of directors on February 24, 2017 and approved in the shareholders' meetings on June 22, 2016, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Legal reserve	\$ 21,109	\$ 23,582		
Cash dividends	189,985	212,240	\$ 0.64	\$ 0.7222

The appropriations of earnings for 2016 are subject to the resolution of the shareholders' meeting to be held on June 14, 2017.

d. Treasury

	Shares (In Thousands)
Number of shares at January 1, 2017	2,376
Increase during the period	-
Decrease during the period	<u>(50)</u>
Number of shares at March 31, 2017	<u>2,326</u>

Please refer to Note 27 (d) for the detailed information in The 2nd Shares Buy Back Program.

The treasury shares held by the company cannot be pledged and no dividend and voting right is attached in accordance with the Regulations of Securities and Exchange Act.

23. REVENUE

	For the Three Months Ended March 31	
	2017	2016
IC for portable devices	\$ 2,161,081	\$ 2,306,883
Others	<u>-</u>	<u>1,684</u>
	<u>\$ 2,161,081</u>	<u>\$ 2,308,567</u>

24. NET INCOME (LOSS)

a. Finance costs

	For the Three Months Ended March 31	
	2017	2016
Interest on bank loans	\$ 2,264	\$ 759
Interest on deposits	355	74
Interest on convertible bonds	<u>-</u>	<u>3,930</u>
	<u>\$ 2,619</u>	<u>\$ 4,763</u>

b. Depreciation and amortization

	For the Three Months Ended March 31	
	2017	2016
Property, plant and equipment	\$ 9,949	\$ 14,221
Intangible assets	<u>16,568</u>	<u>11,446</u>
	<u>\$ 26,517</u>	<u>\$ 25,667</u>
 An analysis of deprecation by function		
Operating expenses	\$ 23,808	\$ 19,238
Operating costs	<u>2,709</u>	<u>6,429</u>
	<u>\$ 26,517</u>	<u>\$ 25,667</u>

25. INCOME TAXES

- a. Major components of tax expense (income) recognized in profit or loss

	For the Three Months Ended March 31	
	2017	2016
Current tax		
In respect of the current year	\$ 3,533	\$ 497
Adjustments for prior years	<u>249</u>	<u>-</u>
	<u>3,782</u>	<u>497</u>
Deferred tax		
In respect of the current year	<u>(6,016)</u>	<u>(6,048)</u>
Income tax expense recognized in profit or loss	<u>\$ (2,234)</u>	<u>\$ (5,551)</u>

- b. The Company's integrated income tax

	March 31, 2017	December 31, 2016	March 31, 2016
Imputation credit accounts	<u>\$ 51,955</u>	<u>\$ 51,706</u>	<u>\$ 62,742</u>
		December 31	
		2016(estimate)	2015
Creditable ratio for distribution of earnings		3.89%	4.68%

- c. Income tax assessments

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

26. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended March 31	
	2017	2016
Basic earnings per share	<u>\$ (0.01)</u>	<u>\$ (0.34)</u>
Diluted earnings per share	<u>\$ (0.01)</u>	<u>\$ (0.34)</u>

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	
	2017	2016
Earnings used in the computation of basic earnings per share	\$ (3,847)	\$ (99,034)
Effect of potentially dilutive ordinary shares:		
Interest on convertible bonds after tax	_____ -	_____ -
Earnings used in the computation of diluted earnings per share	<u>\$ (3,847)</u>	<u>\$ (99,034)</u>

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

	For the Three Months Ended March 31	
	2017	2016
Weighted average number of ordinary shares in computation of basic earnings per share	291,098	292,299
Effect of potentially dilutive ordinary shares:		
Convertible bonds (Note)	-	-
Employee share option (Note)	-	-
Employees' compensation (Note)	-	-
Employee restricted shares (Note)	_____ -	_____ -
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>291,098</u>	<u>292,299</u>

Note : The computation of diluted earnings per share did not include the shares from convertible bonds, employee share options, employees' compensation and Employee Restricted Shares for three months ended March 31 2017 and 2016 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.

27. SHARE-BASED PAYMENT ARRANGEMENTS

The Company did not have new share option plan or restricted stock plan issued for employees for the three months ended March 31, 2017 and 2016, except for The 2nd Shares Buy Back Program stated below. The detailed information of the employee share option plans and employee restricted shares plans could be found in Note 27 of the consolidated financial statements of the year ended December 31, 2016.

a. Employee share option plan in 2015

	For the Three Months Ended March 31, 2017		For the Three Months Ended March 31, 2016	
	Number of Options	Weighted- average Exercise Price (NT\$)	Number of Options	Weighted- average Exercise Price (NT\$)
Balance at January 1	2,506,000	\$ 12.4	2,688,000	\$ 12.7
Options forfeited	<u>(100,000)</u>	12.4	<u>(97,000)</u>	12.7
Balance at March 31	<u>2,406,000</u>	12.4	<u>2,591,000</u>	12.7

b. Employee share option plan in 2013

	For the Three Month Ended March 31			
	2017		2016	
	Number of Options	Weighted- average Exercise Price (NT\$)	Number of Options	Weighted- average Exercise Price (US\$)
Balance at January 1	1,220,500	\$ 38.5	1,578,500	\$ 39.4
Options forfeited	(25,750)	38.5	(8,500)	39.4
Options exercised	(155,500)	38.5	-	-
Options expired	<u>(37,500)</u>	38.5	<u>(83,000)</u>	39.4
Balance at March 31	<u>1,001,750</u>	38.5	<u>1,487,000</u>	39.4
Options exercisable, end of period	<u>725,250</u>	38.5	<u>740,000</u>	39.4

c. Employee share option plan in 2006

	For the Three Month Ended March 31			
	2017		2016	
	Number of Options	Weighted- average Exercise Price (NT\$)	Number of Options	Weighted- average Exercise Price (US\$)
Balance at January 1	2,662,359	\$ 21.01	6,738,924	\$ 18.61
Options forfeited	-	-	(439,800)	25.67
Options exercised	<u>(342,853)</u>	23.49	<u>(941,906)</u>	17.17
Balance at March 31	<u>2,319,506</u>	20.65	<u>5,357,218</u>	18.29
Options exercisable, end of period	<u>2,168,935</u>	20.04	<u>3,280,029</u>	15.64

d. The 2nd Shares Buy Back Program.

The eligible employees purchased 50 thousand shares with the total proceeds of \$1,327 thousand on February 24, 2017, at \$26.53 per share. The fair value of each share purchase right was \$11.26 on the purchase date.

Compensation cost recognized was \$9,695 thousand and \$6,562 thousand for the three months ended March 31, 2017 and 2016, respectively and affected capital surplus - employee share options by 7,399 thousand and 1,392 thousand and other equity - unearned employee compensation by \$ 2,296 thousand and \$ 5,170 thousand, respectively.

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 January 2020.

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

	March 31, 2017	March 31, 2016
lease payment	<u>\$ 16,008</u>	<u>\$ 16,395</u>

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

	March 31, 2017	December 31, 2016	March 31, 2016
Not later than 1 year	\$ 33,187	\$ 31,731	\$ 29,046
Later than 1 year and not later than 5 years	<u>17,835</u>	<u>3,992</u>	<u>9,607</u>
	<u>\$ 51,022</u>	<u>\$ 35,723</u>	<u>\$ 38,653</u>

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 on a recurring basis

1) Fair value hierarchy

March 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Fixed income bonds	<u>\$ -</u>	<u>\$ 174,275</u>	<u>\$ -</u>	<u>\$ 174,275</u>

December 31, 2016

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Fixed income bonds	\$ <u> -</u>	\$ <u>175,839</u>	\$ <u> -</u>	\$ <u>175,839</u>

March 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Structured note	\$ <u> -</u>	\$ <u> -</u>	\$ <u>126,119</u>	\$ <u>126,119</u>
Financial liabilities at FVTPL				
Conversion option of the convertible bonds	\$ <u> -</u>	\$ <u> -</u>	\$ <u>45,228</u>	\$ <u>45,228</u>

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

For the Three Months ended March 31, 2016

	Derivatives
<u>Financial assets at FVTPL</u>	
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	<u>(2,503)</u>
Balance at March 31, 2016	\$ <u>126,119</u>

	Derivatives
<u>Financial liabilities at FVTPL</u>	
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	<u>(2,590)</u>
Balance at March 31, 2016	\$ <u>45,228</u>

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

a) Structured Note

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
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 binomial pricing model 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 NT 100 thousand bond sheet on each face value of \$100,000 of the financial liabilities at FVTPL for the three months ended March 31, 2016 would decrease/increase by \$(130), \$(250), \$120 and \$250, 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 each face value of \$100,000 of the Financial liabilities at FVTPL for the three months ended March 31, 2016 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 each face value of \$100,000 of the Financial liabilities at FVTPL for the three months ended March 31, 2016 would decrease/increase by \$(240) thousands, \$(480)

thousands, \$110 thousands and \$590 thousand, respectively.

c. Categories of financial instruments

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Financial assets</u>			
Fair value through profit or loss (FVTPL)			
Designated as at FVTPL	\$ -	\$ -	\$ 126,119
Available-for-sale financial assets (Note 1)	250,100	256,464	48,278
Loans and receivables (Note 2)	5,641,921	6,943,655	8,369,056
<u>Financial liabilities</u>			
Fair value through profit or loss (FVTPL)			
Held for trading	-	-	45,228
Amortized cost (Note 3)	2,725,988	3,204,242	2,936,445

- 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, available-for-sale 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 32.

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.

	<u>USD Impact</u>		<u>RMB Impact</u>	
	<u>For the Three Months Ended</u>		<u>For the Three Months Ended</u>	
	<u>March 31</u>		<u>March 31</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Profit or loss/ equity	<u>\$ 18,627</u> (i)	<u>\$ 47,158</u> (i)	<u>\$ 2,216</u> (ii)	<u>\$ 7,981</u> (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, bond investments, borrowings, bonds payable, and floating rate demand deposits. The time deposits were at fixed interest rates, and bonds were at fixed rates or with 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, 2017	December 31, 2016	March 31, 2016
Fair value interest rate risk			
Financial assets	<u>\$ 3,845,118</u>	<u>\$ 4,398,311</u>	<u>\$ 5,866,072</u>
Financial liabilities	<u>\$ 606,600</u>	<u>\$ 645,000</u>	<u>\$ 1,271,274</u>
Cash flow interest rate risk			
Financial assets	<u>\$ 782,398</u>	<u>\$ 1,343,883</u>	<u>\$ 1,468,020</u>

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, 2017 and 2016 would decrease/increase by \$406 thousand and \$761 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 bonds 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.

As of March 31, 2017, the Group's five largest customers took 70% of total trade receivables, the remaining transactions with a large number of unrelated customers, thus, no significant 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, 2017, December 31, 2016, and March 31, 2016, the available unutilized short-term bank loan facilities refer to (b) Financing facilities.

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, 2017

	On Demand or Less than 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>		
Fixed interest rate liabilities	\$ 606,600	\$ -
Non-interest bearing	<u>2,012,857</u>	<u>106,531</u>
	<u>\$ 2,619,457</u>	<u>\$ 106,531</u>

December 31, 2016

	On Demand or Less than 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>		
Fixed interest rate liabilities	\$ 645,000	\$ -
Non-interest bearing	<u>2,445,967</u>	<u>113,275</u>
	<u>\$ 3,090,967</u>	<u>\$ 113,275</u>

March 31, 2016

	On Demand or Less than 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>		
Fixed interest rate liabilities	\$ 1,271,274	\$ -
Non-interest bearing	<u>1,651,148</u>	<u>79,768</u>
	<u>\$ 2,922,422</u>	<u>\$ 79,768</u>

b) Financing facilities

	March 31, 2017	December 31, 2016	March 31, 2016
Unsecured bank overdraft facility, reviewed annually:			
Amount used	\$ 606,600	\$ 645,000	\$ 244,606
Amount unused	<u>2,306,600</u>	<u>2,145,000</u>	<u>3,164,644</u>
	<u>\$ 2,913,200</u>	<u>\$ 2,790,000</u>	<u>\$ 3,409,250</u>

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	
	2017	2016
Long-term employee benefits	\$ 4,475	\$ 4,664
Short-term employee benefits	13,392	15,455
Post-employment benefits	152	151
Share-based payments	<u>1,782</u>	<u>1,592</u>
	<u>\$ 19,801</u>	<u>\$ 21,862</u>

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	March 31, 2017	December 31, 2016	March 31, 2016
Pledge deposits (classified as other non-current assets)	<u>\$ 34,773</u>	<u>\$ 36,543</u>	<u>\$ 4,000</u>

32. 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, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 45,394	30.33 (USD:NTD)	\$ 1,376,793
USD	1,681	6.8993 (USD:RMB)	50,997
RMB	10,080	0.1449 (RMB:USD)	44,315
<u>Financial liabilities</u>			
Monetary items			
USD	24,445	30.33 (USD:NTD)	741,409
USD	10,348	6.8993 (USD:RMB)	313,846

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 46,040	32.25 (USD:NTD)	\$ 1,484,800
USD	1,561	6.9370 (USD:RMB)	50,350
RMB	10,395	0.1442 (RMB:USD)	48,326

Financial liabilities

Monetary items			
USD	26,937	32.25 (USD:NTD)	868,732
USD	9,693	6.9370 (USD:RMB)	312,609

March 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 59,955	32.185 (USD:NTD)	\$ 1,929,647
USD	1,086	6.4612 (USD:RMB)	34,979
RMB	32,044	0.1548 (RMB:USD)	159,618

Financial liabilities

Monetary items			
USD	20,519	32.185 (USD:NTD)	660,127
USD	11,047	6.4612 (USD:RMB)	355,544

33. SEGMENT INFORMATION

Segment information is provided to those who allocate resources and assess 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.