FocalTech Systems Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2017 and 2016

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars, Except Par Value)

	September 30, 2017		December 31, 2016		September 30, 2016	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 2,137,765	14	$ 3,265,779	22	$ 1,808,230	13
Financial assets at fair value through profit or loss - current (Notes 7 and 31)	-	-	-	-	123,863	1
Available-for-sale financial assets - current (Note 8)	21,197	-	-	-	-	-
Trade receivables, net (Note 10)	1,496,364	10	1,334,499	9	1,430,625	11
Inventories (Note 11)	3,344,917	22	2,537,657	17	2,667,194	19
Other financial assets (Note 12)	2,646,981	17	2,304,897	15	2,311,664	17
Other current assets	221,319	1	123,117	1	176,313	1
Total current assets	9,868,543	64	9,565,949	64	8,517,889	62
NON-CURRENT ASSETS						
Available-for-sale financial assets - non-current (Note 8)	266,729	2	175,839	1	28,292	-
Held-to-maturity financial assets - non-current (Note 9)	-	-	-	-	15,816	-
Financial assets measured at cost (Note 13)	75,650	-	80,625	-	47,040	-
Property, plant and equipment (Note 15)	1,364,462	9	112,096	1	114,785	1
Goodwill (Notes 16)	3,237,268	21	3,237,268	22	3,237,268	23
Other intangible assets (Note 17)	229,808	2	202,982	1	210,229	2
Deferred tax assets	126,111	1	136,369	1	145,595	1
Other non-current assets (Notes 15 and 33)	138,096	1	1,446,203	10	1,458,892	11
Total non-current assets	5,438,124	36	5,391,382	36	5,257,917	38
TOTAL	$ 15,306,667	100	$ 14,957,331	100	$ 13,775,806	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 18)	$ 907,800	6	$ 645,000	4	$ 313,600	3
Financial liabilities at fair value through profit or loss - current (Notes 7 and 31)	-	-	-	-	1,408	-
Trade payables (Note 20)	2,085,713	14	1,540,640	10	954,587	7
Other payables (Notes 21)	768,872	5	905,327	6	952,470	7
Current tax liabilities (Note 4)	8,017	-	8,858	-	6,238	-
Current portion of bonds payable (Note 19)	-	-	-	-	33,642	-
Other current liabilities	77,949	-	63,080	1	129,421	1
Total current liabilities	3,848,351	25	3,162,905	21	2,391,366	18
NON-CURRENT LIABILITIES						
Deferred tax liabilities	175,595	1	185,983	1	183,005	1
Net defined benefit liabilities - non-current (Note 4)	46,210	1	46,386	1	47,889	-
Guarantee deposits received	183,901	1	113,275	1	77,722	1
Other non-current liabilities	10,400	-	10,400	-	10,400	-
Total non-current liabilities	416,106	3	356,044	3	319,016	2
Total liabilities	4,264,457	28	3,518,949	24	2,710,382	20
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 23 and 28)						
Share capital						
Ordinary shares	2,981,576	19	2,965,344	20	2,961,416	21
Capital surplus						
Additional paid-in capital	6,534,066	43	6,468,819	43	6,438,354	47
Treasury shares	40,868	-	40,305	-	236	-
Changes in ownership interests in subsidiaries	1,269	-	582	-	-	-
Employee share options	24,131	-	27,578	-	65,858	-
Employee restricted shares	55,123	1	73,797	1	94,833	1
Employee share options - expired	16,386	-	14,765	-	13,730	-
Total capital surplus	6,671,843	44	6,625,846	44	6,613,011	48
Retained earnings						
Legal reserve	186,154	1	165,045	1	165,045	1
Undistributed earnings	1,294,265	9	1,335,160	9	1,188,092	9
Total retained earnings	1,480,419	10	1,500,205	10	1,353,137	10
Other equity						
Exchange differences from translating the financial statements of foreign operations	113,570	-	433,584	3	315,860	2
Equity directly associated with non-current assets held for sale	(1,193)	-	(1,498)	-	(102)	-
Unearned employee compensation	(29,617)	-	(36,040)	-	(45,291)	-
Total other equity	82,760	-	396,046	3	270,467	2
Treasury shares	(191,998)	(1)	(62,992)	(1)	(132,607)	(1)
Equity attributable to owners of the company	11,024,600	72	11,424,449	76	11,065,424	80
NON-CONTROLLING INTERESTS	17,610	-	13,933	-	-	-
Total equity	11,042,210	72	11,438,382	76	11,065,424	80
TOTAL	$ 15,306,667	100	$ 14,957,331	100	$ 13,775,806	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 Per Share)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
REVENUE (Note 24)	$ 3,264,928	100	$ 3,056,139	100	$ 8,023,430	100	$ 8,324,695	100
COSTS OF SALES (Note 11 and 25)	(2,592,359)	(79)	(2,428,595)	(80)	(6,320,513)	(79)	(6,685,176)	(80)
GROSS PROFIT	672,569	21	627,544	20	1,702,917	21	1,639,519	20
OPERATING EXPENSES (Note 22, 25, 28 and 33)								
Selling and marketing expenses	(130,475)	(4)	(114,728)	(4)	(353,283)	(4)	(335,376)	(4)
General and administrative expenses	(84,014)	(3)	(77,764)	(2)	(230,626)	(3)	(224,619)	(3)
Research and development	(328,626)	(10)	(332,077)	(11)	(966,923)	(12)	(983,962)	(12)
Total operating expenses	(543,115)	(17)	(524,569)	(17)	(1,550,832)	(19)	(1,543,957)	(19)
OPERATIONS INCOME (LOSS)	129,454	4	102,975	3	152,085	2	95,562	1
NON-OPERATING INCOME AND EXPENSES								
Finance costs (Note 25)	(281)	-	(844)	-	(5,275)	-	(8,098)	-
Net gain(loss) of fair value change of financial assets and liabilities at fair value through profit or loss (Note 31)	-	-	(24)	-	-	-	17,858	-
Other gains and losses - net (Note 19)	4,378	-	4,355	-	12,262	-	(24,681)	-
Loss on disposal of property, plant and equipment	-	-	-	-	(27)	-	(1,986)	-
Loss on foreign currency exchange	3,890	-	(12,573)	-	(29,904)	-	(40,655)	(1)
Interest income	13,589	1	10,797	-	46,682	-	45,402	1
Total non-operating income and expenses	21,576	1	1,711	-	23,738	-	(12,160)	-
INCOME (LOSS) BEFORE INCOME TAX	151,030	5	104,686	3	175,823	2	83,402	1
INCOME TAX (EXPENSE) BENEFIT (Note 4 and 26)	(17,037)	(1)	(11,736)	-	(18,837)	-	(18,329)	-
NET INCOME (LOSS)	133,993	4	92,950	3	156,986	2	65,073	1
OTHER COMPREHENSIVE INCOME								
Items that may be reclassified subsequently to profit or loss:								

(Continued)

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
Exchange differences from translating financial statement of foreign operations	(5,183)	-	(178,107)	(6)	(320,014)	(4)	(293,663)	(4)
Unrealized loss on available-for-sale financial assets	232	-	(102)	-	305	-	(102)	-
Total other comprehensive loss (net of income tax)	(4,951)	-	(178,209)	(6)	(319,709)	(4)	(293,765)	(4)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ 129,042	4	$ (85,259)	(3)	$ (162,723)	(2)	$ (228,692)	(3)
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Company	139,131	4	92,950	3	170,191	2	65,073	1
Non-controlling interests	(5,138)	-	-	-	(13,205)	-	-	-
	$ 133,993	4	$ 92,950	3	$ 156,986	2	$ 65,073	1
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	134,180	4	(85,259)	(3)	(149,518)	(2)	(228,692)	(3)
Non-controlling interests	(5,138)	-	-	-	(13,205)	-	-	-
	$ 129,042	4	$ (85,259)	(3)	$ (162,723)	(2)	$ (228,692)	(3)
EARNINGS (LOSSES) PER SHARE (Note 27)								
Basic	$ 0.49		$ 0.32		$ 0.59		$ 0.22	
Diluted	$ 0.48		$ 0.32		$ 0.58		$ 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)

	Equity Attributable to Owners of the Company										
			Retained Earnings		Other Equity						
	Share Capital 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	Treasury Shares	Total	Non-controlling Interests	Total Equity
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
Appropriation of 2015 earnings											
Legal reserve	-	-	23,582	(23,582)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-		(212,240)	-	-	-	-	(212,240)	-	(212,240)
Net income for the nine months ended September 30, 2016	-	-	-	65,073	-	-	-	-	65,073	-	65,073
Other comprehensive loss for the nine months ended September 30, 2016, net of income tax	-	-	-	-	(293,663)	(102)	-	-	(293,765)	-	(293,765)
Total comprehensive income (loss) for the nine months ended September 30, 2016	-	-	-	65,073	(293,663)	(102)	-	-	(228,692)	-	(228,692)
Buy-back of ordinary shares (Note 23)	-	-	-	-	-	-	-	(132,607)	(132,607)	-	(132,607)
Compensation cost of employee share options (Notes 23 and 28)	-	9,281	-	-	-	-	-	-	9,281	-	9,281
Issue of ordinary shares under employee share options (Notes 23 and 28)	29,593	12,164	-	-	-	-	-	-	41,757	-	41,757
Compensation cost of employee restricted shares (Notes 28)	-	-	-	-	-	-	15,209	-	15,209	-	15,209
Cancellation of employee restricted shares (Notes 23)	(1,476)	(1,075)	-	-	-	-	2,474	-	(77)	-	(77)
Dividend returned for unvested employee restricted shares	-	-	-	26	-	-	-	-	26	-	26
BALANCE AT SEPTEMBER 30, 2016	$ 2,961,416	$ 6,613,011	$ 165,045	$ 1,188,092	$ 315,860	$ (102)	$ (45,291)	$ (132,607)	$ 11,065,424	$ -	$ 11,065,424
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
Appropriation of 2016 earnings											
Legal reserve	-	-	21,109	(21,109)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-		(189,985)	-	-	-	-	(189,985)	-	(189,985)
Net income for the nine months ended September 30, 2017	-	-	-	170,191	-	-	-	-	170,191	(13,205)	156,986
Other comprehensive loss for the nine months ended September 30, 2017, net of income tax	-	-	-	-	(320,014)	305	-	-	(319,709)	-	(319,709)
Total comprehensive income (loss) for the nine months ended September 30, 2017	-	-	-	170,191	(320,014)	305	-	-	(149,518)	(13,205)	(162,723)
Buy-back of ordinary shares (Note 23)	-	-	-	-	-	-	-	(245,812)	(245,812)	-	(245,812)
Treasury stock transferred to employees (Note 23 and 28)	-	-	-	-	-	-	-	116,806	116,806	-	116,806
Changes in ownership interests in subsidiaries (Note 29)	-	687	-	-	-	-	-	-	687	(687)	-
Compensation cost of employee share options (Note 23 and 28)	-	26,594	-	-	-	-	-	-	26,594	-	26,594
Issue of ordinary shares under employee share options (Note 23 and 28)	16,484	18,503	-	-	-	-	-	-	34,987	-	34,987
Compensation cost of employee restricted shares (Note 28)	-	-	-	-	-	-	6,423	-	6,423	-	6,423
Cancellation of employee restricted shares (Note 23)	(252)	213	-	-	-	-	-	-	(39)	-	(39)
Dividend return on unvested employee restricted stock	-	-	-	8	-	-	-	-	8	-	8
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	17,569	17,569
BALANCE AT SEPTEMBER 30, 2017	$ 2,981,576	$ 6,671,843	$ 186,154	$ 1,294,265	$ 113,570	$ (1,193)	$ (29,617)	$ (191,998)	$ 11,024,600	$ 17,610	$ 11,042,210

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 Nine Months Ended September 30	
	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operation	$ 175,823	$ 83,402
Adjustments for:		
Depreciation expenses	32,815	40,497
Amortization expenses	52,686	40,477
Gain on financial assets and liabilities at fair value through profit or loss	-	(17,858)
Finance costs	5,275	8,098
Interest income	(46,682)	(45,402)
Compensation cost of employee share options	26,594	9,281
Compensation cost of employee restricted shares	6,423	15,209
Loss on disposal of property, plant and equipment	27	1,986
Write-down of inventories	26,927	141,631
Unrealized loss on foreign currency exchange	(14,164)	1,932
Loss on buy-back of bonds payable	-	32,021
Changes in operating assets and liabilities		
Trade receivables	(189,377)	145,809
Inventories	(934,514)	(324,308)
Other current assets	(95,412)	(50,318)
Trade payables	601,408	2,803
Other payables	(106,885)	14,934
Other current liabilities	16,683	65,991
Net defined benefit liabilities	(176)	(279)
Cash generated from operations	(442,549)	165,906
Interest paid	(5,199)	(1,987)
Income tax paid	(9,499)	(7,108)
Net cash generated from operating activities	(457,247)	156,811
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	(124,057)	(29,359)
Purchase of held-to-muturity financial assets	-	(16,355)
Purchase for property, plant and equipment	(16,643)	(12,786)
Proceeds from disposal of property, plant and equipment	-	500
Purchase of intangible assets	(81,220)	(80,877)
Decrease in other financial assets	(480,145)	2,831,283
Increase in other non-current assets	10,703	(1,474,441)
Interest received	42,128	53,844
Net cash generated from investing activities	(649,234)	1,271,809

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FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2017	**2016**
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	305,392	57,289
Repayment of bonds payable	-	(990,617)
Decrease in guarantee deposits	71,342	(10,128)
Cash dividends	(189,985)	(212,240)
Proceeds form issue on ordinary shares under employee share options	34,987	41,757
Buy-back of ordinary shares	(245,812)	(132,607)
Treasury stock transferred to employees	116,806	-
Increase in non-controlling interests	17,569	-
Payment for cancellation of employee restricted stock	8	26
Proceeds from dividend returned by unvested employee restricted shares	(75)	(376)
Net cash used in financing activities	110,232	(1,246,896)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(131,765)	(63,935)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,128,014)	117,789
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	3,265,779	1,690,441
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 2,137,765	$ 1,808,230

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 NINE MONTHS ENDED SEPTEMBER 30, 2017AND 2016
(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 October 30, 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) endorsed 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. Please refer to Note 28 for the share-based payment arrangements of 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 16.

b. The IFRSs issued by the Regulations Governing the Preparation of Financial Reports by Securities Issuers and recognized by FSC with effective date starting 2018.

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2 “Shared-Based Payment”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments under IFRS 4 Insurance Contracts”	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
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IFRS 15 “Clarifications to IFRS 15”	January 1, 2018
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” and related amendments

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

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

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

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

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

Except for above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to 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 Group assessed the financial assets held on September 30, 2017, and decided that the unlisted share investment recognized as financial assets measured at cost will reclassify financial assets measured as fair value based on IFRS 9.

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.

The Group simplifies the approach to recognize trade receivables allowance by expected credit losses before collection. The Group evaluates to adjust the allowance of the investment on debt instruments by 12-month or full lifetime expected credit losses, determined by whether if there is a significant increase in the credit risk. In general, the Group anticipates that the application of the expected credit loss model of IFRS 9 may result in earlier recognition of credit losses for financial assets.

The Company elects not to restate the comparing information in the reporting period of 2017 when applying IFRS 9 for the classification, measurement and impairment of financial assets. The cumulative effect would be initially recognized on the beginning of the reporting period in which the Company first applies IFRS9 and will disclose the difference and adjustment. In addition, the Group will disclose the difference between applying IFRS 9 and current standards in 2018.

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.

The Group elects to retrospectively apply IFRS 15 for the contracts that won't be completed on

January 1, 2018 and reflect the cumulative effect in the retained earnings.

In addition, the Group will disclose the difference between applying IFRS 15 and current standards in 2018.

3) 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 will first apply IFRIC 22 prospectively to all assets, expenses and income from and after the reporting period of January1,2018.

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 assessment.

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

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 9 “Prepayments Features with Negative Compensation”	January 1, 2019
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 16 “Leases”	January 1, 2019
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019

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

1) 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.

2) IFRIC 23 “Uncertainty over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Company should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Company concludes that it is probable that the taxation authority will accept the Company declaration, the Company’s financial statements should reflect consistently with its income tax filing, using the same assumptions regarding the taxable income, tax bases, unused loss credits, unused tax credits or tax rates. If it is not probable to be accepted by the taxation authority, the Company should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method could come out the better prediction to the resolution of the uncertainty. The Company has to reassess its judgments and estimates if facts and circumstances change.

The Company shall either retrospectively apply IFRIC 23 and restate each prior reporting period presented, and, if this is possible without the use of hindsight, or retrospectively recognize the cumulative effect initially on the beginning of the reporting period in which the Company first applies IFRIC23.

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 consolidated financial statements have been prepared on the historical cost basis except for financial instruments and net defined benefit liability (i.e. present value of defined benefit obligation minus fair value of plan assets) 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 14.

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 AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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 September 30, 2017, December 31, 2016, and September 30, 2016, no deferred tax liabilities has been recognized on earnings of the subsidiaries of $4,001,097 thousand, $4,328,808 thousand and $4,252,246 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

	September 30, 2017	December 31, 2016	September 30, 2016
Cash on hand	$ 1,383	$ 4,321	$ 2,147
Checking accounts and demand deposits	923,979	1,343,883	1,339,209
Cash equivalent (fixed deposit with original maturities less than three months)	1,212,403	1,917,575	466,874
	$ 2,137,765	$ 3,265,779	$ 1,808,230

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

	September 30, 2017	December 31, 2016	September 30, 2016
Demand deposits	0.001%-0.35%	0.001%-0.35%	0.001%-0.35%
Fixed deposits	0.13%-1.68%	0.2%-6%	0.6%-4.5%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2017	December 31, 2016	September 30, 2016
Financial assets at FVTPL - current			
Financial assets designated as at FVTPL			
Credit-linked structured note	$ -	$ -	$ 123,863
Financial liabilities at FVTPL - current			
Financial liabilities held for trading			
Convertible option attached to the convertible bonds	$ -	$ -	$ 1,408

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	September 30, 2017	December 31, 2016	September 30, 2016
Current			
Foreign investments			
Fixed income bonds	$ 21,197	$ -	$ -
Non- current			
Foreign investments			
Fixed income bonds	$ 266,729	$ 175,839	$ 28,292

In July 2016, the Group bought fixed income bonds, with the yield rates between 1.708% and 3.0168%. The maturity dates were of January 20, 2018 and November 30, 2020, respectively.

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

9. HELD-TO-MATURITY FINANCIAL ASSETS - NON-CURRENT

	September 30, 2017	December 31, 2016	September 30, 2016
Non-current			
Foreign investments			
Fixed income bonds	$ -	$ -	$ 15,816

In July 2016, the Group bought fixed income bonds with the yield rate at 1.9%, and matured on January 20, 2018. The Group reclassified to available-for-sale financial assets-non-current based on the purpose of transaction in the 4th quarter of 2016.

Hold-to-maturity financial assets were not been pledged as a collateral.

10. TRADE RECEIVABLES, NET

	September 30, 2017	December 31, 2016	September 30, 2016
Trade receivables	$ 1,599,248	$ 1,444,149	$ 1,537,249
Less: Allowance for doubtful accounts	(102,884)	(109,650)	(106,624)
Trade receivables, net	$ 1,496,364	$ 1,334,499	$ 1,430,625

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:

	September 30, 2017	December 31, 2016	September 30, 2016
Less than 60 days	$ 983	$ 3,053	$ 33,101
61-180 days	165	-	15,427
More than 180 days	13,521	19,634	12,929
	$ 14,669	$ 22,687	$ 61,457

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	(4,981)	-	(4,981)
Balance at September 30, 2016	$ 106,624	$ -	$ 106,624
Balance at January 1, 2017	$ 109,650	$ -	$ 109,650
Foreign exchange translation	(6,766)	-	(6,766)
Balance at September 30, 2017	$ 102,884	$ -	$ 102,884

11. INVENTORIES

	September 30, 2017	December 31, 2016	September 30, 2016
Finished goods	$ 1,206,452	$ 920,412	$ 960,544
Work in progress	1,161,511	874,762	773,740
Raw materials and supplies	976,954	742,483	932,910
	$ 3,344,917	$ 2,537,657	$ 2,667,194

The cost of goods sold included inventory write-downs for the three months ended September 30, 2016, and for the nine months ended September 30, 2017 and 2016 was $46,729 thousand, $26,927 thousand, $141,631 thousand, respectively. The cost of goods sold included reversal of inventory write-downs for the three months ended September 30, 2017 was $963 thousand, respectively.

12. OTHER FINANCIAL ASSETS

	September 30, 2017	December 31, 2016	September 30, 2016
Time deposits with original maturities more than three months (a)	$ 2,646,981	$ 2,304,897	$ 2,311,664

As of September 30, 2017, December 31, 2016 and September 30, 2016, the market rate intervals of time deposits with original maturities more than three months were 0.90%-2.70%, 0.40%-2.20% and 0.37%-2.7%, respectively.

13. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	September 30, 2017	December 31, 2016	September 30, 2016
Available-for-sale			
Non-publicly traded stocks	$ 45,390	$ 48,375	$ 47,040
Mutual funds	30,260	32,250	-
	$ 75,650	$ 80,625	$ 47,040

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.

14. SUBSIDIARIES

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

			Proportion of Ownership		
Investor	**Investee**	**Main Businesses**	**September 30, 2017**	**December 31, 2016**	**September 30, 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 Systems Co., Ltd. And FocalTech Electronics Co., Ltd.	FocalTech Smart Sensors Co., Ltd.	Research, development, manufacturing and sale of integrated circuits	67.11% a	69% a	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	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% and 67.11% after the capital injection in November 2016 and September 2017, respectively due to employee stock option plan and/or no pro rata subscription in new share.

b. The Group has the power to appoint and remove the majority of the board of directors and has the power to control the activities of Hefei PineTech Electronics Co., Ltd.; therefore, Hefei PineTech Electronics Co., Ltd. is identified as a subsidiary of the Group. Hefei PineTech Electronics Co., Ltd. was 100% owned by the Group after share acquisition in 2017.

As of September 30, 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 auditers.

As of September 30, 2017 and 2016, the total amounts of assets of the immaterial subsidiaries were $2,050,155 thousand and $1,986,072 thousand, 13% and 14% of total consolidated assets, respectively. The total amounts of liabilities were $588,924 thousand and $584,263 thousand, 14% and 22% of total consolidated liabilities, respectively. For the three months ended September 30, 2017 and 2016, and for the nine months ended September 30, 2017 and 2016, the total immaterial subsidiaries comprehensive income (loss) has been recognized $11,091 thousand, ($52,828) thousand, ($70,757) thousand, and ($94,240) thousand, that held 9%, 62%, 43%, and 41% in the consolidated statements of comprehensive income (loss), respectively.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Development Equipment	Office Equipment	Information Equipment	Leasehold Improve-ments	Total
Cost						
Balance at January 1, 2016	$ 37,600	$ 195,807	$ 14,258	$ 37,443	$ 42,362	$ 327,470
Additions	-	8,552	634	3,600	-	12,786
Disposals	-	(7,992)	(71)	-	(5,109)	(13,172)
Effect of foreign currency exchange differences	-	(6,987)	(725)	(2,502)	(1,145)	(11,359)
Balance at September 30, 2016	$ 37,600	$ 189,380	$ 14,096	$ 38,541	$ 36,108	$ 315,725
Accumulated depreciation						
Balance at January 1, 2016	$ 1,184	$ 124,836	$ 7,243	$ 18,205	$ 27,814	$ 179,282
Depreciation	627	27,915	1,543	4,047	6,365	40,497
Disposals	-	(7,992)	(24)	-	(2,670)	(10,686)
Effect of foreign currency exchange differences	-	(5,379)	(385)	(1,290)	(1,099)	(8,153)
Balance at September 30, 2016	$ 1,811	$ 139,380	$ 8,377	$ 20,962	$ 30,410	$ 200,940
Carrying amounts at September 30, 2016	$ 35,789	$ 50,000	$ 5,719	$ 17,579	$ 5,698	$ 114,785
Cost						
Balance at January 1, 2017	$ 37,600	$ 159,892	$ 14,180	$ 38,730	$ 35,956	$ 286,358
Additions	-	9,191	152	3,841	3,555	16,739
Disposals	-	(3,245)	(29)	-	-	(3,274)
Effect of foreign currency exchange differences	19,589	(4,361)	(190)	(598)	(286)	14,154
Reclassification	1,250,071	-	-	-	-	1,250,071
Balance at September 30, 2017	$ 1,307,260	$ 161,477	$ 14,113	$ 41,973	$ 39,225	$ 1,564,048
Accumulated depreciation						
Balance at January 1, 2017	$ 2,020	$ 109,056	$ 8,839	$ 22,142	$ 32,205	$ 174,262
Depreciation	7,002	16,335	1,439	4,101	3,938	32,815
Disposals	-	(3,242)	(5)	-	-	(3,247)
Effect of foreign currency exchange differences	100	(3,661)	(95)	(312)	(276)	(4,244)
Balance at September 30, 2017	$ 9,122	$ 118,488	$ 10,178	$ 25,931	$ 35,867	$ 199,586
Carrying amounts at December 31, 2016 and January 1, 2017	$ 35,580	$ 50,836	$ 5,341	$ 16,588	$ 3,751	$ 112,096
Carrying amounts at September 30, 2017	$ 1,298,138	$ 42,989	$ 3,935	$ 16,042	$ 3,358	$ 1,364,462

FocalTech Systems (Shenzhen) Co., Ltd. prepaid RMB 292,408 thousand (tax included) in 2016 for the office building, recorded as other non-current assets. The Group reclassified as Buildings and other non-current assets after obtaining official registration and related documents in the 2nd quarter of 2017.

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

Buildings	45 -50years
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.

16. GOODWILL

	September 30, 2017	December 31, 2016	September 30, 2016
Cost	$ 3,237,268	$ 3,237,268	$ 3,237,268

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.

17. OTHER INTANGIBLE ASSETS

	Licenses and Franchises	Software	Patents	Trademark	Total
Cost					
Balance at January 1, 2016	$ 62,741	$ 60,367	$ 76,744	$ 74,000	$ 273,852
Additions	4,047	76,830	-	-	80,877
Effect of foreign currency exchange differences	(2,368)	(4,841)	(19)	-	(7,228)
Balance at September 30, 2016	$ 64,420	$ 132,356	$ 76,725	$ 74,000	$ 347,501
Accumulated amortization					
Balance at January 1, 2016	$ 50,675	$ 34,907	$ 8,051	$ 7,400	$ 101,033
Amortization expense	8,462	20,626	5,839	5,550	40,477
Effect of foreign currency exchange differences	(2,241)	(1,978)	(19)	-	(4,238)
Balance at September 30, 2016	$ 56,896	$ 53,555	$ 13,871	$ 12,950	$ 137,272
Carrying amounts at September 30, 2016	$ 7,524	$ 78,801	$ 62,854	$ 61,050	$ 210,229
Cost					
Balance at January 1, 2017	$ 66,668	$ 141,943	$ 76,723	$ 74,000	$ 359,334
Additions	65,888	18,589	-	-	84,477
Effect of foreign currency exchange differences	(3,819)	(8,257)	(4)	-	(12,080)
Balance at September 30, 2017	$ 128,737	$ 152,275	$ 76,719	$ 74,000	$ 431,731

Accumulated amortization

Balance at January 1, 2017	$ 60,058	$ 65,679	$ 15,815	$ 14,800	$ 156,352
Amortization expense	12,207	29,090	5,839	5,550	52,686
Effect of foreign currency exchange differences	(3,280)	(3,830)	(5)	-	(7,115)
Balance at September 30, 2017	$ 68,985	$ 90,939	$ 21,649	$ 20,350	$ 201,923
Carrying amounts at December 31, 2016 and January 1, 2017	$ 6,610	$ 76,264	$ 60,908	$ 59,200	$ 202,982
Carrying amounts at September 30, 2017	$ 59,752	$ 61,336	$ 55,070	$ 53,650	$ 229,808

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

18. BORROWINGS

	September 30, 2017	December 31, 2016	September 30, 2016
Unsecured bank loans			
Amount	$ 907,800	$ 645,000	$ 313,600
Annual interest rate	2.05-2.10%	1.80%-1.85%	1.25%

19. BONDS PAYABLE

	September 30, 2017	December 31, 2016	September 30, 2016
Domestic 1st unsecured convertible bonds	$ -	$ -	$ 34,600
Less: Discounts on bonds payable	-	-	(958)
Less: Current portion	-	-	(33,642)
	$ -	$ -	$ -

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.

The Company bought back 2,508 sheets of the bonds from the market during 3nd 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 $990,617 thousand and the Company recognized the loss of $32,021 thousand.

20. TRADE PAYABLES

	September 30, 2017	December 31, 2016	September 30, 2016
Trade payables	$ 2,085,713	$ 1,540,640	$ 954,587

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.

21. OTHER PAYABLES

	September 30, 2017	December 31, 2016	September 30, 2016
Payable for rebates	$ 329,491	$ 367,744	$ 410,512
Payable for salaries and bonus	297,203	384,011	407,837
Payable for labor, health and social insurance	14,907	14,601	16,244
Reserve for litigations	63,855	73,040	77,948
Payable for professional services and others	63,416	65,931	39,929
	$ 768,872	$ 905,327	$ 952,470

22. RETIREMENT BENEFIT

Employee benefit expenses in respect of the Group's defined benefit retirement plans were $218 thousand and $237 thousand, $655 thousand and $710 thousand for the three months ended September 30, 2017 and 2016,and nine months ended September 30, 2017 and 2016, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2016 and 2015.

23. EQUITY

a. Share capital

Ordinary shares (NT$10 par value per share)

	September 30, 2017	December 31, 2016	September 30, 2016
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)	298,158	296,534	296,142
Shares issued	$ 2,981,576	$ 2,965,344	$ 2,961,416

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	-	-	-	9,281	-	-	9,281
Issue of ordinary shares under employee share options	56,013	-	-	(43,849)	-	-	12,164
Employee Share Options -Expired	-	-	-	(2,924)	-	2,924	-
Vested employee restricted shares	18,940	-	-	-	(18,940)	-	-
Cancellation of employee restricted stock	1,151	-	-	-	(2,226)	-	(1,075)
BALANCE AT SEPTEMBER 30, 2016	$6,438,354	$ 236	$ -	$ 65,858	$ 94,833	$ 13,730	$ 6,613,011
BALANCE, JANUARY 1, 2017	$6,468,819	$ 40,305	$ 582	$ 27,578	$ 73,797	$ 14,765	$6,625,846
Changes in ownership interests in subsidiaries	-	-	687	-	-	-	687
Treasury Stock transferred to Employees	-	563	-	(563)	-	-	-
Compensation cost of employee share options	-	-	-	26,594	-	-	26,594
Issue of ordinary shares under employee share options	46,360	-	-	(27,857)	-	-	18,503
							(Continued)
Employee share options expired	-	-	-	(1,621)	-	1,621	-
Employee restricted shares vested	18,602	-	-	-	(18,602)	-	-
Cancellation of employee restricted stock	285	-	-	-	(72)	-	213
BALANCE AT SEPTEMBER 30, 2017	$ 6,534,066	$ 40,868	$ 1,269	$ 24,131	$ 55,123	$ 16,386	$ 6,671,843
							(Concluded)

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 25(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 approved in the shareholders' meetings on June 14, 2017 and June 22, 2016, respectively.

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

d. Treasury

	Shares (In Thousands)
Number of shares at January 1, 2016	-
Increase during the period	5,000
Number of shares at September 30, 2016	5,000
Number of shares at January 1, 2017	2,376
Increase during the period	6,808
Decrease during the period	(3,248)
Number of shares at September 30, 2017	5,936

Please refer to Note 28 (d) and (e) 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.

24. REVENUE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	**2016**	**2017**	**2016**
IC for portable devices	$3,264,928	$3,056,139	$8,023,430	$8,306,876
Others	-	-	-	17,819
	$3,264,928	$3,056,139	$8,023,430	$8,324,695

25. NET INCOME

a. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Interest on bank loans	$ 281	$ 706	$ 4,920	$ 1,633
Interest on deposits	-	-	355	74
Interest on convertible bonds	-	138	-	6,391
	$ 281	$ 844	$ 5,275	$ 8,098

b. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Property, plant and equipment	$ 14,020	$ 12,631	$ 32,815	$ 40,497
Intangible assets	17,728	16,428	52,686	40,477
	$ 31,748	$ 29,059	$ 85,501	$ 80,974
An analysis of depreciation and amortization by function				
Operating expenses	$ 30,038	$ 23,706	$ 78,767	$ 63,178
Operating costs	1,710	5,353	6,734	17,796
	$ 31,748	$ 29,059	$ 85,501	$ 80,974

c. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Post-employment benefits				
Defined contribution plans	$ 6,379	$ 6,569	$ 19,365	$ 19,908
Defined benefit plans	218	237	655	710
Share-based payments	12,409	10,907	33,017	24,490
Other employee benefits	391,075	328,148	1,053,177	990,126
Total employee benefits expense	$ 410,081	$ 345,861	$1,106,214	$1,035,234
An analysis of employee benefits expense by function				
Operating costs	$ 28,336	$ 22,098	$ 85,034	$ 62,103
Operating expenses	381,745	323,763	1,021,180	973,131
	$ 410,081	$ 345,861	$1,106,214	$1,035,234

The Company arranges 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.

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 bonuses to employees and remuneration to directors for 2016 and 2015 were resolved by the board of directors on February 24, 2017 and February 26, 2016, respectively as follows:

	For the Year Ended December 31	
	2016	2015
	Cash	Cash
Employees' compensation	$ 60,075	$ 51,049
Remuneration of directors	645	635

There was no difference between the amounts of the employees' compensation and the remuneration to directors paid and recognized in the consolidated financial statements for the year ended December 31, 2016 and 2015.

Information on the employees' compensation and remuneration to directors resolved by the Company's board of directors in 2017 and 2016 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

26. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Current tax				
In respect of the current period	$ 4,334	$ 5,129	$ 7,977	$ 11,838
Adjustments for prior periods	613	-	862	-
	4,947	5,129	8,839	11,838
Deferred tax				
In respect of the current period	12,090	6,607	9,998	6,491
Income tax expense recognized in profit or loss	$ 17,037	$ 11,736	$ 18,837	$ 18,329

b. The Company's integrated income tax

	September 30, 2017	December 31, 2016	September 30, 2016
Imputation credit accounts	$ 51,955	$ 51,706	$ 51,708

	For the Year Ended December 31	
	2016	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 and 2015, respectively have been assessed by the tax authorities.

27. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Basic earnings per share	$ 0.49	$ 0.32	$ 0.59	$ 0.22
Diluted earnings per share	$ 0.48	$ 0.32	$ 0.58	$ 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 September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Earnings used in the computation of basic earnings per share	$139,131	$ 92,950	$170,191	$ 65,073
Effect of potentially dilutive ordinary shares after tax:				
Convertible bonds	-	-	-	-
Earnings (loss) used in the computation of diluted earnings per share	$139,131	$ 92,950	$170,191	$ 65,073

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Weighted average number of ordinary shares in computation of basic earnings per share	285,839	288,612	289,339	290,733
Effect of potentially dilutive ordinary shares:				
Convertible bonds	-	-	-	-
Employee share option	2,313	2,503	2,574	2,838
Employee restricted shares	607	816	611	852
Employees' compensation or bonus issue to employees	1,205	-	1,491	344
Weighted average number of ordinary shares used in the computation of diluted earnings per share	289,964	291,931	294,015	294,767

Note: The computation of diluted earnings per share did not include the shares from convertible bonds for three months and nine months ended September 30, 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.

28. SHARE-BASED PAYMENT ARRANGEMENTS

The Company did not have new share option plan or restricted stock plan issued for employees for the nine months ended September 30, 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 Nine Months Ended September 30, 2017		For the Nine Months Ended September 30, 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
Option exercised	(535,000)	12.2	-	-
Options forfeited	(412,000)	12.4	(182,000)	12.6
Balance at September 30	1,559,000	12.2	2,506,000	12.4

b. Employee share option plan in 2013

	For the Nine Months Ended September 30, 2017		For the Nine Months Ended September 30, 2016	
	Number of Options	**Weighted-average Exercise Price (NT$)**	**Number of Options**	**Weighted-average Exercise Price (NT$)**
Balance at January 1	1,220,500	$ 38.5	1,578,500	$ 39.4
Options forfeited	(51,750)	38.5	(93,750)	39.3
Options exercised	(244,250)	38.4	-	-
Options expired	(98,250)	38.5	(176,000)	39.2
Balance at September 30	826,250	37.9	1,308,750	38.5
Options exercisable, end of period	826,250	37.9	980,500	38.5

c. Employee share option plan in 2006

	For the Nine Months Ended September 30, 2017		For the Nine Months Ended September 30, 2016	
	Number of Options	**Weighted-average Exercise Price (NT$)**	**Number of Options**	**Weighted-average Exercise Price (NT$)**
Balance at January 1	2,662,359	$ 21.01	6,738,924	$ 18.61
Options forfeited	-	-	(699,600)	26.43
Options exercised	(869,160)	21.95	(2,959,265)	14.11
Balance at September 30	1,793,199	20.18	3,080,059	20.55
Options exercisable, end of period	1,793,199	20.18	2,306,680	18.87

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.

e. The 3rd Shares Buy Back Program.

On May 12, 2017, the board of directors approved The 3rd Shares Buy Back Program for transferring to employees up to 6,808 thousand shares. The transferred price to employees would be the average purchase price. The eligible employees purchased 3,198 thousand shares with the total proceeds of 115,479 thousand on the grant date, July 24, 2017, at $36.11 per share. The fair value of each share purchase right was $12.85 on the grant date.

According to The 3rd Shares Buy Back Program, all the shares would be vested in 3 years, 25% for the first and the second anniversary respectively, and 50% for the third anniversary, if employees are still at work and eligible under related Company rules and policies.

The rules on the unvested shares were as follows;

1) The employees cannot sell, pledge, transfer, donate, or dispose these shares.
2) The Company and the employees should enter into a trust agreement with a trust and custodian institution and authorize the institution to exercise the shareholders' rights including but not limited to attendance, proposing, speaking and voting in the shareholder meetings.
3) The unvested shares are entitled to receive cash and/or share dividends and the derivatives.

If an employee fails to meet the vesting conditions, the trust institution would dispose the unvested shares and return proceeds to the employee no more than the original purchase price.

Compensation cost recognized for share-based payments above and employee restricted share plans in 2013 and 2014 for the nine months ended September 30, 2017 and 2016 were as follows:

	For the Nine Months Ended September 30	
	2017	**2016**
Employee share option plans	$ 6,281	$ 9,281
Share buy-back program	20,313	-
Employee restricted share plans	6,423	15,209
	$ 33,017	$ 24,490

	For the Nine Months Ended September 30	
	2017	**2016**
Capital surplus - employee share options	$ 26,594	$ 9,281
Other equity - unearned employee compensation	6,423	15,209
	$ 33,017	$ 24,490

29. Equity transactions with non - controlling interests

In September 2017, the Group ownership interest over FocalTech Smart Sensors Co., Ltd. diluted to 67.11% after the capital injection due to employee stock option plan and no pro rata subscription in new share.

The transactions did not change the controlling status. FocalTech Smart Sensors Co., Ltd. was treated as a subsidiary under equity method.

	FocalTech Smart Sensors Co., Ltd.
Proceeds received in cash from non-controlling interests	$ 17,569
The book value in equity accounted for non-controlling interests	(16,882)
Equity transaction gap	$ 687

	FocalTech Smart Sensors Co., Ltd.
Item to adjust for equity transaction gap	
Capital surplus - Changes in ownership interests in subsidiaries	$ 687

30. 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:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	**2016**	**2017**	**2016**
Lease payment	$ 12,466	$ 10,916	$ 44,260	$ 43,962

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

	September 30, 2017	December 31, 2016	September 30, 2016
Not later than 1 year	$ 22,200	$ 31,731	$ 39,999
Later than 1 year and not later than 5 years	10,720	3,992	1,234
	$ 32,920	$ 35,723	$ 41,233

31. 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

September 30, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Fixed income bonds	$ -	$ 287,926	$ -	$ 287,926

December 31, 2016

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Fixed income bonds	$ -	$ 175,839	$ -	$ 175,839

September 30, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Structured note	$ -	$ -	$ 123,863	$ 123,863
Available-for-sale financial assets				
Fixed income bonds	$ -	$ 28,292	$ -	$ 28,292
Financial liabilities at FVTPL				
Conversion option of the convertible bonds	$ -	$ -	$ 1,408	$ 1,408

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

For the nine months ended September 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	523
Effect of foreign currency exchange differences	(5,780)
Balance at September 30, 2016	$ 123,863

	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	(17,082)
Unrealized	(253)
Repayments	(29,075)
Balance at September 30, 2016	$ 1,408

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

a) Structured Note

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

b) Options attached to the convertible bonds

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.

c. Categories of financial instruments

	September 30, 2017	**December 31, 2016**	**September 30, 2016**
Financial assets			
Fair value through profit or loss (FVTPL)			
Designated as at FVTPL	$ -	$ -	$ 123,863
Available-for-sale financial assets (Note 1)	363,576	256,464	75,332
Loans and receivables (Note2)	6,322,387	6,943,655	5,589,026
Held-to-maturity financial assets	-	-	15,816
Financial liabilities			
Fair value through profit or loss (FVTPL)			
Held for trading	-	-	1,408
Amortized cost (Note 3)	3,946,286	3,204,242	2,332,021

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 payables 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.

1) Market risk

The major financial risks from the Company's operation were foreign currency exchange risk referred to a) and interest rate risk referred to 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 Nine Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Profit or loss/ equity	$ 17,437 (i)	$ 13,554 (i)	$ 55 (ii)	$ 2,429 (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.

	September 30, 2017	December 31, 2016	September 30, 2016
Fair value interest rate risk			
Financial assets	$ 4,147,310	$ 4,398,311	$ 2,946,509
Financial liabilities	$ 907,800	$ 645,000	$ 347,242
Cash flow interest rate risk			
Financial assets	$ 923,979	$ 1,343,883	$ 1,339,209

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 nine months ended September 30, 2017 and 2016 would decrease/increase by $1,732 thousand and $2,511 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 September 30, 2017, the Group's five largest customer took 62.51% 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 September 30, 2017, December 31, 2016, and September 30, 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.

September 30, 2017

	On Demand or Less than 1 Year	**1-5 Years**
Non-derivative financial liabilities		
Fixed interest rate liabilities	$ 907,800	$ -
Non-interest bearing	2,854,585	183,901
	$ 3,762,385	$ 183,901

December 31, 2016

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

September 30, 2016

	On Demand or Less than 1 Year	1-5 Years
Non-derivative financial liabilities		
Fixed interest rate liabilities	$ 349,188	$ -
Non-interest bearing	1,907,057	77,722
	$ 2,256,245	$ 77,722

b) Financing facilities

	September 30, 2017	December 31, 2016	September 30, 2016
Unsecured bank overdraft facility, reviewed annually:			
Amount used	$ 907,800	$ 645,000	$ 313,600
Amount unused	2,102,600	2,145,000	1,813,600
	$ 3,010,400	$ 2,790,000	$ 2,127,200

The amounts above included unsecured bank overdraft facility obtained by the Subsidiaries and only guaranteed by the Company credit.

32. 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 September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Long-term employee benefits	$ 17,172	$ -	$ 18,450	$ 4,664
Short-term employee benefits	5,113	11,966	24,909	38,742
Post-employment benefits	21	151	202	454
Share-based payments	1,003	2,005	3,316	4,866
	$ 23,309	$ 14,122	$ 46,877	$ 48,726

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	September 30, 2017	December 31, 2016	September 30, 2016
Pledge deposits (classified as other non-current assets)	$ 35,915	$ 36,543	$ 36,873

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:

September 30, 2017

	Foreign Currencies	Exchange Rate (to its relevant functional currency)	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 54,425	30.26 (USD:NTD)	$ 1,646,908
USD	2,172	6.6369 (USD:RMB)	65,729
RMB	240	0.1507 (RMB:USD)	1,097

	Foreign Currencies	Exchange Rate (to its relevant functional currency)	New Taiwan Dollars
Financial liabilities			
Monetary items			
USD	32,046	30.26 (USD:NTD)	969,718
USD	13,027	6.6369 (USD:RMB)	394,188

December 31, 2016

	Foreign Currencies	Exchange Rate (to its relevant functional currency)	New Taiwan Dollars
Financial assets			
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

September 30, 2016

	Foreign Currencies	Exchange Rate (to its relevant functional currency)	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 49,803	31.360 (USD:NTD)	$ 1,561,825
USD	1,241	6.6778 (USD:RMB)	38,908
RMB	10,344	0.1497 (RMB:USD)	48,579
Financial liabilities			
Monetary items			
USD	31,002	31.360 (USD:NTD)	972,228
USD	11,398	6.6778 (USD:RMB)	357,433

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.