FocalTech Systems Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2017 and 2016

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	June 30, 2017		December 31, 2016		June 30, 2016	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 1,805,465	13	$ 3,265,779	22	$ 2,785,133	19
Financial assets at fair value through profit or loss – current (Note 7)	-	-	-	-	127,188	1
Available-for-sale financial assets - current (Note 8)	21,330	-	-	-	-	-
Trade receivables, net (Note 9)	1,176,486	8	1,334,499	9	1,436,403	10
Inventories (Note 10)	3,471,575	24	2,537,657	17	2,736,633	19
Other financial assets (Note 11)	2,172,137	15	2,304,897	15	3,306,821	23
Other current assets	195,675	2	123,117	1	180,671	1
Total current assets	8,842,668	62	9,565,949	64	10,572,849	73
NON-CURRENT ASSETS						
Available-for-sale financial assets - non-current (Note 8)	268,038	2	175,839	1	-	-
Financial assets measured at cost (Note 12)	76,050	-	80,625	-	48,413	-
Property, plant and equipment (Note 14)	1,353,872	9	112,096	1	122,349	1
Goodwill (Note 15)	3,237,268	23	3,237,268	22	3,237,268	23
Other intangible assets (Note 16)	238,492	2	202,982	1	196,787	1
Deferred tax assets	138,359	1	136,369	1	148,398	1
Other non-current assets (Note 14and 31)	129,499	1	1,446,203	10	89,367	1
Total non-current assets	5,441,578	38	5,391,382	36	3,842,582	27
TOTAL	$ 14,284,246	100	$ 14,957,331	100	$ 14,415,431	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 17)	$ 608,400	4	$ 645,000	4	$ 322,750	2
Financial liabilities at fair value through profit or loss - current (Note 7)	-	-	-	-	1,096	-
Trade payables (Note 19)	1,367,308	10	1,540,640	10	1,405,772	10
Other payables (Note 20)	729,124	5	905,327	6	918,026	6
Dividends payables (Note 22)	189,985	1	-	-	212,240	2
Current tax liabilities (Note 4)	5,353	-	8,858	-	2,529	-
Current portion of bonds payable (Note 18)	-	-	-	-	33,795	-
Other current liabilities	120,896	1	63,080	1	83,625	1
Total current liabilities	3,021,066	21	3,162,905	21	2,979,833	21
NON-CURRENT LIABILITIES						
Deferred tax liabilities	176,800	1	185,983	1	183,249	1
Net defined benefit liabilities - non-current	46,238	1	46,386	1	47,970	-
Guarantee deposits received	106,847	1	113,275	1	78,828	1
Other non-current liabilities	10,400	-	10,400	-	10,400	-
Total non-current liabilities	340,285	3	356,044	3	320,447	2
Total liabilities	3,361,351	24	3,518,949	24	3,300,280	23
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 22 and 27)						
Share capital						
Ordinary shares	2,971,581	21	2,965,344	20	2,942,938	20
Capital surplus						
Additional paid-in capital	6,492,514	45	6,468,819	43	6,387,971	44
Treasury shares	40,868	-	40,305	-	236	-
Changes in ownership interests in subsidiaries	582	-	582	-	-	-
Employee share options	29,468	-	27,578	-	87,947	1
Employee restricted shares	73,774	1	73,797	1	113,784	1
Employee share options - expired	15,792	-	14,765	-	12,235	-
Total capital surplus	6,652,998	46	6,625,846	44	6,602,173	46
Retained earnings						
Legal reserve	186,154	1	165,045	1	165,045	1
Undistributed earnings	1,155,134	8	1,335,160	9	1,095,133	8
Total retained earnings	1,341,288	9	1,500,205	10	1,260,178	9
Other equity						
Exchange differences from translating the financial statements of foreign operations	118,753	1	433,584	3	493,967	3
Equity directly associated with non-current assets held for sale	(1,425)	-	(1,498)	-	-	-
Unearned employee compensation	(31,190)	-	(36,040)	-	(51,498)	-
Total other equity	86,138	1	396,046	3	442,469	3
Treasury shares	(134,976)	(1)	(62,992)	(1)	(132,607)	(1)
Equity attributable to owners of the company	10,917,029	76	11,424,449	76	11,115,151	77
NON-CONTROLLING INTERESTS	5,866	-	13,933	-	-	-
Total equity	10,922,895	76	11,438,382	76	11,115,151	77
TOTAL	$ 14,284,246	100	$ 14,957,331	100	$ 14,415,431	100

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

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
REVENUE (Note 23)	$ 2,597,421	100	$ 2,959,989	100	$ 4,758,502	100	$ 5,268,556	100
COSTS OF SALES (Note 10 and 24)	(2,065,035)	(80)	(2,379,903)	(80)	(3,728,154)	(78)	(4,256,581)	(81)
GROSS MARGIN	532,386	20	580,086	20	1,030,348	22	1,011,975	19
OPERATING EXPENSES (Note 21, 24, 29 and 31)								
Selling and marketing expenses	(118,915)	(4)	(117,650)	(4)	(222,808)	(5)	(220,648)	(4)
General and administrative expenses	(74,570)	(3)	(73,812)	(3)	(146,612)	(3)	(146,855)	(3)
Research and development expenses	(332,346)	(13)	(303,444)	(10)	(638,297)	(13)	(651,885)	(12)
Total operating expenses	(525,831)	(20)	(494,906)	(17)	(1,007,717)	(21)	(1,019,388)	(19)
OPERATING INCOME (LOSS)	6,555	-	85,180	3	22,631	1	(7,413)	-
NON-OPERATING INCOME AND EXPENSES								
Finance costs (Note 24)	(2,375)	-	(2,491)	-	(4,994)	-	(7,254)	-
Gain on financial assets and liabilities at fair value through profit or loss (Note 30)	-	-	15,790	-	-	-	17,882	-
Other gains and losses - net	3,015	-	(31,146)	(1)	7,884	-	(29,036)	(1)
Loss on disposal of property, plant and equipment	(27)	-	-	-	(27)	-	(1,986)	-
Loss on foreign currency exchange	10,839	-	(5,423)	-	(33,794)	(1)	(28,082)	(1)
Interest income	17,219	1	21,391	1	33,093	1	34,605	1
Total non-operating income and expenses	28,671	1	(1,879)	-	2,162	-	(13,871)	(1)
INCOME (LOSS) BEFORE INCOME TAX	35,226	1	83,301	3	24,793	1	(21,284)	(1)
INCOME TAX (EXPENSE) BENEFIT (Note 4 and 25)	(4,034)	-	(12,144)	(1)	(1,800)	-	(6,593)	-
NET INCOME (LOSS)	31,192	1	71,157	2	22,993	1	(27,877)	(1)
OTHER COMPREHENSIVE INCOME								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences from translating the financial statements of foreign operations	38,778	2	(3,210)	-	(314,831)	(7)	(115,556)	(2)

(Continued)

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
Unrealized loss on available-for-sale financial assets	156	-	-	-	73	-	-	-
Total other comprehensive loss	38,934	2	(3,210)	-	(314,758)	(7)	(115,556)	(2)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ 70,126	3	$ 67,947	2	$ (291,765)	(6)	$ (143,433)	(3)
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Company	34,907	1	71,157	2	31,060	1	(27,877)	(1)
Non-controlling interests	(3,715)	-	-	-	(8,067)	-	-	-
	$ 31,192	1	$ 71,157	2	$ 22,993	1	$ (27,877)	(1)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	73,841	3	67,947	2	(283,698)	(6)	(143,433)	(3)
Non-controlling interests	(3,715)	-	-	-	(8,067)	-	-	-
	$ 70,126	3	$ 67,947	2	$ (291,765)	(6)	$ (143,433)	(3)
EARNINGS (LOSSES) PER SHARE (Note 26)								
Basic	$ 0.12		$ 0.24		$ 0.11		$ (0.1)	
Diluted	$ 0.12		$ 0.24		$ 0.11		$ (0.1)	

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 loss for the six months ended June 30, 2016	-	-	-	(27,877)	-	-	-	-	(27,877)	-	(27,877)
Other comprehensive loss for the six months ended June 30, 2016, net of income tax	-	-	-	-	(115,556)	-	-	-	(115,556)	-	(115,556)
Total comprehensive income (loss) for the six months ended June 30, 2016	-	-	-	(27,877)	(115,556)	-	-	-	(143,433)	-	(143,433)
Buy-back of ordinary shares (Note 22)	-	-	-	-	-	-	-	(132,607)	(132,607)	-	(132,607)
Compensation cost of employee share options (Notes 22 and 27)	-	4,581	-	-	-	-	-	-	4,581	-	4,581
Issue of ordinary shares under employee share options (Notes 22 and 27)	11,003	6,142	-	-	-	-	-	-	17,145	-	17,145
Compensation cost of employee restricted shares (Notes 27)	-	-	-	-	-	-	9,002	-	9,002	-	9,002
Cancellation of employee restricted shares (Notes 22)	(1,364)	(1,191)	-	-	-	-	2,474	-	(81)	-	(81)
Dividend returned for unvested employee restricted shares	-	-	-	17	-	-	-	-	17	-	17
BALANCE AT JUNE 30, 2016	$ 2,942,938	$ 6,602,173	$ 165,045	$ 1,095,133	$ 493,967	$ -	$ (51,498)	$ (132,607)	$ 11,115,151	$ -	$ 11,115,151
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 six months ended June 30, 2017	-	-	-	31,060	-	-	-	-	31,060	(8,067)	22,993
Other comprehensive loss for the six months ended June 30, 2017, net of income tax	-	-	-	-	(314,831)	73	-	-	(314,758)	-	(314,758)
Total comprehensive income (loss) for the six months ended June 30, 2017	-	-	-	31,060	(314,831)	73	-	-	(283,698)	(8,067)	(291,765)
Buy-back of ordinary shares (Note 22)	-	-	-	-	-	-	-	(73,311)	(73,311)	-	(73,311)
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)	-	15,758	-	-	-	-	-	-	15,758	-	15,758
Issue of ordinary shares under employee share options (Note 22 and 27)	6,366	11,271	-	-	-	-	-	-	17,637	-	17,637
Compensation cost of employee restricted shares (Note 27)	-	-	-	-	-	-	4,850	-	4,850	-	4,850
Cancellation of employee restricted shares (Note 22)	(129)	123	-	-	-	-	-	-	(6)	-	(6)
Dividend return on unvested employee restricted shares	-	-	-	8	-	-	-	-	8	-	8
BALANCE AT JUNE 30, 2017	$ 2,971,581	$ 6,652,998	$ 186,154	$ 1,155,134	$ 118,753	$ (1,425)	$ (31,190)	$ (134,976)	$ 10,917,029	$ 5,866	$ 10,922,895

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

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax from continuing operation	$ 24,793	$ (21,284)
Adjustments for:		
Depreciation expenses	18,795	27,866
Amortization expenses	34,958	24,049
Gain on financial assets and liabilities at fair value through profit or loss	-	(17,882)
Finance costs	4,994	7,254
Interest income	(33,093)	(34,605)
Compensation cost of employee share options	15,758	4,581
Compensation cost of employee restricted shares	4,850	9,002
Loss on disposal of property, plant and equipment	27	1,986
Write-down of inventories	27,890	94,902
Unrealized loss (gain) on foreign currency exchange	(7,862)	625
Loss on buy-back of bonds payable	-	32,022
Changes in operating assets and liabilities		
Trade receivables	133,773	147,675
Inventories	(1,054,023)	(306,593)
Other current assets	(67,959)	(40,294)
Trade payables	(124,136)	443,103
Other payables	(144,386)	(62,519)
Other current liabilities	60,069	14,654
Net defined benefit liabilities	(148)	(198)
Cash generated from operations	(1,105,700)	324,344
Interest paid	(4,372)	(1,264)
Income tax paid	(7,077)	(6,112)
Net cash generated from operating activities	(1,117,149)	316,968
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	(124,610)	-
Purchase for property, plant and equipment	(11,729)	(5,765)
Proceeds from disposal of property, plant and equipment	-	500
Purchase of intangible assets	(75,111)	(34,548)
Decrease(increase) in other financial assets	11,061	1,918,411
Increase in other non-current assets	17,355	(34,194)
Interest received	25,607	43,408
Net cash generated from investing activities	(157,427)	1,887,812

(Continued)

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2017	**2016**
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	-	58,351
Repayments of bonds payable	-	(990,326)
Decrease in guarantee deposits	(6,428)	(9,022)
Issue of ordinary shares under employee share options	17,637	17,145
Buy-back of ordinary shares	(73,311)	(132,607)
Treasury stock transferred to employees	1,327	-
Proceeds from dividend returned by unvested employee restricted shares	8	17
Payment for cancellation of employee restricted shares	(38)	(343)
Net cash used in financing activities	(60,805)	(1,056,785)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(124,933)	(53,303)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,460,314)	1,094,692
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	$ 1,805,465	$ 2,785,133

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

(Concluded)

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

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

1. GENERAL INFORMATION

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

The shareholders' meeting of the Company resolved to acquire FocalTech Corporation, Ltd. through a share swap, 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 July 24, 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.

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. 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
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”

Recognition, measurement and impairment 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 Group assessed the financial assets held on June 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.

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 will disclose the relevant impact when the assessment is completed.

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 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
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 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 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 June 30, 2017, December 31, 2016, and June 30, 2016, no deferred tax liabilities has been recognized on earnings of the subsidiaries of $4,092,673 thousand, $4,328,808 thousand, and $4,258,527 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

	June 30, 2017	December 31, 2016	June 30, 2016
Cash on hand	$ 1,978	$ 4,321	$ 2,234
Checking accounts and demand deposits	743,616	1,343,883	2,079,046
Cash equivalent (fixed deposit with original maturities less than three months)	1,059,871	1,917,575	703,853
	$ 1,805,465	$ 3,265,779	$ 2,785,133

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

	June 30, 2017	December 31, 2016	June 30, 2016
Demand deposits	0.001%-0.35%	0.001%-0.35%	0.001%-0.35%
Fixed deposits	0.6%-3.3%	0.2%-6%	0.3%-1.3%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2017	December 31, 2016	June 30, 2016
Financial assets at FVTPL - current			
Financial assets designated as at FVTPL			
Credit-linked structured note	$ -	$ -	$ 127,188
Financial liabilities at FVTPL - current			
Financial liabilities held for trading			
Convertible option of convertible bonds	$ -	$ -	$ 1,096

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30, 2017	December 31, 2016	June 30, 2016
Current			
Foreign investments			
Fixed income bonds	$ 21,330	$ -	$ -
Non- current			
Foreign investments			
Fixed income bonds	$ 268,038	$ 175,839	$ -

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. TRADE RECEIVABLES, NET

	June 30, 2017	December 31, 2016	June 30, 2016
Trade receivables	$ 1,279,914	$ 1,444,149	$ 1,546,138
Less: Allowance for doubtful accounts	(103,428)	(109,650)	(109,735)
Trade receivables, net	$ 1,176,486	$ 1,334,499	$ 1,436,403

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:

	June 30, 2017	December 31, 2016	June 30, 2016
Less than 60 days	$ 12,780	$ 3,053	$ 11,148
61-180 days	-	-	-
More than 180 days	13,587	19,634	13,307
	$ 26,367	$ 22,687	$ 24,455

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	(1,870)	-	(1,870)
Balance at June 30, 2016	$ 109,735	$ -	$ 109,735

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	$ 109,650	$ -	$ 109,650
Foreign exchange translation	(6,222)	-	(6,222)
Balance at June 30, 2017	$ 103,428	$ -	$ 103,428

10. INVENTORIES

	June 30, 2017	December 31, 2016	June 30, 2016
Finished goods	$ 1,045,227	$ 920,412	$ 996,962
Work in progress	1,187,498	874,762	601,711
Raw materials and supplies	1,238,850	742,483	1,137,960
	$ 3,471,575	$ 2,537,657	$ 2,736,633

The cost of goods sold included inventory write-downs for the three months ended June 30, 2017 and 2016, and for the six months ended June 30, 2017 and 2016 was $15,029 thousand, $32,514 thousand, $27,890 thousand and $94,902 thousand, respectively.

11. OTHER FINANCIAL ASSETS

	June 30, 2017	December 31, 2016	June 30, 2016
Time deposits with original maturities more than three months	$ 2,172,137	$ 2,304,897	$ 3,306,821

As of June 30, 2017, December 31, 2016 and June 30, 2016, the market rate intervals of time deposits with original maturities more than three months were 0.90%-4.30%, 0.40%-2.20% and 0.36%-3.32%, respectively.

12. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	June 30, 2017	December 31, 2016	June 30, 2016
Foreign unlisted preferred shares	$ 45,630	$ 48,375	$ 48,413
Private Funds	30,420	32,250	-
	$ 76,050	$ 80,625	$ 48,413

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:

			Proportion of Ownership		
Investor	Investee	Main Businesses	June 30, 2017	December 31, 2016	June 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 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 activities of Hefei PineTech Electronics Co., Ltd. before the share acquisition by the Group; 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 June 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 June 30, 2017 and 2016, the total amounts of assets of the immaterial subsidiaries were $1,924,597 thousand, and $1,894,348 thousand, 13% and 13% of total consolidated assets, respectively. The total amounts of liabilities were $541,434 thousand, and $444,028 thousand, 16% and 13% of total consolidated liabilities, respectively. For the three months ended June 30, 2017 and 2016, and for the six months ended June 30, 2017 and 2016, the total immaterial subsidiaries comprehensive income (loss) has been recognized $15,176 thousand, ($27,810) thousand, ($81,848) thousand, and ($41,412) thousand, that held 22%, (41%), 28%, and 29% in the consolidated statements of comprehensive income (loss), respectively.

14. 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	-	2,781	610	2,720	-	6,111
Disposals	-	(8,076)	(71)	-	(5,109)	(13,256)
Effect of foreign currency exchange differences	-	(2,910)	(382)	(1,302)	(600)	(5,194)
Balance at June 30, 2016	$ 37,600	$ 187,602	$ 14,415	$ 38,861	$ 36,653	$ 315,131
Accumulated depreciation						
Balance at January 1, 2016	$ 1,184	$ 124,836	$ 7,243	$ 18,205	$ 27,814	$ 179,282
Depreciation	418	19,383	1,028	2,669	4,368	27,866
Disposals	-	(8,076)	(24)	-	(2,670)	(10,770)
Effect of foreign currency exchange differences	-	(2,168)	(196)	(659)	(573)	(3,596)
Balance at June 30, 2016	$ 1,602	$ 133,975	$ 8,051	$ 20,215	$ 28,939	$ 192,782
Carrying amounts at June 30, 2016	$ 35,998	$ 53,627	$ 6,364	$ 18,646	$ 7,714	$ 122,349
Cost						
Balance at January 1, 2017	$ 37,600	$ 159,892	$ 14,180	$ 38,730	$ 35,956	$ 286,358
Additions	-	5,157	100	2,917	3,555	11,729
Disposals	-	(608)	(29)	-	-	(637)
Effect of foreign currency exchange differences	7,206	(4,623)	(333)	(1,147)	(506)	597
Reclassification	1,243,251	-	-	-	-	1,243,251
Balance at June 30, 2017	$ 1,288,057	$ 159,818	$ 13,918	$ 40,500	$ 39,005	$ 1,541,298
Accumulated depreciation						
Balance at January 1, 2017	$ 2,020	$ 109,056	$ 8,839	$ 22,142	$ 32,205	$ 174,262
Depreciation	418	11,513	993	2,686	3,185	18,795
Disposals	-	(605)	(5)	-	-	(610)
Effect of foreign currency exchange differences	-	(3,707)	(188)	(631)	(495)	(5,021)
Balance at June 30, 2017	$ 2,438	$ 116,257	$ 9,639	$ 24,197	$ 34,895	$ 187,426

	Buildings	Development Equipment	Office Equipment	Information Equipment	Leasehold Improve-ments	Total
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 June 30, 2017	$ 1,285,619	$ 43,561	$ 4,279	$ 16,303	$ 4,110	$ 1,353,872

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	45-50 years
Development equipment	3-5 years
Office equipment	3-5 years
Information equipment	3-5 years
Leasehold improvements	1-5 years

Property, plant and equipment have not been pledged as collateral for bank borrowings.

15. GOODWILL

	June 30, 2017	December 31, 2016	June 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.

16. 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	2,441	46,556	-	-	48,997
Effect of foreign currency exchange differences	(872)	(1,602)	(10)	-	(2,484)
Balance at June 30, 2016	$ 64,310	$ 105,321	$ 76,734	$ 74,000	$ 320,365
Accumulated amortization					
Balance at January 1, 2016	$ 50,675	$ 34,907	$ 8,051	$ 7,400	$ 101,033
Amortization expense	5,777	10,679	3,893	3,700	24,049
Effect of foreign currency exchange differences	(833)	(661)	(10)	-	(1,504)
Balance at June 30, 2016	$ 55,619	$ 44,925	$ 11,934	$ 11,100	$ 123,578
Carrying amounts at June 30, 2016	$ 8,691	$ 60,396	$ 64,800	$ 62,900	$ 196,787
Cost					
Balance at January 1, 2017	$ 66,668	$ 141,943	$ 76,723	$ 74,000	$ 359,334
Additions	62,994	12,117	-	-	75,111
Effect of foreign currency exchange differences	(3,509)	(7,572)	(10)	-	(11,091)
Balance at June 30, 2017	$ 126,153	$ 146,488	$ 76,713	$ 74,000	$ 423,354
Accumulated amortization					
Balance at January 1, 2017	$ 60,058	$ 65,679	$ 15,815	$ 14,800	$ 156,352
Amortization expense	7,681	19,684	3,893	3,700	34,958
Effect of foreign currency exchange differences	(2,982)	(3,457)	(9)	-	(6,448)
Balance at June 30, 2017	$ 64,757	$ 81,906	$ 19,699	$ 18,500	$ 184,862
Carrying amounts at December 31, 2016 and January 1, 2017	$ 6,610	$ 76,264	$ 60,908	$ 59,200	$ 202,982
Carrying amounts at June 30, 2017	$ 61,396	$ 64,582	$ 57,014	$ 55,500	$ 238,492

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

	June 30, 2017	December 31, 2016	June 30, 2016
Unsecured bank loans			
Amount	$ 608,400	$ 645,000	$ 322,750
Annual interest rate	1.59%	1.80%-1.85%	1.14%

18. BONDS PAYABLE

	June 30, 2017	December 31, 2016	June 30, 2016
Domestic 1st unsecured convertible bonds	$ -	$ -	$ 34,900
Less: Discounts on bonds payable	-	-	(1,105)
Less: Current portion	-	-	(33,795)
	$ -	$ -	$ -

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

19. TRADE PAYABLES

	June 30, 2017	December 31, 2016	June 30, 2016
Trade payables	$ 1,367,308	$ 1,540,640	$ 1,405,772

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

	June 30, 2017	December 31, 2016	June 30, 2016
Payable for rebates	$ 275,237	$ 367,744	$ 371,201
Payable for salaries and bonus	321,657	384,011	372,889
Payable for labor, health and social insurance	16,037	14,601	16,050
Reserve for litigations	64,193	73,040	81,184
Payable for professional services and others	52,000	65,931	76,702
	$ 729,124	$ 905,327	$ 918,026

21. RETIREMENT BENEFIT

Employee benefit expenses in respect of the Group's defined benefit retirement plans were $206 thousand and $236 thousand, $437 thousand and $473 thousand for the three months ended June 30, 2017 and 2016, and six months ended June 30, 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)

	June 30, 2017	December 31, 2016	June 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)	297,158	296,534	294,294
Shares issued	$ 2,971,581	$ 2,965,344	$ 2,942,938

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	-	-	-	4,581	-	-	4,581
Issue of ordinary shares under employee share options	24,697	-	-	(18,555)	-	-	6,142
Employee Share Options -Expired	-	-	-	(1,429)	-	1,429	-
Cancellation of employee restricted stock	1,024	-	-	-	(2,215)	-	(1,191)
BALANCE AT JUNE 30, 2016	$6,387,971	$ 236	$ -	$ 87,947	$ 113,784	$ 12,235	$6,602,173
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	-	-	-	15,758	-	-	15,758
Issue of ordinary shares under employee share options	23,549	-	-	(12,278)	-	-	11,271
Employee share options expired	-	-	-	(1,027)	-	1,027	-
Cancellation of employee restricted stock	146	-	-	-	(23)	-	123
BALANCE AT JUNE 30, 2017	$6,492,514	$ 40,868	$ 582	$ 29,468	$ 73,774	$ 15,792	$6,652,998

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 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

	Shares (In Thousands)
Number of shares at January 1, 2016	-
Increase during the period	5,000
Number of shares at June 30, 2016	5,000
Number of shares at January 1, 2017	2,376
Increase during the period	2,190
Decrease during the period	(50)
Number of shares at June 30, 2017	4,516

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 June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
IC for portable devices	$2,597,421	$2,943,854	$4,758,502	$5,250,737
Others	-	16,135	-	17,819
	$2,597,421	$2,959,989	$4,758,502	$5,268,556

24. NET INCOME (LOSS)

a. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Interest on bank loans	$ 2,375	$ 168	$ 4,639	$ 927
Interest on deposits	-	-	355	74
Interest on convertible bonds	-	2,323	-	6,253
	$ 2,375	$ 2,491	$ 4,994	$ 7,254

b. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Property, plant and equipment	$ 8,846	$ 13,645	$ 18,795	$ 27,866
Intangible assets	18,390	12,603	34,958	24,049
	$ 27,236	$ 26,248	$ 53,753	$ 51,915
An analysis of depreciation and amortization by function				
Operating expenses	$ 24,921	$ 20,234	$ 48,729	$ 39,472
Operating costs	2,315	6,014	5,024	12,443
	$ 27,236	$ 26,248	$ 53,753	$ 51,915

c. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Post-employment benefits				
Defined contribution plans	$ 6,657	$ 6,755	$ 12,986	$ 13,339
Defined benefit plans (Note 21)	206	236	437	473
Share-based payments (Note 27)	10,913	7,021	20,608	13,583
Other employee benefits	336,829	331,424	659,250	659,568
Total employee benefits expense	$ 354,605	$ 345,436	$ 693,281	$ 686,963
An analysis of employee benefits expense by function				
Operating costs	$ 28,777	$ 30,046	$ 56,698	$ 40,005
Operating expenses	325,828	315,390	636,583	646,958
	$ 354,605	$ 345,436	$ 693,281	$ 686,963

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.

25. INCOME TAXES

a. Major components of tax expense recognized in profit or loss:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Current tax				
In respect of the current period	$ 110	$ 6,212	$ 3,643	$ 6,709
Adjustments for prior periods	-	-	249	-
	110	6,212	3,892	6,709
Deferred tax				
In respect of the current period	3,924	5,932	(2,092)	(116)
Income tax expense recognized in profit or loss	$ 4,034	$ 12,144	$ 1,800	$ 6,593

b. The Company's integrated income tax

	June 30, 2017	December 31, 2016	June 30, 2016
Imputation credit account	$ 51,955	$ 51,706	$ 62,742

	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 have been assessed by the tax authorities.

26. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Basic earnings (loss) per share	$ 0.12	$ 0.24	$ 0.11	$ (0.10)
Diluted earnings (loss) per share	$ 0.12	$ 0.24	$ 0.11	$ (0.10)

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

Net Income for the Period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Earnings used in the computation of basic earnings per share	$ 34,907	$ 71,157	$ 31,060	$ (27,877)
Effect of potentially dilutive ordinary shares after tax:				
Convertible bonds	-	-	-	-
Earnings (loss) used in the computation of diluted earnings per share	$ 34,907	$ 71,157	$ 31,060	$ (27,877)

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Weighted average number of ordinary shares in computation of basic earnings per share	291,158	291,350	291,127	291,825
Effect of potentially dilutive ordinary shares:				
Convertible bonds	-	-	-	-
Employee share option	2,523	3,484	2,631	-
Employee restricted shares	553	227	558	-
Employees' compensation or bonus issue to employees	-	-	435	-
Weighted average number of ordinary shares used in the computation of diluted earnings per share	294,234	295,061	294,751	291,825

Note: The computation of diluted earnings per share did not include the shares from convertible bonds for three months and six months ended June 30, 2016 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 six months ended June 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 Six Months Ended June 30, 2017		For the Six Months Ended June 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
Options forfeited	(320,000)	12.4	(147,000)	12.7
Balance at June 30	2,186,000	12.4	2,541,000	12.7

b. Employee share option plan in 2013

	For the Six Months Ended June 30, 2017		For the Six Months Ended June 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	(47,000)	38.5	(63,000)	39.4
Options exercised	(165,000)	38.5	-	-
Options expired	(62,250)	38.5	(85,500)	39.4
Balance at June 30	946,250	38.5	1,430,000	39.4
Options exercisable, end of period	691,000	38.5	737,500	39.4

c. Employee share option plan in 2006

	For the Six Months Ended June 30, 2017		For the Six Months Ended June 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	-	-	(603,600)	25.53
Options exercised	(471,620)	23.93	(1,100,306)	15.58
Balance at June 30	2,190,739	20.39	5,035,018	18.45
Options exercisable, end of period	2,190,739	20.39	3,641,229	16.23

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 for share-based payments above and employee restricted share plans in 2013 and 2014 for the six months ended June 30, 2017 and 2016 were as follows:

	For the Six Months Ended June 30	
	2017	2016
Employee share option plans	$ 4,663	$ 4,581
Share buy-back program	11,095	-
Employee restricted share plans	4,850	9,002
	$ 20,608	$ 13,583

	For the Six Months Ended June 30	
	2017	2016
Capital surplus - employee share options	$ 15,758	$ 4,581
Other equity - unearned employee compensation	4,850	9,002
	$ 20,608	$ 13,583

28. NON-CASH TRANSACTIONS

The cash dividend of 2016 and 2015 resolved by the shareholder's meeting was $189,985 thousand and $212,240 thousand, respectively, and was not paid on June 30, 2017 and 2016. (Refer to Note 22)

29. OPERATING LEASE ARRANGEMENTS

The Company is Lessee

The Company and its subsidiaries have lease contracts relate to office, plant and part of office equipment, above contracts would be expired after January 2020.

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
lease payment	$ 15,786	$ 10,538	$ 31,794	$ 26,933

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

	June 30, 2017	December 31, 2016	June 30, 2016
Not later than 1 year	$ 26,968	$ 31,731	$ 50,403
Later than 1 year and not later than 5 years	13,782	3,992	2,303
	$ 40,750	$ 35,723	$ 52,706

30. FINANCIAL INSTRUMENTS

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

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

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

June 30, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Fixed income bonds	$ -	$ 289,368	$ -	$ 289,368

December 31, 2016

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

June 30, 2016

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

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

For the six months ended June 30, 2016

	Derivatives
Financial assets at FVTPL	
Structured note	
Balance at January 1, 2016	$ 129,120
Recognized in profit or loss (included in gain on financial assets at FVTPL) - unrealized	234
Effect of foreign currency exchange differences	(2,166)
Balance at June 30, 2016	$ 127,188

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

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

a) Structured Note

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

b) Conversion option attached to the convertible bond

The convertible bond was valuation by the 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

	June 30, 2017	December 31, 2016	June 30, 2016
Financial assets			
Fair value through profit or loss (FVTPL)			
Designated as at FVTPL	$ -	$ -	$ 127,188
Available-for-sale financial assets (Note 1)	365,418	256,464	48,413
Loans and receivables (Note 2)	5,194,913	6,943,655	7,568,392
Financial liabilities			
Fair value through profit or loss (FVTPL)			
Held for trading	-	-	1,096
Amortized cost (3)	3,001,664	3,204,242	2,971,411

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, dividends 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 33.

<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 For the Six Months Ended June 30		RMB Impact For the Six Months Ended June 30	
	2017	2016	2017	2016
Profit or loss/ equity	$ 18,566 (i)	$ 35,091 (i)	$ 412 (ii)	$ 4,105 (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.

	June 30, 2017	December 31, 2016	June 30, 2016
Fair value interest rate risk			
Financial assets	$ 3,521,376	$ 4,398,311	$ 4,137,862
Financial liabilities	$ 608,400	$ 645,000	$ 356,545
Cash flow interest rate risk			
Financial assets	$ 743,616	$ 1,343,883	$ 2,079,046

Sensitivity analysis

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

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the six months ended June 30, 2017 and 2016 would decrease/increase by $930 thousand and $2,599 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 June 30, 2017, the Group's five largest customer took 74% 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 June 30, 2017, December 31, 2016, and June 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.

June 30, 2017

	On Demand or Less than 1 Year	**1-5 Years**
Non-derivative financial liabilities		
Fixed interest rate liabilities	$ 608,400	$ -
Non-interest bearing	2,286,417	106,847
	$ 2,894,817	$ 106,847

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

June 30, 2016

	On Demand or Less than 1 Year	1-5 Years
Non-derivative financial liabilities		
Fixed interest rate liabilities	$ 322,750	$ 34,900
Non-interest bearing	2,536,038	78,828
	$ 2,858,788	$ 113,728

b) Financing facilities

	June 30, 2017	December 31, 2016	June 30, 2016
Unsecured bank overdraft facility, reviewed annually:			
Amount used	$ 608,400	$ 645,000	$ 322,750
Amount unused	800,000	2,145,000	2,468,250
	$ 1,408,400	$ 2,790,000	$ 2,791,000

31. TRANSACTIONS WITH RELATED PARTIES

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

b. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Long-term employee benefits(Note)	$ (3,197)	$ -	$ 1,278	$ 4,664
Short-term employee benefits	6,404	11,321	19,796	26,776
Post-employment benefits	29	152	181	303
Share-based payments	531	1,269	2,313	2,861
	$ 3,767	$ 12,742	$ 23,568	$ 34,604

Note: Long-term employee benefits for the three months ended June 30, 2016 was negative, due to the key managements leaving and returning the unvested benefits in the 2nd quarter of 2017.

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	June 30, 2017	December 31, 2016	June 30, 2016
Pledge deposits (classified as other non-current assets)	$ 35,433	$ 36,543	$ 38,070

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed.

The significant assets and liabilities denominated in foreign currencies were as follows:

June 30, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 42,023	32.42 (USD:NTD)	$ 1,278,341
USD	1,546	6.7744 (USD:RMB)	47,020
RMB	1,834	0.1476 (RMB:USD)	8,241
Financial liabilities			
Monetary items			
USD	20,404	30.42 (USD:NTD)	620,702
USD	10,958	6.7744 (USD:RMB)	333,341

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
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

June 30, 2016

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

34. SEGMENT INFORMATION

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