FocalTech Systems Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2018 and 2017

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	September 30, 2018		December 31, 2017		September 30, 2017	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 2,954,236	21	$ 2,596,128	19	$ 2,137,765	14
Financial assets at fair value through other comprehensive income - current (Note 4 and 8)	72,339	-	-	-	-	-
Available-for-sale financial assets - current (Note 4 and 9)	-	-	35,814	-	21,197	-
Trade receivables, net (Note 4 and 12)	1,177,178	8	1,257,525	9	1,496,364	10
Inventories (Note 13)	2,384,774	17	2,685,765	20	3,344,917	22
Other financial assets (Note 4 and 11)	2,196,333	15	1,385,904	10	2,646,981	17
Other current assets	215,609	2	212,037	2	221,319	1
Total current assets	9,000,469	63	8,173,173	60	9,868,543	64
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - non-current (Note 4 and 7)	77,496	-	-	-	-	-
Financial assets at fair value through other comprehensive income - non-current (Note 4 and 8)	252,897	2	-	-	-	-
Available-for-sale financial assets - non-current (Note 4 and 9)	-	-	245,640	2	266,729	2
Financial assets measured at cost (Note 4 and 10)	-	-	74,400	-	75,650	-
Property, plant and equipment (Note 15)	1,395,734	10	1,408,474	10	1,364,462	9
Goodwill (Note 16)	3,237,268	22	3,237,268	24	3,237,268	21
Other intangible assets (Note 17)	162,228	1	210,714	2	229,808	2
Deferred tax assets	117,979	1	104,501	1	126,111	1
Other non-current assets (Note 32)	87,207	1	89,898	1	138,096	1
Total non-current assets	5,330,809	37	5,370,895	40	5,438,124	36
TOTAL	$ 14,331,278	100	$ 13,544,068	100	$ 15,306,667	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 18)	$ 100,000	1	$ -	-	$ 907,800	6
Trade payables (Note 19)	1,859,493	13	1,310,390	10	2,085,713	14
Other payables (Note 20)	831,673	6	738,870	5	768,872	5
Current tax liabilities (Note 4)	414,941	3	411,977	3	8,017	-
Other current liabilities (Note 23)	71,392	-	82,620	1	77,949	-
Total current liabilities	3,277,499	23	2,543,857	19	3,848,351	25
NON-CURRENT LIABILITIES						
Deferred tax liabilities	40,454	-	15,876	-	175,595	1
Net defined benefit liabilities - non-current (Note 4)	29,431	-	29,620	-	46,210	1
Guarantee deposits received	244,863	2	200,951	2	183,901	1
Other non-current liabilities	10,400	-	10,400	-	10,400	-
Total non-current liabilities	325,148	2	256,847	2	416,106	3
Total liabilities	3,602,647	25	2,800,704	21	4,264,457	28
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 22 and 27)						
Share capital						
Ordinary shares	2,986,407	21	2,983,700	22	2,981,576	19
Capital surplus						
Additional paid-in capital	6,420,329	45	6,565,204	49	6,534,066	43
Treasury shares	40,868	-	40,868	-	40,868	-
Changes in ownership interests in subsidiaries	20,491	-	1,269	-	1,269	-
Employee share options	45,658	1	30,179	-	24,131	-
Employee restricted shares	-	-	-	-	55,123	1
Employee share options - expired	19,718	-	17,356	-	16,386	-
Total capital surplus	6,547,064	46	6,654,876	49	6,671,843	44
Retained earnings						
Legal reserve	186,154	1	186,154	1	186,154	1
Undistributed earnings	1,203,944	9	1,058,985	8	1,294,265	9
Total retained earnings	1,390,098	10	1,245,139	9	1,480,419	10
Other equity						
Exchange differences from translating the financial statements of foreign operations	117,807	1	47,154	-	113,570	-
Unrealized loss on financial assets at fair value through other comprehensive income	(4,321)	-	-	-	-	-
Equity directly associated with non-current assets held for sale	-	-	(2,791)	-	(1,193)	-
Unearned employee compensation	-	-	-	-	(29,617)	-
Total other equity	113,486	1	44,363	-	82,760	-
Treasury shares	(353,718)	(3)	(191,998)	(1)	(191,998)	(1)
Equity attributable to owners of the company	10,683,337	75	10,736,080	79	11,024,600	72
NON-CONTROLLING INTERESTS	45,294	-	7,284	-	17,610	-
Total equity	10,728,631	75	10,743,364	79	11,042,210	72
TOTAL	$ 14,331,278	100	$ 13,544,068	100	$ 15,306,667	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 September 30				For the Nine Months Ended September 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
REVENUE (Note 4 and 23)	$ 2,530,459	100	$ 3,264,928	100	$ 7,875,850	100	$ 8,023,430	100
COSTS OF SALES (Note 13 and 24)	(1,912,057)	(76)	(2,592,359)	(79)	(6,143,002)	(78)	(6,320,513)	(79)
GROSS MARGIN	618,402	24	672,569	21	1,732,848	22	1,702,917	21
OPERATING EXPENSES (Note 21, 24, 29 and 31)								
Selling and marketing expenses	(111,077)	(4)	(130,475)	(4)	(319,039)	(4)	(353,283)	(4)
General and administrative expenses	(79,963)	(3)	(84,014)	(3)	(249,219)	(3)	(230,626)	(3)
Research and development expenses	(395,135)	(16)	(328,626)	(10)	(1,090,709)	(14)	(966,923)	(12)
Total operating expenses	(586,175)	(23)	(543,115)	(17)	(1,658,967)	(21)	(1,550,832)	(19)
OPERATING INCOME (LOSS)	32,227	1	129,454	4	73,881	1	152,085	2
NON-OPERATING INCOME AND EXPENSES								
Finance costs (Note 24)	(120)	-	(281)	-	(690)	-	(5,275)	-
Other gains and losses - net	19,150	1	4,378	-	45,920	-	12,262	-
Loss on disposal of property, plant and equipment	-	-	-	-	-	-	(27)	-
Loss on foreign currency exchange	(9,845)	-	3,890	-	11,125	-	(29,904)	-
Interest income	29,289	1	13,589	1	69,429	1	46,682	-
Total non-operating income and expenses	38,474	2	21,576	1	125,784	1	23,738	-
INCOME (LOSS) BEFORE INCOME TAX	70,701	3	151,030	5	199,665	2	175,823	2
INCOME TAX (EXPENSE) BENEFIT (Note 4 and 25)	5,514	-	(17,037)	(1)	(33,928)	-	(18,837)	-
NET INCOME (LOSS)	76,215	3	133,993	4	165,737	2	156,986	2
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified to profit or loss:								
Income tax relating to those items not to be reclassified to profit or loss(Note 4 and 25)	-	-	-	-	(276)	-	-	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences from translating the financial statements of foreign operations	(38,013)	(1)	(5,183)	-	72,542	1	(320,014)	(4)

(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 Nine Months Ended September 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
Unrealized gains from debt instrument investments measured at fair value through other comprehensive loss(Note 4)	(249)	-	-	-	(1,530)	-	-	-
Unrealized loss on available-for-sale financial assets(Note 4)	-	-	232	-	-	-	305	-
Items that may be reclassified subsequently to profit or loss	(38,262)	(1)	(4,951)	-	71,012	1	(319,709)	(4)
Total other comprehensive loss	(38,262)	(1)	(4,951)	-	70,736	1	(319,709)	(4)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ 37,953	2	$ 129,042	4	$ 236,473	3	$ (162,723)	(2)
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Company	$ 85,284	3	$ 139,131	4	$ 189,875	2	$ 170,191	2
Non-controlling interests	(9,069)	-	(5,138)	-	(24,138)	-	(13,205)	-
	$ 76,215	3	$ 133,993	4	$ 165,737	2	$ 156,986	2
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	$ 46,891	2	$ 134,180	4	$ 258,722	3	$ (149,518)	(2)
Non-controlling interests	(8,938)	-	(5,138)	-	(22,249)	-	(13,205)	-
	$ 37,953	2	$ 129,042	4	$ 236,473	3	$ (162,723)	(2)
EARNINGS (LOSSES) PER SHARE (Note 26)								
Basic	$ 0.30		$ 0.49		$ 0.66		$ 0.59	
Diluted	$ 0.30		$ 0.48		$ 0.66		$ 0.58	

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											
					Other Equity							
			Retained Earnings									
	Share Capital Ordinary Shares	Capital Surplus	Legal Reserve	Undistributed Earnings	Exchange Differences from Translating Financial Statement of Foreign Operations	Unrealized gains (losses) from financial asset measured at fair value through other comprehensive income	Equity Directly Associated with Non-current Assets Held for Sale	Unearned Employee Compensation	Treasury Shares	Total	Non-controlling Interests	Total Equity
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 22)	-	-	-	-	-	-	-	-	(245,812)	(245,812)	-	(245,812)
Treasury stock transferred to employees (Note 22 and 27)	-	-	-	-	-	-	-	-	116,806	116,806	-	116,806
Changes in ownership interests in subsidiaries (Note 22 and 28)		687								687	(687)	
Compensation cost of employee share options (Note 22 and 27)	-	26,594	-	-	-	-	-	-	-	26,594	-	26,594
Issue of ordinary shares under employee share options (Notes 22 and 27)	16,484	18,503	-	-	-	-	-	-	-	34,987	-	34,987
Compensation cost of employee restricted shares (Notes 27)	-	-	-	-	-	-	-	6,423	-	6,423	-	6,423
Cancellation of employee restricted shares (Notes 22)	(252)	213	-	-	-	-	-	-	-	(39)	-	(39)
Dividend returned for unvested employee restricted shares				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
BALANCE, JANUARY 1, 2018	$ 2,983,700	$ 6,654,876	$ 186,154	$ 1,058,985	$ 47,154	$ -	$ (2,791)	$ -	$ (191,998)	$ 10,736,080	$ 7,284	$ 10,743,364
Effects of retrospective application and restatement	-	-	-	(44,640)	-	(2,791)	2,791	-	-	(44,640)	-	(44,640)
Restated balance as of January 1, 2018	2,983,700	6,654,876	186,154	1,014,345	47,154	(2,791)	-	-	(191,998)	10,691,440	7,284	10,698,724
Cash distribution from additional paid-in capital	-	(150,000)	-	-	-	-	-	-	-	(150,000)	-	(150,000)
Net income for the nine months ended September 30, 2018	-	-	-	189,875	-	-	-	-	-	189,875	(24,138)	165,737
Other comprehensive loss for the nine months ended September 30, 2018, net of income tax	-	-	-	(276)	70,653	(1,530)	-	-	-	68,847	1,889	70,736
Total comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	189,599	70,653	(1,530)	-	-	-	258,722	(22,249)	236,473
Buy-back of ordinary shares (Note 22)									(345,421)	(345,421)		(345,421)
Treasury stock transferred to employees (Note 22 and 27)	-	-	-	-	-	-	-	-	183,701	183,701	-	183,701
Changes in ownership interests in subsidiaries	-	19,222	-	-	-	-	-	-	-	19,222	(19,222)	-
Compensation cost of employee share options (Note 22 and 27)	-	22,305	-	-	-	-	-	-	-	22,305	-	22,305

(Continued)

Issue of ordinary shares under employee share options (Note 22 and 27)	2,707	661	-	-	-	-	-	-	-	3,368	-	3,368
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	79,481	79,481
BALANCE AT SEPTEMBER 30, 2018	$ 2,986,407	$ 6,547,064	$ 186,154	$ 1,203,944	$ 117,807	$ (4,321)	$ -	$ -	$ (353,718)	$ 10,683,337	$ 45,294	$ 10,728,631

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

(Concluded)

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

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

	For the Nine Months Ended September 30 2018	For the Nine Months Ended September 30 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax from continuing operation	$ 199,665	$ 175,823
Adjustments for:		
Depreciation expenses	48,425	32,815
Amortization expenses	52,372	52,686
Gains from reversal of impairment loss on expected credit	(6,084)	-
Loss on financial assets and liabilities at fair value through profit or loss	2,236	-
Finance costs	690	5,275
Interest income	(69,429)	(46,682)
Compensation cost of employee share options	22,305	26,594
Compensation cost of employee restricted shares	-	6,423
Loss on disposal of property, plant and equipment	-	27
Write-down of inventories	119,789	26,927
Unrealized loss (gain) on foreign currency exchange	14,205	(14,164)
Changes in operating assets and liabilities		
Increase in financial assets mandatorily classified as at fair value through profit or loss	(48,644)	-
Trade receivables	94,402	(189,377)
Inventories	216,064	(934,514)
Other current assets	19,341	(95,412)
Trade payables	520,208	601,408
Other payables	78,961	(106,885)
Other current liabilities	(10,614)	16,683
Net defined benefit liabilities	(189)	(176)
Cash generated from operations	1,253,703	(442,549)
Interest paid	(677)	(5,199)
Income tax paid	(30,238)	(9,499)
Net cash generated from operating activities	1,222,788	(457,247)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial asset at fair value through other comprehensive income	(58,671)	
Proceeds from disposal of financial asset at fair value through other comprehensive income	20,981	-
Purchase of available-for-sale financial assets	-	(124,057)
Purchase for property, plant and equipment	(70,935)	(16,643)
Purchase of intangible assets	(2,198)	(81,220)
(Increase) decrease in other financial assets	(765,369)	(480,145)
(Increase) decrease in other non-current assets	946	10,703
Interest received	47,511	42,128
Net cash generated from investing activities	(827,735)	(649,234)

(Continued)

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2018	**2017**
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	100,000	305,392
Increase in guarantee deposits	40,835	71,342
Cash dividends	(150,000)	(189,985)
Issue of ordinary shares under employee share options	3,368	34,987
Buy-back of ordinary shares	(345,421)	(245,812)
Treasury stock transferred to employees	183,701	116,806
Increase in non-controlling interests	79,481	17,569
Proceeds from dividend returned by unvested employee restricted shares	-	8
Payment for cancellation of employee restricted shares	-	(75)
Net cash used in financing activities	(88,036)	110,232
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	51,091	(131,765)
NET INCREASE IN CASH AND CASH EQUIVALENTS	358,108	(1,128,014)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2,596,128	3,265,779
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 2,954,236	$ 2,137,765

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, 2018 AND 2017
(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 acquire.

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 26, 2018.

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

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

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

   1) IFRS 9 "Financial Instruments" and related amendment

   IFRS 9 "Financial Instruments" supersedes IAS 39 "Financial Instruments: Recognition and Measurement", and IFRS 7 "Financial Instruments: Disclosures" and other standards are consequentially amended as well. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets. The relevant accounting policies could be found in Note 4.

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

   On the basis of the facts and circumstances that existed on January 1, 2018, the Company performed an assessment of the classification of the financial assets, retrospective applied IFRS 9, and elected not to restate prior reporting periods.

   The following table shows the original measurement categories and carrying amounts under IAS 39 and the new measurement categories and carrying amounts under IFRS 9 for each class of the Company’s financial assets and financial liabilities on January 1, 2018.

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash and cash equivalents	Loans and receivables	At amortized cost	$ 2,596,128	$ 2,596,128	(a)
Preferred stock investments	Available-for-sale financial assets	Mandatorily at fair value through profit or loss (FVTPL)	44,640	-	(b)
Private funds	Available-for-sale financial assets	Mandatorily at fair value through profit or loss (FVTPL)	29,760	29,760	(b)
Bond investments	Available-for-sale financial assets	At fair value for debt instrument investment through other comprehensive income (FVTOCI)	281,454	281,454	(c)
Accounts/notes receivables, other financial assets and refundable deposits	Loans and receivables	At amortized cost	2,684,032	2,684,032	(a)

	IAS 39 Carrying Amount as of January 1, 2018	Reclassification	Remeasurement	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Note
FVTPL	$ -					
Add: Reclassification from available for sale (IAS 39)	-	$ 74,400				(b)
Financial assets measured at cost - remeasurement (IAS 39)	-	-	$ (44,640)			(b)
	-	74,400	(44,640)	$ 29,760	$ (44,640)	
FVTOCI						
Add: Reclassification from available for sale financial assets (IAS 39)	-	281,454	-			(c)
	-	281,454	-	281,454	-	
Total	$ -	$ 355,854	$ (44,640)	$ 311,214	$ (44,640)	

a) Cash and cash equivalents, notes and accounts receivables, other financial assets and refundable deposits, that were previously classified as loans and receivables under IAS 39, would be measured at amortized cost with an assessment of expected credit losses under IFRS 9.

b) Since the cash flows of unlisted stock investments and private funds, previously classified as financial assets measured at cost under IAS 39, are not fully matched for the payments of the principals and interests of the outstanding principal amounts, and unlisted stock investments and private funds are equity instruments held for trading, they are mandatorily reclassified as measured at fair value through profit or loss under IFRS 9 and needed to be remeasured. In respect of unlisted stock investments, the adjustments would result in a decrease in carrying amount and retained earnings of NT$44,640 thousand on first application date.

c) The bond investments are classified as available-for-sale financial assets under IAS 39 and measured at fair value. Since the contractual cash flows are fully matched for the payments of the principals and interests of the outstanding principal amounts, and the purpose of the business model could be achieved by receiving contractual cash flows and selling those financial assets, these bond investments are measured at fair value through other comprehensive income with an assessment of expected credit losses under IFRS 9.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendment

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 relevant accounting policies could be found in Note 4.

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.

b. The IFRSs recognized by FSC and the Regulations Governing the Preparation of Financial Reports by Securities Issuers with effective date starting from 2019.

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRSs 2015-2017 Cycle"	January 1, 2019
Amendments for IFRS 9 "Prepayments Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments for IFRS 19 "Employee Benefits - Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments for IFRS 28 "Long-term Equity for Associated or Joint Venture Companies "	January 1, 2019
IFRIC 23 "Treatment of Income Tax Uncertainty"	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.

Note 2: The FSC allows the Group to select earlier adoption of the amendments from January 1, 2018.

Note 3: This amendment applies to the amendment, curtailment or settlement of employee benefit plans that occurred after January 1, 2019.

1) IFRS 16 "Leases"

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

<u>Definition for leases</u>
When IFRS 16 first time is applied, the Company decides only to include the contracts signed or

changed after January 1, 2019 to use IFRS 16 evaluation. The contracts currently considered to be judged as leases based on IAS 17 and IFRIC 4 will not be re-evaluated and will be processed in accordance with the transitional provisions of IFRS 16.

The Company is lessee

When IFRS 16 first time is applied, the Company will recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value asset lease and short-term leases recognized as expenses on a straight line basis. On the consolidated statements of comprehensive income, the Company will 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 will be classified within financing activities. The interest portion will be classified within operating activities. Before IFRS 16 is applied, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

For the current agreements judged and processed as operating leases based on IAS 17, the measurement of the lease liability on January 1, 2019 will be discounted by the remaining lease payments at the incremental borrowing rate of the lessee at that date. All right-of-use assets will be measured by the amount of the lease liability on that date, which will be subject to IAS 36 impairment assessment.

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.

When IFRIC23 first time is applied, the Company plans to retrospectively recognize the cumulative effect initially in retained earnings on Jan. 1st , 2019.

3) Amendments to IAS 19 " Employee Benefits - Plan Amendment, Curtailment or Settlement"

The amendment provides that when the plan is amended, curtailed or settled, the current service cost and net interest for the remainder of the year shall be determined on the basis of the actuarial assumptions used to re-measure the net defined benefit liabilities (assets). In addition, the amendment clarifies the impact of the plan's amendment, curtailment or settlement on rules applied to the asset cap. The aforementioned amendments will is applied prospectively.

Except for the statements above, as of the date on that consolidated financial statements approved to issue, the Company is continuously assessing and evaluating the possible impacts that the application of other standards and interpretations will have on the Company’s financial position and financial performance, and will disclose the relevant impacts 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 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Materiality"	January 1, 2020 (Note 3)

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 Company shall apply these amendments to the business combination and the asset acquisition for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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 are prepared on the historical cost basis, except for the financial instruments measured at fair value and the net defined benefit liabilities recognised in the fair value of the estimated assets, and 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 accounting policies of financial instruments and revenue recognition and 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, 2017.

1) Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

a) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

i) Measurement category

<u>2018</u>

The Group's financial assets include those measured at FVTPL, at amortized cost and investments in debt instruments measured at FVTOCI.

A. Financial asset at FVTPL

The equity instruments that are not specified as FVTOCI and debt instruments that do not meet the criteria of amortized cost or FVTOCI are mandatorily required to be measured at FVTPL. Any gain or loss arising from the remeasurement is recognized in profit or loss at fair value, excluding any interest or dividend earned from the financial asset. The determination methodology of fair value of financial instruments states in Note 30.

B. Financial assets at amortized cost

Financial assets that meet both two following conditions will subsequently be measured at amortized cost:

(i) The objective of the business model to hold the financial asset is to collect contractual cash flows; and

(ii) The cash flows from contractual terms of the financial asset on specified dates are solely matched for payments of principal and interests on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, account receivables at amortized cost, other financial assets, and refundable deposits, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method, subtracting any impairment loss. Foreign exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for the credit-impaired financial asset which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

Cash equivalents include time deposits with original maturities within 3 months from obtaining date, high liquidation level, readily convertible to a known amount of cash at any time, and low risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

C. Investments in debt instruments at FVTOCI

Investments in debt instruments that meet both the following conditions are subsequently measured at FVTOCI:

(i) The objective of the business model to hold the financial asset is to collect contractual cash flows and sell financial assets; and

(ii) The cash flows from contractual terms of the financial asset on specified dates are solely matched for payments of principal and interests on the principal amount outstanding.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment losses or reversed gains on investments in debt instruments at FVTOCI are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when these debt instruments are disposed.

2017

The Group's financial assets are classified into available-for-sale financial assets, loans and receivables.

a. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as available-for-sale or are not classified as 1) loans and receivables, 2) held-to-maturity financial assets or 3) financial assets at fair value through profit or loss. Available-for-sale financial assets are measured at fair value. Foreign exchange gains or losses from available-for-sale financial assets, interest incomes from the monetary available-for-sale financial assets by effective interest method and dividends from available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss.

Available-for-sale equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less any identified impairment loss at the end of each reporting period. Such financial instruments are subsequently remeasured at fair value when they can be reliably measured, and the difference between the carrying amount and fair value is recognized in other comprehensive income. When the impairment is confirmed, the cumulative loss previously recognized in other comprehensive income should be reclassified to loss.

b. Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalent, other financial assets and refundable deposits) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalent includes time deposits with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

ii) Impairment of financial assets

2018

At the end of each reporting period, a loss allowance for expected credit loss is recognized for financial assets at amortized cost (including accounts receivable) and for investments in debt instruments that are measured at FVTOCI.

The loss allowance for accounts receivable is determined by the expected credit losses over the lifetime. For other financial assets at amortized cost and investments in debt instruments that are measured at FVTOCI, if the credit risk on the financial instrument has not increased significantly after initial recognition, a loss allowance is determined by the expected credit losses resulting from the possible default events within 12 months after the reporting date. If, on the other hand, there has been a significant increase in credit risk after initial recognition, a loss allowance is determined by the expected credit losses resulting from all possible default events over the expected life of a financial instrument.

All impairment gain or loss of the financial instruments with a corresponding adjustment to their carrying amount are through an allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

2017

The Group assesses whether other financial assets have deducted objective evidence at each balance sheet date. When there is objective evidence that the estimated future cash flows of the financial assets are attributable to the single or multiple events arising from the original recognition of the financial assets, then the financial asset has been impaired.

For financial assets carried at amortized cost, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables (please specify) where the carrying amount is reduced through the use of an allowance account. When a trade receivable and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off against the allowance account.

iii) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

Before 2018, when a financial asset is derecognized in its entirety, the difference between the asset's carrying amount and the sum of the consideration and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. From 2018, when a financial asset carried at amortized cost is derecognized in its entirety, the difference between the asset's carrying amount and the consideration is recognized in profit or loss. If the financial asset is an investment in debt instruments at FVTOCI and derecognized in its entirety, the difference between the asset's carrying amount and the sum of the consideration and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

b) Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

c) Financial liabilities

i) Subsequent measurement

All the financial liabilities are measured by amortized cost using the effective interest method.

ii) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

2) Revenue recognition

a) Sale of goods

<u>2018</u>

After the Group performance obligations from the contract with the customers, it allocates the transaction price to each performance obligations, and recognizes revenue when performance obligations are satisfied.

Revenue comes from sales of goods for IC for portable devices. Revenue is recognized when the goods are delivered to the customer's specific location, at which time the customer has full discretion over the manner of distribution and price to sell the goods and the primary responsibility for sales to future customers. Revenue and trade receivable is recognized concurrently.

<u>2017</u>

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

i) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

ii) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

iii) The amount of revenue can be measured reliably;

iv) It is probable that the economic benefits associated with the transaction will flow to the Group; and

v) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

b)Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

3) 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.

4) 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. The effect of a change in tax rate resulting from the amendment in the tax law is recognized consistent with the accounting treatment of the corresponding transaction itself, and is recognized in profit or loss or other comprehensive income in full in the occurring period.

5. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATIONS AND ASSUMPTIONS

Except for the following, the uncertainty of critical accounting judgments, estimations and assumptions applied are consistent with those in the consolidated financial statements for the year ended December 31, 2017.

Income taxes

As of September 30, 2018, December 31, 2017, and September 30, 2017, the deferred tax liabilities on earnings of the subsidiaries, FocalTech Corporation, Ltd. and FocalTech Electronics, Ltd., reporting at $3,336,707 thousand, $3,385,197 thousand, and $4,001,097 thousand, are not recognized respectively, due to the dividend policy of the subsidiaries and the reversal of temporary differences of earnings being able to be controlled by the Company. It's probable that the temporary differences will not be reversed in the foreseeable future.

6. CASH AND CASH EQUIVALENTS

	September 30, 2018	December 31, 2017	September 30, 2017
Cash on hand	$ 2,564	$ 1,870	$ 1,383
Checking accounts and demand deposits	1,434,648	762,436	923,979
Cash equivalent (fixed deposit with original maturities less than three months)	1,517,024	1,831,822	1,212,403
	$ 2,954,236	$ 2,596,128	$ 2,137,765

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

	September 30, 2018	December 31, 2017	September 30, 2017
Demand deposits	0.001%-0.43%	0.001%-0.4%	0.001%-0.35%
Fixed deposits	0.9%-3.08%	0.6%-2.4%	0.13%-1.68

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS-NON-CURRENT

	September 30 2018	December 31, 2017	September 30 2017
Mandatorily at fair value through profit or loss (FVTPL)			
Listed preferred shares	$ 10,370	$ -	$ -
Private Funds	37,593	-	-
Structured Investments	29,533	-	-
	$ 77,496	$ -	$ -

Private Funds above were previously classified as financial assets measured at cost under IAS 39. Related information of reclassification and 2017 detail could be found in Note 3 and 10.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME-2018

	September 30, 2018
Investments in debt instruments	
Current	
Foreign investments	
Fixed income bonds	$ 72,339
Non – Current	
Foreign investments	
Fixed income bonds	$ 252,897
Yield rates	1.963%-4.117%

Note：The investments were previously classified as available-for-sale under IAS 39. Note 3 and 9 are the information for reclassification and 2017 detail.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017	September 30, 2017
Current		
Foreign investments		
Fixed income bonds	$ 35,814	$ 21,197
Non - Current		
Foreign investments		
Fixed income bonds	$ 245,640	$ 266,729
Yield rates	1.708%-3.0168%	1.708%-3.0168%

10. FINANCIAL ASSETS MEASURED AT COST- NON-CURRENT - 2017

	December 31, 2017	September 30, 2017
Foreign unlisted preferred shares	$ 44,640	$ 45,390
Private Funds	29,760	30,260
	$ 74,400	$ 75,650

11. OTHER FINANCIAL ASSETS

	September 30, 2018	December 31, 2017	September 30, 2017
Time deposits with original maturities more than three months	$ 2,196,333	$ 1,385,904	$ 2,646,981
Market rate intervals	1.55%-3.90%	1.045%-3.74%	0.90%-2.70%

12. TRADE RECEIVABLES, NET

	September 30, 2018	December 31, 2017	September 30, 2017
Trade receivables	$ 1,274,858	$ 1,358,709	$ 1,599,248
Less: Allowance for doubtful accounts	(97,680)	(101,184)	(102,884)
Trade receivables, net	$ 1,177,178	$ 1,257,525	$ 1,496,364

For the Nine Months Ended September 30, 2018

The average credit period on sales of goods was 60-120 days. 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 Company applies the simplified approach prescribed by IFRS 9, which permits the use of allowances of expected credit losses over the lifetime for all trade receivables. The expected credit losses on trade receivables are estimated by using an allowance matrix with references to past customer default records, customer's current financial position, and general economic conditions of the industry. Due to the past experiences, there is no significant difference in the loss patterns of different customer groups. Therefore, the allowance matrix does not further distinguish the customer base, and only sets the expected credit loss rate based on the overdue days of trade receivable.

The following table details the loss allowance of trade receivables based on the Company's allowance matrix.

September 30, 2018

	Non Past Due	Overdue 1-60 Days	Overdue 61-180 Days	Overdue Over 181 Days	Total
Expected credit loss rate	-	-	-	84%	84%
Gross carrying amount	$1,070,361	$ 88,127	$ -	$ 116,370	$ 1,274,858
Loss allowance (Lifetime ECL)	-	-	-	(97,680)	(97,680)
Amortized cost	$1,070,361	$ 88,127	$ -	$ 18,690	$ 1,177,178

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

	For the Nine Months Ended September 30, 2018
Beginning balance	$ 101,184
Less: Impairment loss reversed	(6,084)
Difference from foreign exchange translation	2,580
Ending balance	$ 97,680

Wintek Corporation announced the following material information on October 13, 2014. Due to loss of continuous operation, the board of directors of Wintek Corporation approved to apply for court's ratification for reorganization and emergency disposal in accordance with the relevant rules of the Company Act. As of September 30, 2018, the Group recognized allowance of doubtful trade receivables against Wintek Corporation of 97,680 thousand.

2017

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:

	December 31, 2017	**September 30, 2017**
Less than 60 days	$ 5,049	$ 983
61-180 days	-	165
More than 180 days	13,292	13,521
	$ 18,341	$ 14,669

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
Balance at January 1, 2017	$ 109,650
Foreign exchange translation	(6,766)
Balance at September 30, 2017	$ 102,884

13. INVENTORIES

	September 30, 2018	**December 31, 2017**	**September 30, 2017**
Finished goods	$ 642,829	$ 993,694	$ 1,206,452
Work in progress	1,064,093	916,087	1,161,511
Raw materials and supplies	677,852	775,984	976,954
	$ 2,384,774	$ 2,685,765	$ 3,344,917

The cost of goods sold included inventory write-downs for the three months ended September 30, 2018 and for the nine months ended September 30, 2018 and 2017 was $63,206 thousand, $119,789 thousand, $26,927 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.

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, 2018**	**December 31, 2017**	**September 30, 2017**
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. (a)	FocalTech Smart Sensors Co., Ltd.	Research, development, manufacturing and sale of integrated circuits	-	67.11%	67.11%
	FocalTech Smart Sensors, Ltd.	Research, development, manufacturing and sale of integrated circuits	61.88%	100%	-
FocalTech Smart Sensors, Ltd. (a)	FocalTech Smart Sensors Co., Ltd.	Research of integrated circuits	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 and sale of integrated circuits	100%	100%	100%

a. FocalTech Smart Sensors, Ltd. was set up in December 2017 and 100% owned by the Company. The Group's reorganization of the investment structure, and capital injection and exercise of employee stock in FocalTech Smart Sensors, Ltd. in 2018 resulted in FocalTech Systems Co., Ltd and FocalTech Electronics Co., Ltd. directly to own FocalTech Smart Sensors, Ltd. and indirect to hold FocalTech Smart Sensors Co., Ltd.

As of September 30, 2018 and 2017, the immaterial subsidiaries of the Group included FocalTech Smart Sensors Co., Ltd., FocalTech Electronics Co., Ltd., FocalTech Electronics (Shenzhen) Co., Ltd., FocalTech Electronics (Shanghai) Co., Ltd., Hefei PineTech Electronics Co., Ltd. and FocalTech Smart Sensors, Ltd. The financial statements of the immaterial subsidiaries had not been reviewed by the auditors.

As of September 30, 2018 and 2017, the total amounts of assets of the immaterial subsidiaries were $588,627 thousand, and $364,315 thousand, 4% and 2% of total consolidated assets, respectively. The total amounts of liabilities were $157,311 thousand, and $98,655 thousand, 4% and 2% of total consolidated liabilities, respectively. For the three months ended September 30, 2018 and 2017, and for the nine months ended September 30, 2018 and 2017, the total immaterial subsidiaries comprehensive loss has been recognized $35,829 thousand, $12,783 thousand, $59,293 thousand, and $66,467 thousand, that held (94%), (10%), (25%), 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, 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 September 30, 2017	$ 1,298,138	$ 42,989	$ 3,935	$ 16,042	$ 3,358	$ 1,364,462
Cost						
Balance at January 1, 2018	$ 1,358,019	$ 165,491	$ 14,479	$ 42,437	$ 39,209	$ 1,619,635
Additions	41,325	27,801	1,226	583	-	70,935
Disposals	-	(3,841)	-	-	-	(3,841)
Effect of foreign currency exchange differences	(35,396)	(75)	(311)	(994)	(374)	(37,150)
Balance at September 30, 2018	$ 1,363,948	$ 189,376	$ 15,394	$ 42,026	$ 38,835	$ 1,649,579
Accumulated depreciation						
Balance at January 1, 2018	$ 16,029	$ 121,011	$ 10,236	$ 27,331	$ 36,554	$ 211,161
Depreciation	27,405	14,544	1,186	3,688	1,602	48,425
Disposals	-	(3,841)	-	-	-	(3,841)
Effect of foreign currency exchange differences	(1,258)	646	(203)	(712)	(373)	(1,900)
Balance at September 30, 2018	$ 42,176	$ 132,360	$ 11,219	$ 30,307	$ 37,783	$ 253,845
Carrying amounts at December 31, 2017 and January 1, 2018	$ 1,341,990	$ 44,480	$ 4,243	$ 15,106	$ 2,655	$ 1,408,474
Carrying amounts at September 30, 2018	$ 1,321,772	$ 57,016	$ 4,175	$ 11,719	$ 1,052	$ 1,395,734

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 were not been pledged as collateral.

16. GOODWILL

	September 30, 2018	December 31, 2017	September 30, 2017
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 10%, 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, 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 September 30, 2017	$ 59,752	$ 61,336	$ 55,070	$ 53,650	$ 229,808
Cost					
Balance at January 1, 2018	$ 126,919	$ 149,951	$ 76,718	$ 74,000	$ 427,588
Additions	-	2,198	-	-	2,198
Effect of foreign currency exchange differences	2,782	3,431	(6)	-	6,207
Balance at September 30, 2018	$ 129,701	$ 155,580	$ 76,712	$ 74,000	$ 435,993
Accumulated amortization					
Balance at January 1, 2018	$ 72,394	$ 98,685	$ 23,595	$ 22,200	$ 216,874
Amortization expense	16,950	24,033	5,839	5,550	52,372
Effect of foreign currency exchange differences	1,799	2,726	(6)	-	4,519
Balance at September 30, 2018	$ 91,143	$ 125,444	$ 29,428	$ 27,750	$ 273,765
Carrying amounts at December 31, 2017 and January 1, 2018	$ 54,525	$ 51,266	$ 53,123	$ 51,800	$ 210,714
Carrying amounts at September 30, 2018	$ 38,558	$ 30,136	$ 47,284	$ 46,250	$ 162,228

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, 2018	December 31, 2017	September 30, 2017
Unsecured bank loans			
Amount	$ 100,000	$ -	$ 907,800
Annual interest rate	1.25%	-	2.05%-2.10%

19. TRADE PAYABLES

	September 30, 2018	December 31, 2017	September 30, 2017
Trade payables	$ 1,859,493	$ 1,310,390	$ 2,085,713

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

	September 30, 2018	December 31, 2017	September 30, 2017
Payable for rebates	$ 462,796	$ 236,574	$ 329,491
Payable for salaries and bonus	244,562	349,166	297,203
Payable for labor, health and social insurance	14,626	15,463	14,907
Reserve for litigations	54,931	62,800	63,855
Payable for professional services and others	54,758	74,867	63,416
	$ 831,673	$ 738,870	$ 768,872

21. RETIREMENT BENEFIT

Employee benefit expenses in respect of the Group's defined benefit retirement plans were $139 thousand and $218 thousand, $419 thousand and $655 thousand for the three months ended September 30, 2018 and 2017, and nine months ended September 30, 2018 and 2017, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2017 and 2016.

22. EQUITY

a. Share capital

Ordinary shares (NT$10 par value per share)

	September 30, 2018	December 31, 2017	September 30, 2017
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)	298,641	298,370	298,158
Shares issued	$ 2,986,407	$ 2,983,700	$ 2,981,576

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, 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
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
BALANCE, JANUARY 1, 2018	$6,565,204	$ 40,868	$ 1,269	$ 30,179	$ -	$ 17,356	$6,654,876
cash distribution from additional paid-in capital	(150,000)	-	-	-	-	-	(150,000)
Changes in ownership interests in subsidiaries	-	-	19,222	-	-	-	19,222
Compensation cost of employee share options	-	-	-	22,305	-	-	22,305
Issue of ordinary shares under employee share options	5,125	-	-	(4,464)	-	-	661
Employee share options expired	-	-	-	(2,362)	-	2,362	-
BALANCE AT SEPTEMBER 30, 2018	$ 6,420,329	$ 40,868	$ 20,491	$ 45,658	$ -	$ 19,718	$ 6,547,064

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

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(d).

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.

The appropriations of earnings for 2017 and 2016 had approved in the shareholders' meetings on June 15, 2018 and June 14, 2017, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		**Dividends Per Share For the Year Ended December 31**	
	2017	**2016**	**2017**	**2016**
Legal reserve	$ -	$ 21,109		
Cash dividends	-	189,985	$ -	$ 0.64

In the shareholders' meeting on June 15, 2018, the Company approved the cash distribution from additional paid-in capital of $150,000 thousand which comes from the premium over the par value when issuing, approximately $0.5 per share.

d. Treasury stock

	Shares (In Thousands)
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
Number of shares at January 1, 2018	5,936
Increase during the period	13,953
Decrease during the period	(5,655)
Number of shares at September 30, 2018	14,234

On July 26, 2018, the board of directors approved The 4th Shares Buy Back Program no more than 8,000 thousand shares for transferring to employees. The transferring price to employees would be the average purchase price.

On August 23, 2018, the board of directors approved The 5th Shares Buy Back Program no more than 8,000 thousand shares for transferring to employees. As of September 30, 2018, the Company bought back 5,953 thousand shares. The transferring price to employees would be the average purchase price.

The detailed information for other Shares Buy Back Programs could be found in Note 27 (d) and (e).

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 September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
IC for portable devices	$2,530,459	$3,264,928	$7,875,850	$8,023,430

Contract balances

	September 30, 2018	December 31, 2017	September 30, 2017
Contract liabilities			
Sales of goods	$ 17,429	$ 29,341	$ 19,070

24. NET INCOME

a. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Interest on bank loans	$ 120	$ 281	$ 126	$ 4,920
Interest on deposits	-	-	471	355
Others	-	-	93	-
	$ 120	$ 281	$ 690	$ 5,275

b. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Property, plant and equipment	$ 16,017	$ 14,020	$ 48,425	$ 32,815
Intangible assets	15,446	17,728	52,372	52,686
	$ 31,463	$ 31,748	$ 100,797	$ 85,501
An analysis of depreciation and amortization by function				
Operating costs	$ 581	$ 1,710	$ 1,745	$ 6,734
Operating expenses	30,882	30,038	99,052	78,767
	$ 31,463	$ 31,748	$ 100,797	$ 85,501

c. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Post-employment benefits				
Defined contribution plans	$ 7,097	$ 6,379	$ 21,262	$ 19,365
Defined benefit plans (Note 21)	139	218	419	655
Share-based payments (Note 27)	6,940	12,409	22,305	33,017
Other employee benefits	412,420	391,075	1,105,304	1,053,177
Total employee benefits expense	$ 426,596	$ 410,081	$1,149,290	$1,106,214
An analysis of employee benefits expense by function				
Operating costs	$ 28,156	$ 28,336	$ 81,537	$ 85,034
Operating expenses	398,440	381,745	1,067,753	1,021,180
	$ 426,596	$ 410,081	$1,149,290	$1,106,214

d. The remuneration to employees and directors

The Company stipulates 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. The estimated employees' compensation and remuneration to directors from periods July 1 to September 30, 2018 and from January 1 to September 30, 2018 are as following:

Accrual rate

	For the Nine Months Ended September 30,2018
Employees' compensation	19.82%
Remuneration of directors	0.18%

Amount

	For the Three Months Ended September 30,2018	For the Nine Months Ended September 30,2018
	Cash	Cash
Employees' compensation	$ 17,522	$ 49,468
Remuneration of directors	$ 154	$ 449

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 was resolved by the board of directors on February 24, 2017, respectively as follows:

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

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.

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 (income) recognized in profit or loss:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Current tax				
In respect of the current period	$ 2,444	$ 4,334	$ 26,788	$ 7,977
Adjustments for prior periods	(3,371)	613	(3,299)	862
	927	4,947	23,489	8,839
Deferred tax				
In respect of the current period	(4,587)	12,090	21,876	9,998
Effect of tax rate changes	-	-	(11,437)	-
	(4,587)	12,090	10,439	9,998
Income tax expense (income) recognized in profit or loss	$ (5,514)	$ 17,037	$ 33,928	$ 18,837

In 2018, the amendment of the Republic of China Income Tax Law let the income tax rate for corporations adjust to 20% from 17%. The effect of the change in tax rate on deferred tax income was recognized in profit in 2018. In addition, the tax rate applicable to the undistributed earnings was reduced from 10% to 5%.

b. Income tax expense recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Deferred income tax				
Effect of tax rate change	$ -	$ -	$ 276	$ -

c. Income tax assessments

The Company, FocalTech Electronics Co., Ltd. and FocalTech Smart Sensors Co., Ltd.'s tax returns until 2016 have been assessed by the tax authorities.

26. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Basic earnings per share	$ 0.30	$ 0.49	$ 0.66	$ 0.59
Diluted earnings per share	$ 0.30	$ 0.48	$ 0.66	$ 0.58

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

Net Profit for the Year

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Earnings used in the computation of basic earnings per share	$ 85,284	$ 139,131	$ 189,875	$ 170,191

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Weighted average number of ordinary shares in computation of basic earnings per share	286,279	285,839	286,217	289,339
Effect of potentially dilutive ordinary shares:				
Employee share option	976	2,313	1,033	2,574
Employee restricted shares	-	607	-	611
Employees' compensation or bonus issue to employees	975	1,205	1,944	1,491
Weighted average number of ordinary shares used in the computation of diluted earnings per share	288,230	289,964	289,194	294,015

If the Group is able to select the settlement of the compensation 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 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 nine months ended September 30, 2018 and 2017, except for The 2nd and 3rd 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 25 of the consolidated financial statements of the year ended December 31, 2017.

a. Employee share option plan in 2015

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	Number of Options	Weighted-average Exercise Price (NT$)	Number of Options	Weighted-average Exercise Price (NT$)
Balance at January 1	1,476,500	$ 12.2	2,506,000	$ 12.4
Options forfeited	(116,500)	12.2	(412,000)	12.4
Options exercised	(257,750)	12.2	(535,000)	12.2
Options expired	(15,000)	12.2	-	-
Balance at September 30	1,087,250	12.2	1,559,000	12.2
Options exercisable, end of period	634,500	12.2	512,250	12.2

b. Employee share option plan in 2013

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	Number of Options	Weighted-average Exercise Price (NT$)	Number of Options	Weighted-average Exercise Price (NT$)
Balance at January 1	768,750	$ 37.9	1,220,500	$ 38.5
Options forfeited	-	-	(51,750)	38.5
Options exercised	-	-	(244,250)	38.4
Options expired	(125,500)	37.9	(98,250)	38.5
Balance at September 30	643,250	37.9	826,250	37.9
Options exercisable, end of period	643,250	37.9	826,250	37.9

c. Employee share option plan in 2006

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	Number of Options	Weighted-average Exercise Price (NT$)	Number of Options	Weighted-average Exercise Price (NT$)
Balance at January 1	1,637,199	$ 19.84	2,662,359	$ 21.01
Options forfeited	(9,000)	17.24	-	-
Options exercised	(13,000)	17.24	(869,160)	21.95
Balance at September 30	1,615,199	19.88	1,793,199	20.18
Options exercisable, end of period	1,615,199	19.88	1,793,199	20.18

d. The 2nd Shares Buy Back Program.

The Company's employee subscription base dates were February 8, 2018 、April 24, 2018 、July 26, 2018 and February 24, 2017. The eligible employees subscribed 120 thousand shares 、255 thousand shares 、1,765 thousand shares and 50 thousand shares at the price of 26.53 with the total proceeds as 3,183 thousand、6,766 thousand、46,825 thousand and 1,327 thousand respectively. The fair value of the transfer date of the share purchase option is 4.3 、0 、0 and 11.26.

e. The 3rd Shares Buy Back Program.

The Company's employee subscription base dates were July 26, 2018 and February 24, 2017. The eligible employees subscribed 3,515 thousand shares and 3,198 thousand shares at the price of 36.11 with the total proceeds as 126,927 thousand and 115,479 thousand respectively. The fair value of the transfer date of the share purchase option is 0 and 12.85.

Compensation cost recognized for share-based payments above and employee restricted share plans in 2014 for the nine months ended September 30, 2018 and 2017 were as follows:

	For the Nine Months Ended September 30	
	2018	2017
Employee share option plans	$ 1,778	$ 6,281
Shares buy back and transfer to employee program	20,527	20,313
Employee restricted share plans	-	6,423
	$ 22,305	$ 33,017

	For the Nine Months Ended September 30	
	2018	2017
Capital surplus - employee share options	$ 22,305	$ 26,594
Other equity - unearned employee compensation	-	6,423
	$ 22,305	$ 33,017

28. 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. September 30, 2017
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

The Group reorganized the investment structure in 2018 and the holding percentages after reorganization could be found in Note 14.

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 September 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	
	2018	2017	2018	2017
lease payment	$ 9,548	$ 12,466	$ 27,647	$ 44,260

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

	September 30, 2018	December 31, 2017	September 30, 2017
Not later than 1 year	$ 17,089	$ 29,819	$ 22,200
Later than 1 year and not later than 5 years	2,670	12,021	10,720
	$ 19,759	$ 41,840	$ 32,920

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

September 30, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Listed preferred shares	$ 10,370	$ -	$ -	$ 10,370
Private funds	-	-	37,593	37,593
Structured Investments	-	29,533	-	29,533
Total	$ 10,370	$ 29,533	$ 37,593	$ 77,496
Financial assets at FVTOCI assets				
Investments in debt instruments				
Fixed income bonds	$ -	$ 325,236	$ -	$ 325,236

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Investments in debt instruments				
Fixed income bonds	$ -	$ 281,454	$ -	$ 281,454

September 30, 2017

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

There was no type transfer between Level 1 and Level 2 for the nine months ended September 30, 2018 and 2017.

2) Reconciliation of financial instruments measured by Level 3 fair value
For the nine months ended September 30, 2018

	Equity Investments
Financial assets at FVTPL	
Balance at January 1, 2018	$ 29,760
Purchases	8,530
Recognized in profit or loss(other income or loss)	(1,434)
Effect of foreign currency exchange differences	737
Balance at September 30, 2018	$ 37,593

3) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

The fair values of foreign fixed income bonds are determined by quoted market prices provided by the independent third party. The fair values of structured investments are determined by quoted prices provided by the seller.

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

The unlisted equity investment is measured by the market approach, which decides fair value by referring to the recent financing activities of investees or the market transaction prices and status of the similar companies. The Company had carefully evaluated and selected the suitable evaluation method, but the use of different evaluation models or fair values may result in different evaluation results.

c. Categories of financial instruments

	September 30, 2018	December 31, 2017	September 30, 2017
Financial assets			
Fair value through profit or loss (FVTPL)			
Mandatorily at FVTPL	$ 77,496	$ -	$ -
Loans and receivables (Note 1)	-	5,280,160	6,322,387
Available-for-sale financial assets (Note 2)	-	355,854	363,576
Amortized cost (Note 3)	6,365,462	-	-
Financial assets at FVTOCI			
Investments in debt instruments	325,236	-	-
Financial liabilities			
Amortized cost (Note 4)	3,036,029	2,250,211	3,946,286

1) The amounts included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and trade receivables, other financial assets and refundable deposits, booked in other non-current assets.

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

3) The amounts included financial assets measured at amortized cost, which comprise cash and cash equivalents, notes and trade receivables, other financial assets and refundable deposits, booked in other non-current assets.

4) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, trade and other 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, financial assets at FVTPL, available-for-sale financial assets, financial assets measured at cost, financial assets at FVTOCI, borrowings, trade and other payables. 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.

Sensitivity analysis

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

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 Nine Months Ended September 30	
	2018	**2017**
Profit or loss/ equity	$ 18,076 (i)	$ 17,437 (i)

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.

b) Interest rate risk

The Group was exposed to interest risk arising from fixed rate time deposits, bond investments, borrowings and floating rate demand deposits and structured investments. 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, 2018	December 31, 2017	September 30, 2017
Fair value interest rate risk			
Financial assets	$ 4,038,593	$ 3,499,180	$ 4,147,310
Financial liabilities	$ 100,000	$ -	$ 907,800
Cash flow interest rate risk			
Financial assets	$ 1,464,181	$ 762,346	$ 923,979

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, 2018 and 2017 would decrease/increase by $2,745 thousand and $1,732 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.

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, 2018, the Group's five largest customer took 65% of total trade receivables, the remaining transactions with a large number of unrelated customers, thus, no significant concentration of credit risk was observed.

Credit risk management for investments in debt instruments

The Group's investments in debt instruments are financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The Company policy allows only to invest the targets with credit ratings equal to or higher than the investment grade and with low credit risk after the impairment assessment. Credit rating information is provided by independent rating institute. The Company continuously tracks external rating information to monitor changes in credit risk of the invested debt instruments, and also examines other information such as the bond yield curve and the debtor's material information to assess whether the credit risk of the debt instrument investment has increased significantly after the original recognition.

The Company assesses the 12-month expected credit loss based on the probability of default and loss given from default provided by external credit rating agencies. The current credit risk assessment policies and carrying amount of investments in debt instruments for each credit rating are as follows:

Category	Description	Basis for Recognizing Expected Credit Loss	Expected Credit Loss Ratio	Carrying Amount as of September 30, 2018
Performing	The debtor with low credit risk and fully capable paying off contractual cash flows	12 months expected credit loss	0%	$ 354,769

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, 2018, December 31, 2017, and September 30, 2017, 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 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, 2018

	On Demand or Less than 1 Year	1-5 Years
Fixed interest rate liabilities	$ 100,014	$ -
Non-interest bearing	2,691,166	244,863
	$ 2,791,180	$ 244,863

December 31, 2017

	On Demand or Less than 1 Year	1-5 Years
Non-interest bearing	$ 2,049,260	$ 200,951

September 30, 2017

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

b) Financing facilities

	September 30, 2018	December 31, 2017	September 30, 2017
Unsecured bank overdraft facility, reviewed annually:			
Amount used	$ 100,000	$ -	$ 907,800
Amount unused	1,310,500	3,385,600	2,102,600
	$ 1,410,500	$ 3,385,600	$ 3,010,400

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

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 September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Long-term employee benefits	$ 21,096	$ 17,172	$ 28,320	$ 18,450
Short-term employee benefits	11,376	5,113	34,113	24,909
Post-employment benefits	135	21	332	202
Share-based payments	1,491	1,003	4,680	3,316
	$ 34,098	$ 23,309	$ 67,445	$ 46,877

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	September 30, 2018	December 31, 2017	September 30, 2017
Pledge deposits (classified as other non-current assets)	$ 35,061	$ 35,882	$ 35,915

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

FocalTech Electronics, Ltd., a subsidiary of the Company, filed a litigation of patent infringement against Novatek Microelectronics Corp. in September 2018 and claimed all actions regarding to the patent infringement, including self-production, outsourcing production, selling, or offering to sell, and shall withdraw shall be stopped and all infringing products shall be destroyed. At the same time, FocalTech Electronics, Ltd. requested the compensation as $794,359 thousand, which will be adjusted based on the actual infringement findings thereafter. As of the report issue date, the result of litigation and the effect on financial statements still could not be inferred.

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, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 45,164	30.525 (USD:NTD)	$ 1,378,646
USD	3,081	6.8792 (USD:RMB)	94,050
Financial liabilities			
Monetary items			
USD	27,167	30.525 (USD:NTD)	829,277
USD	9,235	6.8792 (USD:RMB)	281,903

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 64,113	29.76 (USD:NTD)	$ 1,908,009
USD	1,971	6.5342 (USD:RMB)	58,644
Financial liabilities			
Monetary items			
USD	27,718	29.76 (USD:NTD)	824,887
USD	7,920	6.5342 (USD:RMB)	235,704

September 30, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 54,425	30.26 (USD:NTD)	$ 1,646,908
USD	2,172	6.6369 (USD:RMB)	65,729
Financial liabilities			
Monetary items			
USD	32,046	30.26 (USD:NTD)	969,718
USD	13,027	6.6369 (USD:RMB)	394,188

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.