FocalTech Systems Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2018 and 2017

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	June 30, 2018		December 31, 2017		June 30, 2017	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 3,502,137	24	$ 2,596,128	19	$ 1,805,465	13
Financial assets at fair value through other comprehensive income - current (Note 4 and 8)	15,294	-	-	-	-	-
Available-for-sale financial assets - current (Note 4 and 9)	-	-	35,814	-	21,330	-
Trade receivables, net (Note 4 and 12)	1,779,939	12	1,257,525	9	1,176,486	8
Inventories (Note 13)	2,151,796	15	2,685,765	20	3,471,575	24
Other financial assets (Note 4 and 11)	1,818,856	12	1,385,904	10	2,172,137	15
Other current assets	223,376	1	212,037	2	195,675	2
Total current assets	9,491,398	64	8,173,173	60	8,842,668	62
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - non-current (Note 4 and 7)	47,220	-	-	-	-	-
Financial assets at fair value through other comprehensive income - non-current (Note 4 and 8)	249,883	2	-	-	-	-
Available-for-sale financial assets - non-current (Note 4 and 9)	-	-	245,640	2	268,038	2
Financial assets measured at cost (Note 4 and 10)	-	-	74,400	-	76,050	-
Property, plant and equipment (Note 15)	1,417,295	9	1,408,474	10	1,353,872	9
Goodwill (Note 16)	3,237,268	22	3,237,268	24	3,237,268	23
Other intangible assets (Note 17)	177,546	1	210,714	2	238,492	2
Deferred tax assets	110,927	1	104,501	1	138,359	1
Other non-current assets (Note 32)	92,634	1	89,898	1	129,499	1
Total non-current assets	5,332,773	36	5,370,895	40	5,441,578	38
TOTAL	$ 14,824,171	100	$ 13,544,068	100	$ 14,284,246	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 18)	$ -	-	$ -	-	$ 608,400	4
Trade payables (Note 19)	2,020,494	14	1,310,390	10	1,367,308	10
Other payables (Note 20)	812,103	5	738,870	5	729,124	5
Dividends payables (Note 28)	150,000	1	-	-	189,985	1
Current tax liabilities (Note 4)	413,492	3	411,977	3	5,353	-
Other current liabilities (Note 23)	77,412	1	82,620	1	120,896	1
Total current liabilities	3,473,501	24	2,543,857	19	3,021,066	21
NON-CURRENT LIABILITIES						
Deferred tax liabilities	37,449	-	15,876	-	176,800	1
Net defined benefit liabilities - non-current (Note 4)	29,490	-	29,620	-	46,238	1
Guarantee deposits received	420,085	3	200,951	2	106,847	1
Other non-current liabilities	10,400	-	10,400	-	10,400	-
Total non-current liabilities	497,424	3	256,847	2	340,285	3
Total liabilities	3,970,925	27	2,800,704	21	3,361,351	24
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 22 and 27)						
Share capital						
Ordinary shares	2,984,820	20	2,983,700	22	2,971,581	21
Capital surplus						
Additional paid-in capital	6,417,349	44	6,565,204	49	6,492,514	45
Treasury shares	40,868	-	40,868	-	40,868	-
Changes in ownership interests in subsidiaries	20,445	-	1,269	-	582	-
Employee share options	42,658	-	30,179	-	29,468	-
Employee restricted shares	-	-	-	-	73,774	1
Employee share options - expired	18,409	-	17,356	-	15,792	-
Total capital surplus	6,539,729	44	6,654,876	49	6,652,998	46
Retained earnings						
Legal reserve	186,154	1	186,154	1	186,154	1
Undistributed earnings	1,118,660	8	1,058,985	8	1,155,134	8
Total retained earnings	1,304,814	9	1,245,139	9	1,341,288	9
Other equity						
Exchange differences from translating the financial statements of foreign operations	155,951	1	47,154	-	118,753	1
Unrealized loss on financial assets at fair value through other comprehensive income	(4,072)	-	-	-	-	-
Equity directly associated with non-current assets held for sale	-	-	(2,791)	-	(1,425)	-
Unearned employee compensation	-	-	-	-	(31,190)	-
Total other equity	151,879	1	44,363	-	86,138	1
Treasury shares	(182,049)	(1)	(191,998)	(1)	(134,976)	(1)
Equity attributable to owners of the company	10,799,193	73	10,736,080	79	10,917,029	76
NON-CONTROLLING INTERESTS	54,053	-	7,284	-	5,866	-
Total equity	10,853,246	73	10,743,364	79	10,922,895	76
TOTAL	$ 14,824,171	100	$ 13,544,068	100	$ 14,284,246	100

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

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
REVENUE (Note 23)	$ 2,732,730	100	$ 2,597,421	100	$ 5,345,391	100	$ 4,758,502	100
COSTS OF SALES (Note 13 and 24)	(2,143,301)	(79)	(2,065,035)	(80)	(4,230,945)	(79)	(3,728,154)	(78)
GROSS MARGIN	589,429	21	532,386	20	1,114,446	21	1,030,348	22
OPERATING EXPENSES (Note 21, 24, 29 and 31)								
Selling and marketing expenses	(108,213)	(4)	(118,915)	(4)	(207,962)	(4)	(222,808)	(5)
General and administrative expenses	(89,068)	(3)	(74,570)	(3)	(169,256)	(3)	(146,612)	(3)
Research and development expenses	(354,665)	(13)	(332,346)	(13)	(695,574)	(13)	(638,297)	(13)
Total operating expenses	(551,946)	(20)	(525,831)	(20)	(1,072,792)	(20)	(1,007,717)	(21)
OPERATING INCOME (LOSS)	37,483	1	6,555	-	41,654	1	22,631	1
NON-OPERATING INCOME AND EXPENSES								
Finance costs (Note 24)	(6)	-	(2,375)	-	(570)	-	(4,994)	-
Other gains and losses - net	7,067	-	3,015	-	26,770	1	7,884	-
Loss on disposal of property, plant and equipment	-	-	(27)	-	-	-	(27)	-
Loss on foreign currency exchange	36,928	2	10,839	-	20,970	-	(33,794)	(1)
Interest income	22,814	1	17,219	1	40,140	1	33,093	1
Total non-operating income and expenses	66,803	3	28,671	1	87,310	2	2,162	-
INCOME (LOSS) BEFORE INCOME TAX	104,286	4	35,226	1	128,964	3	24,793	1
INCOME TAX (EXPENSE) BENEFIT (Note 4 and 25)	(24,361)	(1)	(4,034)	-	(39,442)	(1)	(1,800)	-
NET INCOME (LOSS)	79,925	3	31,192	1	89,522	2	22,993	1
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(Notes25)	-	-	-	-	(276)	-	-	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences from translating the financial statements of foreign operations	176,631	6	38,778	2	110,555	2	(314,831)	(7)

(Continued)

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
Unrealized gains from debt instrument investments measured at fair value through other comprehensive loss	(133)	-	-	-	(1,281)	-	-	-
Unrealized loss on available-for-sale financial assets	-	-	156	-	-	-	73	-
Items that may be reclassified subsequently to profit or loss	176,498	6	38,934	2	109,274	2	(314,758)	(7)
Total other comprehensive loss	176,498	6	38,934	2	108,998	2	(314,758)	(7)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ 256,423	9	$ 70,126	3	$ 198,520	4	$ (291,765)	(6)
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Company	$ 90,147	3	$ 34,907	1	$ 104,591	2	$ 31,060	-
Non-controlling interests	(10,222)	-	(3,715)	-	(15,069)	-	(8,067)	-
	$ 79,925	3	$ 31,192	1	$ 89,522	2	$ 22,993	-
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	$ 264,887	10	$ 73,841	3	$ 211,831	4	$ (283,698)	(6)
Non-controlling interests	(8,464)	(1)	(3,715)	-	(13,311)	-	(8,067)	-
	$ 256,423	9	$ 70,126	3	$ 198,520	4	$ (291,765)	(6)
EARNINGS (LOSSES) PER SHARE (Note 26)								
Basic	$ 0.31		$ 0.12		$ 0.36		$ 0.11	
Diluted	$ 0.31		$ 0.12		$ 0.36		$ 0.11	

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	Equity Directly Associated with Non-current Assets Held for Sale	Unrealized gains (losses) from financial asset measured at fair value through other comprehensive income	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 (loss) for the six months ended June 30, 2017	-	-	-	31,060	-	-	-	-	-	31,060	(8,067)	22,993
Other comprehensive loss for the six months ended June 30, 2017, net of income tax	-	-	-	-	(314,831)	73	-	-	-	(314,758)	-	(314,758)
Total comprehensive income (loss) for the six months ended June 30, 2017	-	-	-	31,060	(314,831)	73	-	-	-	(283,698)	(8,067)	(291,765)
Buy-back of ordinary shares (Note 22)	-	-	-	-	-	-	-	-	(73,311)	(73,311)	-	(73,311)
Treasury stock transferred to employees (Note 22 and 27)	-	-	-	-	-	-	-	-	1,327	1,327	-	1,327
Compensation cost of employee share options (Note 22 and 27)	-	15,758	-	-	-	-	-	-	-	15,758	-	15,758
Issue of ordinary shares under employee share options (Notes 22 and 27)	6,366	11,271	-	-	-	-	-	-	-	17,637	-	17,637
Compensation cost of employee restricted shares (Notes 27)	-	-	-	-	-	-	-	4,850	-	4,850	-	4,850
Cancellation of employee restricted shares (Notes 22)	(129)	123	-	-	-	-	-	-	-	(6)	-	(6)
Dividend returned for unvested employee restricted shares	-	-	-	8	-	-	-	-	-	8	-	8
BALANCE AT JUNE 30, 2017	$ 2,971,581	$ 6,652,998	$ 186,154	$ 1,155,134	$ 118,753	$ (1,425)	$ -	$ (31,190)	$ (134,976)	$ 10,917,029	$ 5,866	$ 10,922,895
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 six months ended June 30, 2018	-	-	-	104,591	-	-	-	-	-	104,591	(15,069)	89,522
Other comprehensive loss for the six months ended June 30, 2018, net of income tax	-	-	-	(276)	108,797	-	(1,281)	-	-	107,240	1,758	108,998
Total comprehensive income (loss) for the six months ended June 30, 2018	-	-	-	104,315	108,797	-	(1,281)	-	-	211,831	(13,311)	198,520
Treasury stock transferred to employees (Note 22 and 27)	-	-	-	-	-	-	-	-	9,949	9,949	-	9,949
Changes in ownership interests in subsidiaries	-	19,176	-	-	-	-	-	-	-	19,176	(19,176)	-
Compensation cost of employee share options (Note 22 and 27)	-	15,365	-	-	-	-	-	-	-	15,365	-	15,365
Issue of ordinary shares under employee share options (Note 22 and 27)	1,120	312	-	-	-	-	-	-	-	1,432	-	1,432
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	79,256	79,256
BALANCE AT JUNE 30, 2018	$ 2,984,820	$ 6,539,729	$ 186,154	$ 1,118,660	$ 155,951	$ -	$ (4,072)	$ -	$ (182,049)	$ 10,799,193	$ 54,053	$ 10,853,246

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

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax from continuing operation	$ 128,964	$ 24,793
Adjustments for:		
Depreciation expenses	32,408	18,795
Amortization expenses	36,926	34,958
Gains from reversal of impairment loss on expected credit	(6,084)	-
Loss on financial assets and liabilities at fair value through profit or loss	481	-
Finance costs	570	4,994
Interest income	(40,140)	(33,093)
Compensation cost of employee share options	15,365	15,758
Compensation cost of employee restricted shares	-	4,850
Loss on disposal of property, plant and equipment	-	27
Write-down of inventories	56,583	27,890
Unrealized loss (gain) on foreign currency exchange	909	(7,862)
Changes in operating assets and liabilities		
Increase in financial assets mandatorily classified as at fair value through profit or loss	(17,257)	-
Trade receivables	(500,113)	133,773
Inventories	502,967	(1,054,023)
Other current assets	5,644	(67,959)
Trade payables	674,470	(124,136)
Other payables	57,089	(144,386)
Other current liabilities	(6,247)	60,069
Net defined benefit liabilities	(130)	(148)
Cash generated from operations	942,405	(1,105,700)
Interest paid	(570)	(4,372)
Income tax paid	(31,671)	(7,077)
Net cash generated from operating activities	910,164	(1,117,149)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial asset at fair value through other comprehensive income	20,676	-
Purchase of available-for-sale financial assets	-	(124,610)
Purchase for property, plant and equipment	(26,668)	(11,729)
Purchase of intangible assets	(2,220)	(75,111)
(Increase) decrease in other financial assets	(392,057)	11,061
(Increase) decrease in other non-current assets	(1,923)	17,355
Interest received	26,277	25,607
Net cash generated from investing activities	(375,915)	(157,427)

(Continued)

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2018	**2017**
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in guarantee deposits	211,194	(6,428)
Issue of ordinary shares under employee share options	1,432	17,637
Buy-back of ordinary shares	-	(73,311)
Treasury stock transferred to employees	9,949	1,327
Increase in non-controlling interests	79,256	-
Proceeds from dividend returned by unvested employee restricted shares	-	8
Payment for cancellation of employee restricted shares	-	(38)
Net cash used in financing activities	301,831	(60,805)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	69,929	(124,933)
NET INCREASE IN CASH AND CASH EQUIVALENTS	906,009	(1,460,314)
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	$ 3,502,137	$ 1,805,465

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

(Concluded)

1. GENERAL INFORMATION

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

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

The Company's shares have been listed on the Taiwan Stock Exchange ("TSE") since July 2007.

The consolidated financial statements are presented in the Company's functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on July 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.

Definition for leases

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 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

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

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

2018

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

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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.

2017

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 June 30, 2018, December 31, 2017, and June 30, 2017, the deferred tax liabilities on earnings of the subsidiaries, FocalTech Corporation, Ltd. and FocalTech Electronics, Ltd., reporting at $3,224,384 thousand, $3,385,197 thousand, and $3,992,976 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

	June 30, 2018	December 31, 2017	June 30, 2017
Cash on hand	$ 2,685	$ 1,870	$ 1,978
Checking accounts and demand deposits	826,039	762,436	743,616
Cash equivalent (fixed deposit with original maturities less than three months)	2,673,413	1,831,822	1,059,871
	$ 3,502,137	$ 2,596,128	$ 1,805,465

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

	June 30, 2018	December 31, 2017	June 30, 2017
Demand deposits	0.001%-0.4%	0.001%-0.4%	0.001%-0.35%
Fixed deposits	0.6%-2.78%	0.6%-2.4%	0.6%-3.3%

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

	June 30 2018	December 31, 2017	June 30 2017
Mandatorily at fair value through profit or loss (FVTPL)			
Listed preferred shares	$ 10,302	$ -	$ -
Private Funds	36,918	-	-
	$ 47,220	$ -	$ -

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

	June 30, 2018
Investments in debt instruments	
Current	
Foreign investments	
Fixed income bonds	$ 15,294
Non – Current	
Foreign investments	
Fixed income bonds	$ 249,883
Yield rates	1.963%-3.332%

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	June 30, 2017
Current		
Foreign investments		
Fixed income bonds	$ 35,814	$ 21,330
Non - Current		
Foreign investments		
Fixed income bonds	$ 245,640	$ 268,038
Yield rates	1.708%-3.0168%	1.708%-3.0168%

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

	December 31, 2017	June 30, 2017
Foreign unlisted preferred shares	$ 44,640	$ 45,630
Private Funds	29,760	30,420
	$ 74,400	$ 76,050

11. OTHER FINANCIAL ASSETS

	June 30, 2018	December 31, 2017	June 30, 2017
Time deposits with original maturities more than three months	$ 1,818,856	$ 1,385,904	$ 2,172,137
Market rate intervals	1.045%-4.5%	1.045%-3.74%	0.90%-4.30%

12. TRADE RECEIVABLES, NET

	June 30, 2018	December 31, 2017	June 30, 2017
Trade receivables	$ 1,877,411	$ 1,358,709	$ 1,279,914
Less: Allowance for doubtful accounts	(97,472)	(101,184)	(103,428)
Trade receivables, net	$ 1,779,939	$ 1,257,525	$ 1,176,486

For the Six Months Ended June 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.

June 30, 2018

	Non Past Due	Overdue 1-60 Days	Overdue 61-180 Days	Overdue Over 181 Days	Total
Expected credit loss rate	-	-	-	84%	-
Gross carrying amount	$1,721,166	$ 40,044	$ 79	$ 116,122	$ 1,877,411
Loss allowance (Lifetime ECL)	-	-	-	(97,472)	(97,472)
Amortized cost	$1,721,166	$ 40,044	$ 79	$ 18,650	$ 1,779,939

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

	For the Six Months Ended June 30, 2018
Beginning balance	$ 101,184
Less: Impairment loss reversed	(6,084)
Difference from foreign exchange translation	(2,372)
Ending balance	$ 97,472

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 June 30, 2018, the Group recognized allowance of doubtful trade receivables against Wintek Corporation of 97,472 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	June 30, 2017
Less than 60 days	$ 5,049	$ 12,780
61-180 days	-	-
More than 180 days	13,292	13,587
	$ 18,341	$ 26,367

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	(6,222)
Balance at June 30, 2017	$ 103,428

13. INVENTORIES

	June 30, 2018	December 31, 2017	June 30, 2017
Finished goods	$ 590,040	$ 993,694	$ 1,045,227
Work in progress	904,930	916,087	1,187,498
Raw materials and supplies	656,826	775,984	1,238,850
	$ 2,151,796	$ 2,685,765	$ 3,471,575

The cost of goods sold included inventory write-downs for the three months ended June 30, 2018 and 2017, and for the six months ended June 30, 2018 and 2017 was $28,398 thousand, $15,029 thousand, $56,583 thousand and $27,890 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**	**June 30, 2018**	**December 31, 2017**	**June 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.	FocalTech Smart Sensors Co., Ltd.	Research, development, manufacturing and sale of integrated circuits	-	67.11%(a)	69%(a)
	FocalTech Smart Sensors, Ltd.	Research, development, manufacturing and sale of integrated circuits	62%(c)	100%(b)	-
FocalTech Smart Sensors, Ltd.	FocalTech Smart Sensors Co., Ltd.	Research of integrated circuits	100%(c)	-	-
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. The Group's holding diluted after the capital injection due to no pro rata subscription in new shares.
b. FocalTech Smart Sensors, Ltd. was incorporated in December 2017 and 100% owned by the Group.
c. The Group reorganized the investment structure in 2018. After reorganization, FocalTech Smart Sensors, Ltd. is owned by FocalTech Systems Co., Ltd and FocalTech Electronics Co., Ltd.

As of June 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 June 30, 2018 and 2017, the total amounts of assets of the immaterial subsidiaries were $553,030 thousand, and $318,614 thousand, 4% and 2% of total consolidated assets, respectively. The total amounts of liabilities were $117,654 thousand, and $100,234 thousand, 3% and 3% of total consolidated liabilities, respectively. For the three months ended June 30, 2018 and 2017, and for the six months ended June 30, 2018 and 2017, the total immaterial subsidiaries comprehensive loss has been recognized $14,005 thousand, $16,148 thousand, $23,464 thousand, and $53,684 thousand, that held (5%), (23%), (12%), and 18% 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	-	5,157	100	2,917	3,555	11,729
Disposals	-	(608)	(29)	-	-	(637)
Effect of foreign currency exchange differences	7,206	(4,623)	(333)	(1,147)	(506)	597
Reclassification	1,243,251	-	-	-	-	1,243,251
Balance at June 30, 2017	$ 1,288,057	$ 159,818	$ 13,918	$ 40,500	$ 39,005	$ 1,541,298
Accumulated depreciation						
Balance at January 1, 2017	$ 2,020	$ 109,056	$ 8,839	$ 22,142	$ 32,205	$ 174,262
Depreciation	418	11,513	993	2,686	3,185	18,795
Disposals	-	(605)	(5)	-	-	(610)
Effect of foreign currency exchange differences	-	(3,707)	(188)	(631)	(495)	(5,021)
Balance at June 30, 2017	$ 2,438	$ 116,257	$ 9,639	$ 24,197	$ 34,895	$ 187,426
Carrying amounts at June 30, 2017	$ 1,285,619	$ 43,561	$ 4,279	$ 16,303	$ 4,110	$ 1,353,872
Cost						
Balance at January 1, 2018	$ 1,358,019	$ 165,491	$ 14,479	$ 42,437	$ 39,209	$ 1,619,635
Additions	1,028	23,856	1,214	570	-	26,668
Disposals	-	(3,841)	-	-	-	(3,841)
Effect of foreign currency exchange differences	14,219	1,642	104	403	157	16,525
Balance at June 30, 2018	$ 1,373,266	$ 187,148	$ 15,797	$ 43,410	$ 39,366	$ 1,658,987
Accumulated depreciation						
Balance at January 1, 2018	$ 16,029	$ 121,011	$ 10,236	$ 27,331	$ 36,554	$ 211,161
Depreciation	18,430	9,370	861	2,671	1,076	32,408
Disposals	-	(3,841)	-	-	-	(3,841)
Effect of foreign currency exchange differences	4	1,505	66	232	157	1,964
Balance at June 30, 2018	$ 34,463	$ 128,045	$ 11,163	$ 30,234	$ 37,787	$ 241,692
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 June 30, 2018	$ 1,338,803	$ 59,103	$ 4,634	$ 13,176	$ 1,579	$ 1,417,295

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 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

	June 30, 2018	December 31, 2017	June 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	62,994	12,117	-	-	75,111
Effect of foreign currency exchange differences	(3,509)	(7,572)	(10)	-	(11,091)
Balance at June 30, 2017	$ 126,153	$ 146,488	$ 76,713	$ 74,000	$ 423,354
Accumulated amortization					
Balance at January 1, 2017	$ 60,058	$ 65,679	$ 15,815	$ 14,800	$ 156,352
Amortization expense	7,681	19,684	3,893	3,700	34,958
Effect of foreign currency exchange differences	(2,982)	(3,457)	(9)	-	(6,448)
Balance at June 30, 2017	$ 64,757	$ 81,906	$ 19,699	$ 18,500	$ 184,862
Carrying amounts at June 30, 2017	$ 61,396	$ 64,582	$ 57,014	$ 55,500	$ 238,492
Cost					
Balance at January 1, 2018	$ 126,919	$ 149,951	$ 76,718	$ 74,000	$ 427,588
Additions	-	2,220	-	-	2,220
Effect of foreign currency exchange differences	2,546	3,255	2	-	5,803
Balance at June 30, 2018	$ 129,465	$ 155,426	$ 76,720	$ 74,000	$ 435,611
Accumulated amortization					
Balance at January 1, 2018	$ 72,394	$ 98,685	$ 23,595	$ 22,200	$ 216,874
Amortization expense	12,839	16,494	3,893	3,700	36,926
Effect of foreign currency exchange differences	1,668	2,595	2	-	4,265
Balance at June 30, 2018	$ 86,901	$ 117,774	$ 27,490	$ 25,900	$ 258,065
Carrying amounts at December 31, 2017 and January 1, 2018	$ 54,525	$ 51,266	$ 53,123	$ 51,800	$ 210,714
Carrying amounts at June 30, 2018	$ 42,564	$ 37,652	$ 49,230	$ 48,100	$ 177,546

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

	June 30, 2018	December 31, 2017	June 30, 2017
Unsecured bank loans			
Amount	$ -	$ -	$ 608,400
Annual interest rate	-	-	1.59%

19. TRADE PAYABLES

	June 30, 2018	December 31, 2017	June 30, 2017
Trade payables	$ 2,020,494	$ 1,310,390	$ 1,367,308

The average credit period on purchases was 30-60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

20. OTHER PAYABLES

	June 30, 2018	December 31, 2017	June 30, 2017
Payable for rebates	$ 392,806	$ 236,574	$ 275,237
Payable for salaries and bonus	262,792	349,166	321,657
Payable for labor, health and social insurance	15,006	15,463	16,037
Reserve for litigations	62,886	62,800	64,193
Payable for professional services and others	78,613	74,867	52,000
	$ 812,103	$ 738,870	$ 729,124

21. RETIREMENT BENEFIT

Employee benefit expenses in respect of the Group's defined benefit retirement plans were $140 thousand and $206 thousand, $280 thousand and $437 thousand for the three months ended June 30, 2018 and 2017, and six months ended June 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)

	June 30, 2018	December 31, 2017	June 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)	298,482	298,370	297,158
Shares issued	$ 2,984,820	$ 2,983,700	$ 2,971,581

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
Treasury Stock transferred to Employees	-	563	-	(563)	-	-	-
Compensation cost of employee share options	-	-	-	15,758	-	-	15,758
Issue of ordinary shares under employee share options	23,549	-	-	(12,278)	-	-	11,271
Employee share options expired	-	-	-	(1,027)	-	1,027	-
Cancellation of employee restricted stock	146	-	-	-	(23)	-	123
BALANCE AT JUNE 30, 2017	$ 6,492,514	$ 40,868	$ 582	$ 29,468	$ 73,774	$ 15,792	$ 6,652,998
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	-	-	19,176	-	-	-	19,176
Compensation cost of employee share options	-	-	-	15,365	-	-	15,365
Issue of ordinary shares under employee share options	2,145	-	-	(1,833)	-	-	312
Employee share options expired	-	-	-	(1,053)	-	1,053	-
BALANCE AT JUNE 30, 2018	$ 6,417,349	$ 40,868	$ 20,445	$ 42,658	$ -	$ 18,409	$ 6,539,729

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	2,190
Decrease during the period	(50)
Number of shares at June 30, 2017	4,516
Number of shares at January 1, 2018	5,936
Decrease during the period	(375)
Number of shares at June 30, 2018	5,561

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

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

23. REVENUE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
IC for portable devices	$2,732,730	$2,597,421	$5,345,391	$4,758,502

Contract balances

	June 30, 2018	December 31, 2017	June 30, 2017
Contract liabilities			
Sales of goods	$ 22,920	$ 29,341	$ 66,456

24. NET INCOME

a. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Interest on bank loans	$ 6	$ 2,375	$ 6	$ 4,639
Interest on deposits	-	-	471	355
Others	-	-	93	-
	$ 6	$ 2,375	$ 570	$ 4,994

b. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Property, plant and equipment	$ 16,454	$ 8,846	$ 32,408	$ 18,795
Intangible assets	20,536	18,390	36,926	34,958
	$ 36,990	$ 27,236	$ 69,334	$ 53,753
An analysis of depreciation and amortization by function				
Operating costs	$ 587	$ 2,315	$ 1,164	$ 5,024
Operating expenses	36,403	24,921	68,170	48,729
	$ 36,990	$ 27,236	$ 69,334	$ 53,753

c. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Post-employment benefits				
Defined contribution plans	$ 7,108	$ 6,657	$ 14,165	$ 12,986
Defined benefit plans (Note 21)	140	206	280	437
Share-based payments (Note 27)	7,584	10,913	15,365	20,608
Other employee benefits	350,327	336,829	692,884	659,250
Total employee benefits expense	$ 365,159	$ 354,605	$ 722,694	$ 693,281
An analysis of employee benefits expense by function				
Operating costs	$ 26,179	$ 28,777	$ 53,381	$ 56,698
Operating expenses	338,980	325,828	669,313	636,583
	$ 365,159	$ 354,605	$ 722,694	$ 693,281

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. Due to the pretax loss in 2017, there was no accrual for any remuneration to employees and directors. The estimated employees' compensation and remuneration to directors from periods April 1 to June 30, 2018 and from January 1 to June 30, 2018 are as following:

Accrual rate

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

Amount

	For the Three Months Ended June 30,2018 Cash	For the Six Months Ended June 30,2018 Cash
Employees' compensation	$ 25,923	$ 31,946
Remuneration of directors	$ 148	$ 295

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 recognized in profit or loss:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Current tax				
In respect of the current period	$ 13,551	$ 110	$ 24,344	$ 3,643
Adjustments for prior periods	72	-	72	249
	13,623	110	24,416	3,892
Deferred tax				
In respect of the current period	10,738	3,924	26,463	(2,092)
Effect of tax rate changes	-	-	(11,437)	-
	10,738	3,924	15,026	(2,092)
Income tax expense recognized in profit or loss	$ 24,361	$ 4,034	$ 39,442	$ 1,800

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 June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Deferred income tax				
Effect of tax rate change	$ -	$ -	$ 276	$ -

c. Income tax assessments

The Company’s tax returns until 2015, 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 June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Basic earnings per share	$ 0.31	$ 0.12	$ 0.36	$ 0.11
Diluted earnings per share	$ 0.31	$ 0.12	$ 0.36	$ 0.11

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 June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Earnings used in the computation of basic earnings per share	$ 90,147	$ 34,907	$ 104,591	$ 31,060

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Weighted average number of ordinary shares in computation of basic earnings per share	287,888	291,158	287,863	291,127
Effect of potentially dilutive ordinary shares:				
Employee share option	1,058	2,523	1,082	2,631
Employee restricted shares	-	553	-	558
Employees' compensation or bonus issue to employees	975	-	1,201	435
Weighted average number of ordinary shares used in the computation of diluted earnings per share	289,921	294,234	290,146	294,751

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 six months ended June 30, 2018 and 2017, except for The 2nd Shares Buy Back Program stated below. The detailed information of the employee share option plans and employee restricted shares plans could be found in Note 25 of the consolidated financial statements of the year ended December 31, 2017.

a. Employee share option plan in 2015

	For the Six Months Ended June 30, 2018		For the Six Months Ended June 30, 2017	
	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	(104,500)	12.2	(320,000)	12.4
Options exercised	(99,000)	12.2	-	-
Balance at June 30	1,273,000	12.2	2,186,000	12.4

b. Employee share option plan in 2013

	For the Six Months Ended June 30, 2018		For the Six Months Ended June 30, 2017	
	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	-	-	(47,000)	38.5
Options exercised	-	-	(165,000)	38.5
Options expired	(62,500)	37.9	(62,250)	38.5
Balance at June 30	706,250	37.9	946,250	38.5
Options exercisable, end of period	706,250	37.9	691,000	38.5

c. Employee share option plan in 2006

	For the Six Months Ended June 30, 2018		For the Six Months Ended June 30, 2017	
	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	(471,620)	23.93
Balance at June 30	1,615,199	19.88	2,190,739	20.39
Options exercisable, end of period	1,615,199	19.88	2,190,739	20.39

d. The 2nd Shares Buy Back Program.

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

Compensation cost recognized for share-based payments above and employee restricted share plans in 2013 and 2014 for the six months ended June 30, 2018 and 2017 were as follows:

	For the Six Months Ended June 30	
	2018	2017
Employee share option plans	$ 1,076	$ 4,663
Shares buy back and transfer to employee program	14,289	11,095
Employee restricted share plans	-	4,850
	$ 15,365	$ 20,608

	For the Six Months Ended June 30	
	2018	2017
Capital surplus - employee share options	$ 15,365	$ 15,758
Other equity - unearned employee compensation	-	4,850
	$ 15,365	$ 20,608

28. NON-CASH TRANSACTIONS

The cash dividend of 2017 and 2016 resolved by the shareholder's meeting was $150,000 thousand and $189,985 thousand, respectively, and was not paid on June 30, 2018 and 2017. (Referring to Note 22)

29. OPERATING LEASE ARRANGEMENTS

The Company is Lessee

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

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
lease payment	$ 9,134	$ 15,786	$ 18,099	$ 31,794

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

	June 30, 2018	December 31, 2017	June 30, 2017
Not later than 1 year	$ 22,031	$ 29,819	$ 26,968
Later than 1 year and not later than 5 years	3,732	12,021	13,782
	$ 25,763	$ 41,840	$ 40,750

30. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

June 30, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Listed preferred shares	$ 10,302	$ -	$ -	$ 10,302
Private funds	-	-	36,918	36,918
Total	$ 10,302	$ -	$ 36,918	$ 47,220
Financial assets at FVTOCI assets				
Investments in debt instruments				
Fixed income bonds	$ -	$ 265,177	$ -	$ 265,177

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

June 30, 2017

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

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

2) Reconciliation of financial instruments measured by Level 3 fair value
For the six Months ended June 30, 2018

	Equity Investments
Financial assets at FVTPL	
Balance at January 1, 2018	$ 29,760
Purchases	7,057
Recognized in profit or loss (other income or loss)	(583)
Effect of foreign currency exchange differences	684
Balance at June 30, 2018	$ 36,918

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.

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

	June 30, 2018	December 31, 2017	June 30, 2017
Financial assets			
Fair value through profit or loss (FVTPL)			
Mandatorily at FVTPL	$ 47,220	$ -	$ -
Loans and receivables (Note 1)	-	5,280,160	5,194,913
Available-for-sale financial assets (Note 2)	-	355,854	365,418
Amortized cost (Note 3)	7,137,409	-	-
Financial assets at FVTOCI			
Investments in debt instruments	265,177	-	-
Financial liabilities			
Amortized cost (Note 4)	3,402,682	2,250,211	3,001,664

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, dividends payables and deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments include cash and cash equivalents, trade receivable, other financial assets, 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 33.

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 Six Months Ended June 30	
	2018	**2017**
Profit or loss/ equity	$ 43,364 (i)	$ 18,566 (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. The time deposits were at fixed interest rates, and bonds were at fixed rates or with guaranteed minimal interest rates and carried at amortized costs, and, therefore, the variations to interest rates did not affect future cash flows.

The carrying amount of the Group's financial assets with exposure to interest rates at the end of the reporting period were as follows.

	June 30, 2018	**December 31, 2017**	**June 30, 2017**
Fair value interest rate risk			
Financial assets	$ 4,757,446	$ 3,499,180	$ 3,521,376
Financial liabilities	$ -	$ -	$ 608,400
Cash flow interest rate risk			
Financial assets	$ 826,039	$ 762,436	$ 743,616

Sensitivity analysis

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

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the six months ended June 30, 2018 and 2017 would decrease/increase by $1,033 thousand and $930 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 June 30, 2018, the Group’s five largest customer took 61% 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 Company’s investments in debt instruments are 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 June 30, 2018**
Performing	The debtor with low credit risk and fully capable paying off contractual cash flows	12 months expected credit loss	0%	$ 265,177

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group’s operations and mitigate the effects of fluctuations in cash flows. In addition, bank loans are a significant resource of liquidity for the Group.

As of June 30, 2018, December 31, 2017, and June 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.

June 30, 2018

	On Demand or Less than 1 Year	**1-5 Years**
Non-interest bearing	$ 2,982,597	$ 420,085

December 31, 2017

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

June 30, 2017

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

b) Financing facilities

	June 30, 2018	**December 31, 2017**	**June 30, 2017**
Unsecured bank overdraft facility, reviewed annually:			
Amount used	$ -	$ -	$ 608,400
Amount unused	3,227,600	3,385,600	800,000
	$ 3,227,600	$ 3,385,600	$ 1,408,400

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 June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Long-term employee benefits(Note)	$ 28	$ (3,197)	$ 7,224	$ 1,278
Short-term employee benefits	12,874	6,404	22,737	19,796
Post-employment benefits	108	29	197	181
Share-based payments	1,500	531	3,189	2,313
	$ 14,510	$ 3,767	$ 33,347	$ 23,568

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

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	June 30, 2018	December 31, 2017	June 30, 2017
Pledge deposits (classified as other non-current assets)	$ 36,225	$ 35,882	$ 35,433

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

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

June 30, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 65,596	30.46 (USD:NTD)	$ 1,998,045
USD	3,258	6.6166 (USD:RMB)	99,244
Financial liabilities			
Monetary items			
USD	31,132	30.46 (USD:NTD)	948,282
USD	9,249	6.6166 (USD:RMB)	281,735

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

June 30, 2017

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

34. SEGMENT INFORMATION

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