

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

**Consolidated Financial Statements for the
Three Months Ended March 31, 2019 and 2018**

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2019		December 31, 2018		March 31, 2018	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 2,416,264	23	\$ 2,355,926	21	\$ 2,786,399	20
Financial assets at fair value through other comprehensive income - current (Note 8)	140,911	2	130,716	1	14,640	-
Trade receivables, net (Note 10)	678,286	6	983,496	9	1,617,128	12
Inventories (Note 11)	2,413,696	23	2,120,600	19	1,991,627	15
Other financial assets (Note 9)	1,533,892	14	2,283,900	20	1,607,478	12
Other current assets	155,099	1	158,385	1	248,443	2
Total current assets	<u>7,338,148</u>	<u>69</u>	<u>8,033,023</u>	<u>71</u>	<u>8,265,715</u>	<u>61</u>
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - non-current (Note 7)	114,216	1	112,063	1	46,362	-
Financial assets at fair value through other comprehensive income - non-current (Note 8)	175,945	2	183,253	2	238,913	2
Property, plant and equipment (Note 13)	1,495,532	14	1,394,372	12	1,434,437	10
Goodwill (Notes 14)	1,237,268	12	1,237,268	11	3,237,268	24
Other intangible assets (Note 15)	134,293	1	148,998	1	194,509	1
Deferred tax assets	136,858	1	134,858	1	118,858	1
Other non-current assets (Note 28)	53,047	-	56,286	1	91,674	1
Total non-current assets	<u>3,347,159</u>	<u>31</u>	<u>3,267,098</u>	<u>29</u>	<u>5,362,021</u>	<u>39</u>
TOTAL	<u>\$ 10,685,307</u>	<u>100</u>	<u>\$ 11,300,121</u>	<u>100</u>	<u>\$ 13,627,736</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Trade payables (Note 16)	\$ 1,323,691	12	\$ 1,625,756	14	\$ 1,324,230	10
Other payables (Note 17)	701,467	7	794,104	7	734,665	5
Current tax liabilities (Notes 4)	394,869	4	394,493	3	408,952	3
Other current liabilities (Notes 20)	139,049	1	64,875	1	125,726	1
Total current liabilities	<u>2,559,076</u>	<u>24</u>	<u>2,879,228</u>	<u>25</u>	<u>2,593,573</u>	<u>19</u>
NON-CURRENT LIABILITIES						
Deferred tax liabilities	30,799	1	30,998	-	34,562	1
Net defined benefit liabilities - non-current (Note 4)	26,008	-	26,096	-	29,552	-
Guarantee deposits received	124,362	1	275,784	3	306,908	2
Other non-current liabilities	10,400	-	10,400	-	10,400	-
Total non-current liabilities	<u>191,569</u>	<u>2</u>	<u>343,278</u>	<u>3</u>	<u>381,422</u>	<u>3</u>
Total liabilities	<u>2,750,645</u>	<u>26</u>	<u>3,222,506</u>	<u>29</u>	<u>2,974,995</u>	<u>22</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 19 and 24)						
Share capital						
Ordinary shares	2,987,924	28	2,987,432	26	2,984,430	22
Capital surplus						
Additional paid-in capital	6,423,295	60	6,422,355	58	6,566,622	48
Treasury shares	40,868	-	40,868	-	40,868	1
Changes in ownership interests in subsidiaries	20,448	-	20,448	-	1,269	-
Employee share options	49,135	1	47,476	-	36,768	-
Employee share options - expired	20,731	-	20,334	-	17,356	-
Total capital surplus	<u>6,554,477</u>	<u>61</u>	<u>6,551,481</u>	<u>58</u>	<u>6,662,883</u>	<u>49</u>
Retained earnings						
Legal reserve	186,154	2	186,154	2	186,154	1
Undistributed earnings	(1,618,106)	(15)	(1,434,755)	(13)	1,028,513	8
Total retained earnings	<u>(1,431,952)</u>	<u>(13)</u>	<u>(1,248,601)</u>	<u>(11)</u>	<u>1,214,667</u>	<u>9</u>
Other equity						
Exchange differences from translating the financial statements of foreign operations	194,812	2	149,454	1	(18,922)	-
Unrealized loss on financial assets at fair value through other comprehensive income	(461)	-	(2,290)	-	(3,939)	-
Total other equity	<u>194,351</u>	<u>2</u>	<u>147,164</u>	<u>1</u>	<u>(22,861)</u>	<u>-</u>
Treasury shares	(393,203)	(4)	(393,203)	(3)	(188,815)	(2)
Equity attributable to owners of the company	<u>7,911,597</u>	<u>74</u>	<u>8,044,273</u>	<u>71</u>	<u>10,650,304</u>	<u>78</u>
NON-CONTROLLING INTERESTS	<u>23,065</u>	<u>-</u>	<u>33,342</u>	<u>-</u>	<u>2,437</u>	<u>-</u>
Total equity	<u>7,934,662</u>	<u>74</u>	<u>8,077,615</u>	<u>71</u>	<u>10,652,741</u>	<u>78</u>
TOTAL	<u>\$ 10,685,307</u>	<u>100</u>	<u>\$ 11,300,121</u>	<u>100</u>	<u>\$ 13,627,736</u>	<u>100</u>

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 March 31			
	2019		2018	
	Amount	%	Amount	%
REVENUE (Note 4 and 20)	\$ 1,639,942	100	\$ 2,612,661	100
COSTS OF SALES (Notes 11 and 21)	<u>(1,296,244)</u>	<u>(79)</u>	<u>(2,087,644)</u>	<u>(80)</u>
GROSS MARGIN	<u>343,698</u>	<u>21</u>	<u>525,017</u>	<u>20</u>
OPERATING EXPENSES (Notes 18, 21, 25 and 27)				
Selling and marketing expenses	(97,594)	(6)	(99,749)	(4)
General and administrative expenses	(82,504)	(5)	(80,188)	(3)
Research and development expenses	<u>(388,407)</u>	<u>(24)</u>	<u>(340,909)</u>	<u>(13)</u>
Total operating expenses	<u>(568,505)</u>	<u>(35)</u>	<u>(520,846)</u>	<u>(20)</u>
OPERATIONS INCOME (LOSS)	<u>(224,807)</u>	<u>(14)</u>	<u>4,171</u>	<u>-</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Note 21)	(1,150)	-	(564)	-
Interest income	27,007	1	17,326	1
Loss on foreign currency exchange	9,541	1	(15,958)	(1)
Other gains and losses - net	<u>(5,737)</u>	<u>-</u>	<u>19,703</u>	<u>1</u>
Total non-operating income and expenses	<u>29,661</u>	<u>2</u>	<u>20,507</u>	<u>1</u>
INCOME (LOSS) BEFORE INCOME TAX	(195,146)	(12)	24,678	1
INCOME TAX EXPENSE (Notes 4 and 22)	<u>1,312</u>	<u>-</u>	<u>(15,081)</u>	<u>(1)</u>
NET INCOME (LOSS)	<u>(193,834)</u>	<u>(12)</u>	<u>9,597</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss:	-	-	(276)	-
Income tax relating to those items not to be reclassified to profit or loss(Notes22)	<u>-</u>	<u>-</u>	<u>(276)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:	-	-	-	-
Exchange differences from translating the financial statements of foreign operations	45,564	3	(66,076)	(2)
Unrealized gains(loss) from debt instrument investments measured at fair value through other comprehensive loss	<u>1,829</u>	<u>-</u>	<u>(1,148)</u>	<u>-</u>

(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 March 31			
	2019		2018	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss	\$ 47,393	3	\$ (67,224)	(2)
Other comprehensive income for the period, net of income tax	47,393	3	(67,500)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ (146,441)	(9)	\$ (57,903)	(2)
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ (183,351)	(11)	\$ 14,444	-
Non-controlling interests	(10,483)	(1)	(4,847)	-
	<u>\$ (193,834)</u>	<u>(12)</u>	<u>\$ 9,597</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ (136,164)	(8)	\$ (53,056)	(2)
Non-controlling interests	(10,277)	(1)	(4,847)	-
	<u>\$ (146,441)</u>	<u>(9)</u>	<u>\$ (57,903)</u>	<u>(2)</u>
EARNINGS PER SHARE (Note 23)				
Basic	\$ (0.67)		\$ 0.05	
Diluted			\$ 0.05	

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			Treasury Shares	Total	Non-controlling Interests	Total Equity
	Share Capital Ordinary Shares	Capital Surplus	Retained Earnings		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				
		Legal Reserve	Undistributed Earnings								
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
Net income for the three months ended March 31, 2018	-	-	-	14,444	-	-	-	-	14,444	(4,847)	9,597
Other comprehensive loss for the three months ended March 31, 2018, net of income tax	-	-	-	(276)	(66,076)	-	(1,148)	-	(67,500)	-	(67,500)
Total comprehensive income (loss) for the three months ended March 31, 2018	-	-	-	14,168	(66,076)	-	(1,148)	-	(53,056)	(4,847)	(57,903)
Treasury stock transferred to employees (Note 19 and 24)	-	-	-	-	-	-	-	3,183	3,183	-	3,183
Compensation cost of employee share options (Note 19 and 24)	-	7,781	-	-	-	-	-	-	7,781	-	7,781
Issue of ordinary shares under employee share options (Note 19 and 24)	730	226	-	-	-	-	-	-	956	-	956
BALANCE AT MARCH 31, 2018	<u>\$ 2,984,430</u>	<u>\$ 6,662,883</u>	<u>\$ 186,154</u>	<u>\$ 1,028,513</u>	<u>\$ (18,922)</u>	<u>\$ -</u>	<u>\$ (3,939)</u>	<u>\$ (188,815)</u>	<u>\$ 10,650,304</u>	<u>\$ 2,437</u>	<u>\$ 10,652,741</u>
BALANCE, JANUARY 1, 2019	\$ 2,987,432	\$ 6,551,481	\$ 186,154	\$ (1,434,755)	\$ 149,454	\$ -	\$ (2,290)	\$ (393,203)	\$ 8,044,273	\$ 33,342	\$ 8,077,615
Net income for the three months ended March 31, 2019	-	-	-	(183,351)	-	-	-	-	(183,351)	(10,483)	(193,834)
Other comprehensive loss for the three months ended March 31, 2019, net of income tax	-	-	-	-	45,358	-	1,829	-	47,187	206	47,393
Total comprehensive income (loss) for the three months ended March 31, 2019	-	-	-	(183,351)	45,358	-	1,829	-	(136,164)	(10,277)	(146,441)
Compensation cost of employee share options (Note 19 and 24)	-	2,856	-	-	-	-	-	-	2,856	-	2,856
Issue of ordinary shares under employee share options (Note 19 and 24)	492	140	-	-	-	-	-	-	632	-	632
BALANCE AT MARCH 31, 2019	<u>\$ 2,987,924</u>	<u>\$ 6,554,477</u>	<u>\$ 186,154</u>	<u>\$ (1,618,106)</u>	<u>\$ 194,812</u>	<u>\$ -</u>	<u>\$ (461)</u>	<u>\$ (393,203)</u>	<u>\$ 7,911,597</u>	<u>\$ 23,065</u>	<u>\$ 7,934,662</u>

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 Three Months Ended March 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax from continuing operation	\$ (195,146)	\$ 24,678
Adjustments for:		
Depreciation expenses	18,848	15,954
Amortization expenses	14,984	16,390
Gains from reversal of impairment loss on expected credit	-	(6,084)
Loss on financial assets and liabilities at fair value through profit or loss	110	-
Finance costs	1,150	564
Interest income	(27,007)	(17,326)
Compensation cost of employee share options	2,856	7,781
Write-down of inventories	-	28,185
Unrealized loss (gain) on foreign currency exchange	(4,713)	(11,029)
Changes in operating assets and liabilities		
Increase in financial assets mandatorily classified as at fair value through profit or loss	(1,955)	(17,257)
Trade receivables	306,514	(361,708)
Inventories	(287,201)	632,145
Other current assets	7,028	(29,948)
Trade payables	(309,196)	28,228
Other payables	(95,995)	2,655
Other current liabilities	73,212	43,328
Net defined benefit liabilities	(88)	(68)
Cash generated from operations	(496,599)	356,488
Interest paid	(1,150)	(564)
Income tax paid	(1,689)	(5,247)
Net cash generated from operating activities	<u>(499,438)</u>	<u>350,677</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial asset at fair value through other comprehensive income	-	20,510
Purchase for property, plant and equipment	(89,805)	(20,044)
Purchase of intangible assets	-	(2,205)
Decrease (increase) in other financial assets	761,217	(250,064)
Decrease (increase) in other non-current assets	4,070	(595)
Interest received	24,585	11,967
Net cash generated from investing activities	<u>700,067</u>	<u>(240,431)</u>

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FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31	
	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in guarantee deposits	\$ (152,088)	\$ 108,651
Issue of ordinary shares under employee share options	632	956
Treasury stock transferred to employees	<u>-</u>	<u>3,183</u>
Net cash used in financing activities	<u>(151,456)</u>	<u>112,790</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>11,165</u>	<u>(32,765)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	60,338	190,271
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>2,355,926</u>	<u>2,596,128</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 2,416,264</u>	<u>\$ 2,786,399</u>

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

(Concluded)

FOCALTECH SYSTEMS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

FocalTech Systems Co., Ltd. (the “FocalTech” or the “Company”), formerly named as Orise Technology Co., Ltd., was incorporated in the Republic of China (“ROC”) in January 2006 and moved to Hsinchu Science Park in April on the same year. The Company’s shares have been listed on the Taiwan Stock Exchange (“TSE”) since July 2007. On January 2, 2015, the Company acquired FocalTech Corporation, Ltd. through a share swap and renamed on January 17, 2015. This acquisition was comprehensively considered as a reverse merger, where FocalTech Corporation, Ltd. was treated as the acquirer in the financial statements. The Company is mainly engaged in research, development, design, manufacturing, and sales of solutions regarding to human and machine interface devices, such as Display Driver IC, Touch Control IC and so on.

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 May 7, 2019.

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 2018 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 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. The relevant accounting policies could be found in Note 4.

Definition for leases

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.

The Company is expected to apply the expedient method and account those leases which lease term ends on or before December 31, 2019 as short-term leases.

There is no impact on the assets, liabilities and equity on January 1, 2019 by this application.

2) IFRIC 23 “Uncertainty over Income Tax Treatments”

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

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 be applied prospectively.

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
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 recognized 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

The detail information, holding percentages, and main business of the subsidiaries could be found in Note 12.

d. Other significant accounting policies

Except for accounting policies for leases 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, 2018.

1) Leases

2019

The Company assesses whether the contract is, or contains a lease at the inception when it is set up.

The Company as a lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

2018

The Company as a lessee

When the Company is a lessee of an operation lease, the payments under operating lease contracts are recognized as expenses on a straight-line basis over the lease terms.

2) 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.

3) 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, 2018.

6. CASH AND CASH EQUIVALENTS

	March 31, 2019	December 31, 2018	March 31, 2018
Cash on hand	\$ 3,498	\$ 2,344	\$ 1,861
Checking accounts and demand deposits	827,044	840,827	1,604,460
Cash equivalent (fixed deposit with original maturities less than three months)	<u>1,585,722</u>	<u>1,512,755</u>	<u>1,180,078</u>
	<u>\$ 2,416,264</u>	<u>\$ 2,355,926</u>	<u>\$ 2,786,399</u>

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

	March 31, 2019	December 31, 2018	March 31, 2018
Demand deposits	0.001%-0.5%	0.001%-0.48%	0.001%-0.4%
Fixed deposits	1.1%-3%	0.6%-3.37%	0.6%-4.01%

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

	March 31, 2019	December 31, 2018	March 31, 2018
Mandatorily at fair value through profit or loss (FVTPL)			
Listed preferred shares	\$ 10,710	\$ 10,540	\$ 10,200
Private Funds	42,414	41,023	36,162
Structured Investments	<u>61,092</u>	<u>60,500</u>	<u>-</u>
	<u>\$ 114,216</u>	<u>\$ 112,063</u>	<u>\$ 46,362</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2019	December 31, 2018	March 31, 2018
Investments in debt instruments			
<u>Current</u>			
Foreign investments			
Fixed income bonds	<u>\$ 140,911</u>	<u>\$ 130,716</u>	<u>\$ 14,640</u>
<u>Non – Current</u>			
Foreign investments			
Fixed income bonds	<u>\$ 175,945</u>	<u>\$ 183,253</u>	<u>\$ 238,913</u>
Yield rates	1.963%-4.117%	1.963%-4.117%	1.963%-3.0168%

9. OTHER FINANCIAL ASSETS

	March 31, 2019	December 31, 2018	March 31, 2018
Time deposits with original maturities more than three months	<u>\$ 1,533,892</u>	<u>\$ 2,283,900</u>	<u>\$ 1,607,478</u>
Market rate intervals	0.8%-4.18%	1.75%-4.18%	1.045%-4.03%

10. TRADE RECEIVABLES, NET

	March 31, 2019	December 31, 2018	March 31, 2018
Trade receivables	\$ 678,286	\$ 983,496	\$ 1,710,264
Less: Allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>(93,136)</u>
Trade receivables, net	<u>\$ 678,286</u>	<u>\$ 983,496</u>	<u>\$ 1,617,128</u>

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.

March 31, 2019

	<u>Non Past Due</u>	<u>Overdue 1-60 Days</u>	<u>Overdue 61-180 Days</u>	<u>Overdue Over 181 Days</u>	<u>Total</u>
Expected credit loss rate	0%	0%	0%	0%	0%
Gross carrying amount and Amortized cost	<u>\$665,432</u>	<u>\$ 12,854</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 678,286</u>

December 31, 2018

	<u>Non Past Due</u>	<u>Overdue 1-60 Days</u>	<u>Overdue 61-180 Days</u>	<u>Overdue Over 181 Days</u>	<u>Total</u>
Expected credit loss rate	0%	0%	0%	0%	0%
Gross carrying amount and Amortized cost	<u>\$884,692</u>	<u>\$ 77,795</u>	<u>\$ 1,937</u>	<u>\$ 19,072</u>	<u>\$ 983,496</u>

March 31, 2018

	<u>Non Past Due</u>	<u>Overdue 1-60 Days</u>	<u>Overdue 61-180 Days</u>	<u>Overdue Over 181 Days</u>	<u>Total</u>
Expected credit loss rate	0%	0%	0%	84%	0%
Gross carrying amount	\$ 1,596,575	\$ 2,117	\$ 155	\$ 111,417	\$ 1,710,264
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(93,136)</u>	<u>(93,136)</u>
Amortized cost	<u>\$ 1,596,575</u>	<u>\$ 2,117</u>	<u>\$ 155</u>	<u>\$ 18,281</u>	<u>\$ 1,617,128</u>

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

	<u>For the three months ended March 31 2019</u>	<u>For the three months ended March 31, 2018</u>
Beginning balance	\$ -	\$ 101,184
Less: Impairment loss reversed	-	(6,084)
Difference from foreign exchange translation	-	(1,964)
Ending balance	<u>\$ -</u>	<u>\$ 93,136</u>

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. Until December 31, 2018, the reorganization plan had been approved and executed. The Group wrote off the allowance for doubtful accounts of 97,344 thousand and reversed it for 6,084 thousand NT in 2018, and received of 19,072 thousand NT in January, 2019.

11. INVENTORIES

	March 31, 2019	December 31, 2018	March 31, 2018
Finished goods	\$ 391,799	\$ 537,585	\$ 569,829
Work in progress	1,276,618	921,944	807,251
Raw materials and supplies	<u>745,279</u>	<u>661,071</u>	<u>614,547</u>
	<u>\$ 2,413,696</u>	<u>\$ 2,120,600</u>	<u>\$ 1,991,627</u>

The cost of goods sold included inventory write-downs for the three months ended March 31, 2019 and 2018 was \$1,296,244 thousand and \$2,087,644 thousand, included the write-downs of inventories of \$0 thousand and \$28,185 thousand for the three months ended March 31, 2019 and 2018, respectively.

12. SUBSIDIARIES

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

Investor	Investee	Main Businesses	Proportion of Ownership		
			March 31, 2019	December 31, 2018	March 31, 2018
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, Ltd.	Research, development, manufacturing and sale of integrated circuits	61.88%	61.88%	67.11%
FocalTech Smart Sensors, Ltd. (a)	FocalTech Smart Sensors Co., Ltd.	Research, development, manufacturing	100%	100%	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. The Company's direct and indirect holding percentage changed due to the exercise of employee stock option and the capital injection in FocalTech Smart Sensors, Ltd. in 2018.

As of March 31, 2019, the immaterial subsidiaries of the Group included FocalTech Smart Sensors Co., Ltd., FocalTech Electronics Co., Ltd., FocalTech Systems (Shenzhen) Co., Ltd., FocalTech Electronics (Shenzhen) Co., Ltd., FocalTech Electronics (Shanghai) Co., Ltd., Hefei PineTech Electronics Co., Ltd. and FocalTech Smart Sensors, Ltd. As of March 31, 2018, 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.

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As of March 31, 2019 and 2018, the total amounts of assets of the immaterial subsidiaries were \$2,195,025 thousand, and \$399,177 thousand, 20.54% and 2.93% of total consolidated assets, respectively. The total amounts of liabilities were \$548,161 thousand, and \$83,658 thousand, 19.93% and 2.81% of total consolidated liabilities, respectively. For the three months ended March 31, 2019 and 2018, the total immaterial subsidiaries comprehensive loss has been recognized \$408 thousand, \$(9,459) thousand, that held 0.28%, and(16.34%) in the consolidated statements of comprehensive income (loss), respectively.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Development Equipment	Office Equipment	Information Equipment	Leasehold Improvements	Total
<u>Cost</u>						
Balance at January 1, 2018	\$ 1,358,019	\$ 165,491	\$ 14,479	\$ 42,437	\$ 39,209	\$ 1,619,635
Additions	693	18,172	1,045	134	-	20,044
Effect of foreign currency exchange differences	21,486	(471)	175	616	237	22,043
Balance at March 31, 2018	<u>\$ 1,380,198</u>	<u>\$ 183,192</u>	<u>\$ 15,699</u>	<u>\$ 43,187</u>	<u>\$ 39,446</u>	<u>\$ 1,661,722</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2018	\$ 16,029	\$ 121,011	\$ 10,236	\$ 27,331	\$ 36,554	\$ 211,161
Depreciation	9,147	4,437	455	1,365	550	15,954
Effect of foreign currency exchange differences	254	(814)	109	384	237	170
Balance at March 31, 2018	<u>\$ 25,430</u>	<u>\$ 124,634</u>	<u>\$ 10,800</u>	<u>\$ 29,080</u>	<u>\$ 37,341</u>	<u>\$ 227,285</u>
Carrying amounts at March 31, 2018	<u>\$ 1,354,768</u>	<u>\$ 58,558</u>	<u>\$ 4,899</u>	<u>\$ 14,107</u>	<u>\$ 2,105</u>	<u>\$ 1,434,437</u>
<u>Cost</u>						
Balance at January 1, 2019	\$ 1,375,563	\$ 192,558	\$ 15,970	\$ 42,675	\$ 38,956	\$ 1,665,722
Additions	-	89,271	-	534	-	89,805
Effect of foreign currency exchange differences	30,435	1,373	272	866	326	33,272
Balance at March 31, 2019	<u>\$ 1,405,998</u>	<u>\$ 283,202</u>	<u>\$ 16,242</u>	<u>\$ 44,075</u>	<u>\$ 39,282</u>	<u>\$ 1,788,799</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2019	\$ 51,610	\$ 138,166	\$ 11,635	\$ 31,508	\$ 38,431	\$ 271,350
Depreciation	9,303	7,760	332	927	526	18,848
Effect of foreign currency exchange differences	1,105	848	175	616	325	3,069
Balance at March 31, 2019	<u>\$ 62,018</u>	<u>\$ 146,774</u>	<u>\$ 12,142</u>	<u>\$ 33,051</u>	<u>\$ 39,282</u>	<u>\$ 293,267</u>
Carrying amounts at December 31, 2018 and January 1, 2019	<u>\$ 1,323,953</u>	<u>\$ 54,392</u>	<u>\$ 4,335</u>	<u>\$ 11,167</u>	<u>\$ 525</u>	<u>\$ 1,394,372</u>
Carrying amounts at March 31, 2019	<u>\$ 1,343,980</u>	<u>\$ 136,428</u>	<u>\$ 4,100</u>	<u>\$ 11,024</u>	<u>\$ -</u>	<u>\$ 1,495,532</u>

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.

14. GOODWILL

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Ending balance</u>	<u>\$ 1,237,268</u>	<u>\$ 1,237,268</u>	<u>\$ 3,237,268</u>

Considering the synergy of integration of LCD driver and touch controller under the industry trend, the reverse merger was triggered by FocalTech Corporation, Ltd. on January 2, 2015, resulting the goodwill of 3,237,268 thousand. In 2018, the impacts of market improper competition and the shortage of wafer supply made the company a serious market share decline, which is expected to influence the market shares and gross margins in the future. Therefore, the recoverable amount from IDC (Integrated Driver Controller) less than the carrying value so the Company recognized the impairment loss of NT2,000,000 thousand.

The recoverable amount is calculated by IDC projected net cash flows, discounted at 9.95%, 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.

15. OTHER INTANGIBLE ASSETS

	Licenses and Franchises	Software	Patents	Trademark	Total
<u>Cost</u>					
Balance at January 1, 2018	\$ 126,919	\$ 149,951	\$ 76,718	\$ 74,000	\$ 427,588
Additions	-	2,205	-	-	2,205
Effect of foreign currency exchange differences	<u>(2,383)</u>	<u>(3,002)</u>	<u>4</u>	<u>-</u>	<u>(5,381)</u>
Balance at March 31, 2018	<u>\$ 124,536</u>	<u>\$ 149,154</u>	<u>\$ 76,722</u>	<u>\$ 74,000</u>	<u>\$ 424,412</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2018	\$ 72,394	\$ 98,685	\$ 23,595	\$ 22,200	\$ 216,874
Amortization expense	4,308	8,286	1,946	1,850	16,390
Effect of foreign currency exchange differences	<u>(1,371)</u>	<u>(1,994)</u>	<u>4</u>	<u>-</u>	<u>(3,361)</u>
Balance at March 31, 2018	<u>\$ 75,331</u>	<u>\$ 104,977</u>	<u>\$ 25,545</u>	<u>\$ 24,050</u>	<u>\$ 229,903</u>
Carrying amounts at March 31, 2018	<u>\$ 49,205</u>	<u>\$ 44,177</u>	<u>\$ 51,177</u>	<u>\$ 49,950</u>	<u>\$ 194,509</u>
<u>Cost</u>					
Balance at January 1, 2019	\$ 130,393	\$ 157,801	\$ 76,714	\$ 74,000	\$ 438,908
Effect of foreign currency exchange differences	<u>382</u>	<u>608</u>	<u>5</u>	<u>-</u>	<u>995</u>
Balance at March 31, 2019	<u>\$ 130,775</u>	<u>\$ 158,409</u>	<u>\$ 76,719</u>	<u>\$ 74,000</u>	<u>\$ 439,903</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2019	\$ 95,724	\$ 133,210	\$ 31,376	\$ 29,600	\$ 289,910
Amortization expense	4,132	7,056	1,946	1,850	14,984

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Effect of foreign currency exchange differences	<u>267</u>	<u>444</u>	<u>5</u>	<u>-</u>	<u>716</u>
Balance at March 31, 2019	<u>\$ 100,123</u>	<u>\$ 140,710</u>	<u>\$ 33,327</u>	<u>\$ 31,450</u>	<u>\$ 305,610</u>
Carrying amounts at December 31, 2018 and January 1, 2019	<u>\$ 34,669</u>	<u>\$ 24,591</u>	<u>\$ 45,338</u>	<u>\$ 44,400</u>	<u>\$ 148,998</u>
Carrying amounts at March 31, 2019	<u>\$ 30,652</u>	<u>\$ 17,699</u>	<u>\$ 43,392</u>	<u>\$ 42,550</u>	<u>\$ 134,293</u>

Other intangible assets were amortized on a straight-line basis over the estimated useful lives as follows:

Licenses and franchises	3-5 years
Software	1-5 years
Patents	7-10 years
Trademark	10 years

16. TRADE PAYABLES

	March 31, 2019	December 31, 2018	March 31, 2018
Trade payables	<u>\$ 1,323,691</u>	<u>\$ 1,625,756</u>	<u>\$ 1,324,230</u>

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

17. OTHER PAYABLES

	March 31, 2019	December 31, 2018	March 31, 2018
Payable for rebates	\$ 267,003	\$ 337,581	\$ 300,963
Payable for salaries and bonus	308,173	336,145	288,675
Payable for labor, health and social insurance	15,158	15,475	15,293
Reserve for litigations	52,280	52,101	60,089
Payable for professional services and others	<u>58,853</u>	<u>52,802</u>	<u>69,645</u>
	<u>\$ 701,467</u>	<u>\$ 794,104</u>	<u>\$ 734,665</u>

18. RETIREMENT BENEFIT

Employee benefit expenses in respect of the Group's defined benefit retirement plans were \$112 thousand and \$140 thousand for the three months ended March 31, 2019 and 2018, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2018 and 2017.

19. EQUITY

a. Share capital

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

	March 31, 2019	December 31, 2018	March 31, 2018
Numbers of shares authorized (in thousands)	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
Shares authorized	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>298,792</u>	<u>298,743</u>	<u>298,443</u>
Shares issued	<u>\$ 2,987,924</u>	<u>\$ 2,987,432</u>	<u>\$ 2,984,430</u>

b. Capital surplus

	Additional Paid-in Capital (1)	Treasury Shares (1)	Changes in ownership interests in subsidiaries (2)	Employee Share Options (3)	Employee Share Options -Expired (2)	Total
BALANCE, JANUARY 1, 2018	\$6,565,204	\$ 40,868	\$ 1,269	\$ 30,179	\$ 17,356	\$6,654,876
Compensation cost of employee share options	-	-	-	7,781	-	7,781
Issue of ordinary shares under employee share options	<u>1,418</u>	<u>-</u>	<u>-</u>	<u>(1,192)</u>	<u>-</u>	<u>226</u>
BALANCE AT MARCH 31, 2018	<u>\$ 6,566,622</u>	<u>\$ 40,868</u>	<u>\$ 1,269</u>	<u>\$ 36,768</u>	<u>\$ 17,356</u>	<u>\$ 6,662,883</u>
BALANCE, JANUARY 1, 2019	\$6,422,355	\$ 40,868	\$ 20,448	\$ 47,476	\$ 20,334	\$6,551,481
Compensation cost of employee share options	-	-	-	2,856	-	2,856
Issue of ordinary shares under employee share options	940	-	-	(800)	-	140
Employee share options expired	<u>-</u>	<u>-</u>	<u>-</u>	<u>(397)</u>	<u>397</u>	<u>-</u>
BALANCE AT MARCH 31, 2019	<u>\$ 6,423,295</u>	<u>\$ 40,868</u>	<u>\$ 20,448</u>	<u>\$ 49,135</u>	<u>\$ 20,731</u>	<u>\$ 6,554,477</u>

1) This type of capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or converted to share capital (at a certain percentage of the Company's capital surplus annually).

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

3) This type of capital surplus cannot be used for any purposes.

c. Retained earnings and dividend policy

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 22(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 Company's board proposed to compensate the deficit from Legal Reserve of \$186,154 and additional paid-in capital of \$1,248,601 thousand for deficit compensation on May 7, 2019.

The Company's board on May 7, 2019 and the shareholders' meeting on June 15, 2018 respectively proposed and 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 and \$0.51 per share.

The proposals for 2018 deficit compensation and cash distribution from additional paid-in capital are subject to the resolution of the shareholders' meeting to be held in June 2019.

d. Treasury stock

	Shares (In Thousands)
Number of shares at January 1, 2018	5,936
Decrease during the period	<u>(120)</u>
Number of shares on March 31, 2018	<u>5,816</u>
Number of shares on January 1 and March 31, 2019	<u>15,970</u>

The detailed information for other Shares Buy Back Programs could be found in Note 24 (b).

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.

20. REVENUE

	For the Three Months Ended March 31		
	2019	2018	
IC for portable devices	<u>\$ 1,639,942</u>	<u>\$ 2,612,661</u>	
<u>Contract balances</u>			
	March 31, 2019	December 31, 2018	March 31, 2018
Contract liabilities			
Sales of goods	<u>\$ 98,766</u>	<u>\$ 13,895</u>	<u>\$ 69,474</u>

21. NET INCOME

a. Finance costs

	For the Three Months Ended March 31	
	2019	2018
Others	<u>\$ 1,150</u>	<u>\$ 564</u>

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b. Depreciation and amortization

	For the Three Months Ended March 31	
	2019	2018
Property, plant and equipment	\$ 18,848	\$ 15,954
Intangible assets	<u>14,984</u>	<u>16,390</u>
	<u>\$ 33,832</u>	<u>\$ 32,344</u>
 An analysis of deprecation by function		
Operating expenses	\$ 33,450	\$ 31,767
Operating costs	<u>382</u>	<u>577</u>
	<u>\$ 33,832</u>	<u>\$ 32,344</u>

c. Employee benefits expense

	For the Three Months Ended March 31	
	2019	2018
Post-employment benefits		
Defined contribution plans	\$ 7,171	\$ 7,057
Defined benefit plans (Note 18)	112	140
Share-based payments (Note 24)	2,856	7,781
Other employee benefits	<u>377,916</u>	<u>342,557</u>
Total employee benefits expense	<u>\$ 388,055</u>	<u>\$ 357,535</u>

	For the Three Months Ended March 31	
	2019	2018
 An analysis of employee benefits expense by function		
Operating expenses	\$ 361,007	\$ 330,333
Operating costs	<u>27,048</u>	<u>27,202</u>
	<u>\$ 388,055</u>	<u>\$ 357,535</u>

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 net loss before tax from January 1 to March 31, 2019, there was no accrual for any remuneration to employees and directors. The estimated employees' compensation and remuneration to directors from January 1 to March 31, 2018 are as following:

Accrual rate

	For the Three Months Ended March 31,2018
Employees' compensation	19.52%
Remuneration of directors	0.48%

Amount

	For the Three Months Ended March 31,2018
Employees' compensation	<u>\$ 6,023</u>
Remuneration of directors	<u>\$ 147</u>

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.

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

22. INCOME TAXES

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

	For the Three Months Ended March 31	
	2019	2018
Current tax		
In respect of the current year	<u>\$ 556</u>	<u>\$ 10,793</u>
Deferred tax		
In respect of the current year	(1,868)	15,725
Effect of tax rate changes	<u>-</u>	<u>(11,437)</u>
	<u>(1,868)</u>	<u>4,288</u>
Income tax expense recognized in profit or loss	<u>\$ (1,312)</u>	<u>\$ 15,081</u>

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 March 31	
	2019	2018
Deferred income tax		
Effect of tax rate change	<u>\$ -</u>	<u>\$ 276</u>

This is the translation of the financial statements. CPAs do not audit or review on this translation.

c. Income tax assessments

The Company and FocalTech Electronics Co., Ltd.'s tax returns up to 2016, and FocalTech Smart Sensors Co., Ltd.'s tax returns up to 2017 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended March 31	
	2019	2018
Basic earnings per share	<u>\$ (0.67)</u>	<u>\$ 0.05</u>
Diluted earnings per share		<u>\$ 0.05</u>

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

Net Profit for the Year

	For the Three Months Ended March 31	
	2019	2018
Earnings used in the computation of basic earnings per share	<u>\$(183,351)</u>	<u>\$ 14,444</u>

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

	For the Three Months Ended March 31	
	2019	2018
Weighted average number of ordinary shares in computation of basic earnings per share	274,456	287,838
Effect of potentially dilutive ordinary shares:		
Employee share option (Note)	-	1,215
Employees' compensation or bonus issue to employees (Note)	<u>-</u>	<u>189</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>-</u>	<u>289,242</u>

Note : The Company has a net loss after tax, so there is no dilution effect in the calculation of earnings of shares for the three months ended March 31,2019.

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.

24. SHARE-BASED PAYMENT ARRANGEMENTS

The Company did not have new share option plan issued for employees for the three months ended March 31, 2019 and 2018, except for The 2nd Shares Buy Back Program stated below. The detailed information of the employee share option plans could be found in Note 26 of the consolidated financial statements of the year ended December 31, 2018.

This is the translation of the financial statements. CPAs do not audit or review on this translation.

a. Employee stock option plan

Information about outstanding options for the three months ended March 31, 2019 and 2018 is as following:

March 31, 2019

Employee Stock Option Plan	Beginning	Balance	Options unvested		Options exercised		Options expired		Ending Balance	
	Quantity of Options	Weighted-average Exercise Price (NT\$)	Quantity of Options	Weighted-average Exercise Price (NT\$)	Quantity of Options	Weighted-average Exercise Price (NT\$)	Quantity of Options	Weighted-average Exercise Price (NT\$)	Quantity of Options	Weighted-average Exercise Price (NT\$)
2006	1,594,999	\$ 19.86	-	\$ -	(6,200)	\$ 17.24	(14,400)	\$ 28.30	1,574,399	\$ 19.79
2013	627,250	37.90	-	-	-	-	(7,000)	37.90	620,250	37.90
2015	985,750	12.20	(22,250)	12.20	(43,000)	12.20	-	-	920,500	12.20

March 31, 2018

Employee Stock Option Plan	Beginning	Balance	Options unvested		Options exercised		Options expired		Ending Balance	
	Quantity of Options	Weighted-average Exercise Price (NT\$)	Quantity of Options	Weighted-average Exercise Price (NT\$)	Quantity of Options	Weighted-average Exercise Price (NT\$)	Quantity of Options	Weighted-average Exercise Price (NT\$)	Quantity of Options	Weighted-average Exercise Price (NT\$)
2006	1,637,199	\$ 19.84	-	\$ -	(13,000)	\$ 17.24	-	\$ -	1,624,199	\$ 19.86
2013	768,750	37.90	-	-	-	-	(38,500)	37.90	730,250	37.90
2015	1,476,500	12.20	(33,000)	12.20	(60,000)	12.20	-	-	1,383,500	12.20

b. Shares Buy Back Program

Based on the 2nd and the 3rd Shares Buy Back Program for transferring to employees approved by The board of directors on April 28, 2016 and May 12, 2017, the Company bought back 5,000 thousand and 6,808 thousand shares respectively. The transferred price to employees would be the average purchase price which is respectively \$26.53 and \$36.11 per share.

Information about Shares Buy Back Programs for the three months ended March 31, 2019 is as follows:

The 2nd Shares Buy Back Program			The 3rd Shares Buy Back Program		
Employee subscription base date	Shares transferred (In Thousands)	The fair value of the right to subscribe (NT\$)	Employee subscription base date	Shares transferred (In Thousands)	The fair value of the right to subscribe (NT\$)
2016/10/28	2,624	\$ 11.26	2017/07/24	3,198	\$ 12.85
2017/02/24	50	11.26	2018/07/26	3,515	-
2018/02/08	120	4.3			
2018/04/24	255	-			
2018/07/26	1,765	-			
Total	4,814		Total	6,713	

Compensation cost recognized for share-based payments above for the three months ended March 31, 2019 and 2018 were as follows:

	For the Three Months Ended March 31	
	2019	2018
Employee share option plans	\$ 141	\$ 909
Shares buy back and transfer to employee program	<u>2,715</u>	<u>6,872</u>
	<u>\$ 2,856</u>	<u>\$ 7,781</u>

	For the Three Months Ended March 31	
	2019	2018
Capital surplus - employee share options	<u>\$ 2,856</u>	<u>\$ 7,781</u>

25. OPERATING LEASE ARRANGEMENTS

The Company is Lessee

The Company and its subsidiaries have lease contracts relate to office, plant and part of office equipment, and they would be expired around March 2020. Those agreements are short-term leases and qualified for the recognition exemption to leases so the Company does not recognize right-of-use assets and lease liabilities for these leases. The committed payments for the short-term leases were \$17,466 thousand on March 31, 2019

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

	For the Three Months Ended March 31	
	2019	2018
lease payment	<u>\$ 9,333</u>	<u>\$ 8,965</u>

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

	March 31, 2019	March 31, 2018
Not later than 1 year	\$ 22,573	\$ 26,153
Later than 1 year and not later than 5 years	<u>240</u>	<u>7,136</u>
	<u>\$ 22,813</u>	<u>\$ 33,289</u>

26. 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.

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

1) Fair value hierarchy

March 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Listed preferred shares	\$ 10,710	\$ -	\$ -	\$ 10,710
Private funds	-	-	42,414	42,414
Structured Investments	-	61,092	-	61,092
Total	<u>\$ 10,710</u>	<u>\$ 61,092</u>	<u>\$ 42,414</u>	<u>\$ 114,216</u>

Financial assets at FVTOCI
assets

Investments in debt instruments				
Fixed income bonds	<u>\$ -</u>	<u>\$ 316,856</u>	<u>\$ -</u>	<u>\$ 316,856</u>

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Listed preferred shares	\$ 10,540	\$ -	\$ -	\$ 10,540
Private funds	-	-	41,023	41,023
Structured Investments	-	60,500	-	60,500
Total	<u>\$ 10,540</u>	<u>\$ 60,500</u>	<u>\$ 41,023</u>	<u>\$ 112,063</u>

Financial assets at FVTOCI
assets

Investments in debt instruments				
Fixed income bonds	<u>\$ -</u>	<u>\$ 313,969</u>	<u>\$ -</u>	<u>\$ 313,969</u>

March 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Listed preferred shares	\$ 10,200	\$ -	\$ -	\$ 10,200
Private funds	-	-	36,162	36,162
Total	<u>\$ 10,200</u>	<u>\$ -</u>	<u>\$ 36,162</u>	<u>\$ 46,362</u>

Financial assets at FVTOCI
assets

Investments in debt instruments				
Fixed income bonds	<u>\$ -</u>	<u>\$ 253,553</u>	<u>\$ -</u>	<u>\$ 253,553</u>

There was no type transfer between Level 1 and Level 2 for the three months ended March 31, 2019 and 2018.

2) Reconciliation of financial instruments measured by Level 3 fair value

For the three months ended March 31, 2019

	For the Three Months Ended March 31	
	2019	2018
<u>Financial assets at FVTPL</u>		
Balance, beginning of period	\$ 41,023	\$ 29,760
Purchases	1,955	7,057
Recognized in profit or loss (other income or loss)	(665)	-
Effect of foreign currency exchange differences	<u>101</u>	<u>(655)</u>
Balance, end of period	<u>\$ 42,414</u>	<u>\$ 36,162</u>

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

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Financial assets</u>			
Fair value through profit or loss (FVTPL)			
Mandatorily at FVTPL	\$ 114,216	\$ 112,063	\$ 46,362
Amortized cost (Note 1)	4,658,683	5,661,319	6,047,819
Financial assets at FVTOCI			
Investments in debt instruments	316,856	313,969	253,553
<u>Financial liabilities</u>			
Amortized cost (Note 2)	2,149,520	2,695,644	2,365,803

1) 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.

2) The balances included financial liabilities measured at amortized cost, which comprise 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, financial assets at FVTOCI, 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 30.

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 increase 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 Three Months Ended	
	March 31	
	2019	2018
Profit or loss/ equity	<u>\$ 26,192</u> (i)	<u>\$ 31,197</u> (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, 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.

	March 31, 2019	December 31, 2018	March 31, 2018
Fair value interest rate risk			
Financial assets	<u>\$ 3,436,470</u>	<u>\$ 4,110,624</u>	<u>\$ 3,041,109</u>
Cash flow interest rate risk			
Financial assets	<u>\$ 888,136</u>	<u>\$ 901,327</u>	<u>\$ 1,604,460</u>

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 three months ended March, 2019 and 2018 would decrease/increase by \$555 thousand and \$1,003 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 March 31, 2019, the Group's five largest customer took 84% 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:

<u>Category</u>	<u>Description</u>	<u>Basis for Recognizing Expected Credit Loss</u>	<u>Expected Credit Loss Ratio</u>	<u>Carrying Amount as of March 31, 2019</u>
Performing	The debtor with low credit risk and fully capable paying off contractual cash flows	12 months expected credit loss	0%	<u>\$ 377,948</u>

<u>Category</u>	<u>Description</u>	<u>Basis for Recognizing Expected Credit Loss</u>	<u>Expected Credit Loss Ratio</u>	<u>Carrying Amount as of December 31, 2018</u>
Performing	The debtor with low credit risk and fully capable paying off contractual cash flows	12 months expected credit loss	0%	<u>\$ 374,469</u>

<u>Category</u>	<u>Description</u>	<u>Basis for Recognizing Expected Credit Loss</u>	<u>Expected Credit Loss Ratio</u>	<u>Carrying Amount as of March 31, 2018</u>
Performing	The debtor with low credit risk and fully capable paying off contractual cash flows	12 months expected credit loss	0%	<u>\$ 253,553</u>

3) Liquidity risk

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

As of March 31, 2019, December 31, 2018, and March 31, 2018, 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.

March 31, 2019

	On Demand or Less than 1 Year	1-5 Years
Non-interest bearing	<u>\$ 2,025,158</u>	<u>\$ 124,362</u>

December 31, 2018

	On Demand or Less than 1 Year	1-5 Years
Non-interest bearing	<u>\$ 2,419,860</u>	<u>\$ 275,784</u>

March 31, 2018

	On Demand or Less than 1 Year	1-5 Years
Non-interest bearing	<u>\$ 2,058,895,</u>	<u>\$ 306,908</u>

b) Financing facilities

	March 31, 2019	December 31, 2018	March 31, 2018
Unsecured bank overdraft facility, reviewed annually:			
Amount used	\$ -	\$ -	\$ -
Amount unused	<u>1,207,870</u>	<u>1,300,000</u>	<u>3,346,300</u>
	<u>\$ 1,207,870</u>	<u>\$ 1,300,000</u>	<u>\$ 3,346,300</u>

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

27. TRANSACTIONS WITH RELATED PARTIES

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

	For the Three Months Ended March 31	
	2019	2018
Long-term employee benefits	\$ 3,845	\$ 7,196
Short-term employee benefits	11,893	9,863
Post-employment benefits	45	89
Share-based payments	<u>755</u>	<u>1,689</u>
	<u>\$ 16,538</u>	<u>\$ 18,837</u>

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	March 31, 2019	December 31, 2018	March 31, 2018
Pledge deposits	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 4,000</u>

29. 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. As of the report issue date, the result of litigation and the effect on financial statements still could not be inferred.

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

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

March 31, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 40,227	30.82 (USD:NTD)	\$ 1,239,795
USD	2,665	6.7335 (USD:RMB)	82,151

Financial liabilities

Monetary items

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USD	15,759	30.82 (USD:NTD)	485,697
USD	10,137	6.7335 (USD:RMB)	312,417

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 39,074	30.715 (USD:NTD)	\$ 1,200,151
USD	6,644	6.8632 (USD:RMB)	204,081
RMB	7,832	0.1457 (RMB:USD)	35,049

Financial liabilities

Monetary items			
USD	16,911	30.715 (USD:NTD)	519,425
USD	16,024	6.8632 (USD:RMB)	492,173

March 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 66,977	29.105 (USD:NTD)	\$ 1,949,363
USD	1,965	6.2881 (USD:RMB)	57,198

Financial liabilities

Monetary items			
USD	33,664	29.105 (USD:NTD)	979,802
USD	13,840	6.2881 (USD:RMB)	402,818

31. SEGMENT INFORMATION

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