

Asia Optical Co., Inc. and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2015 and 2014 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2015 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

Asia Optical Co., Inc.

By:

Lai I-JEN
Chairman

March 25, 2016

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Asia Optical Co., Inc.

We have audited the accompanying consolidated balance sheets of Asia Optical Co., Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2015 and 2014, and their consolidated financial performance and their consolidated cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, Interpretations of IFRIC and Interpretations of SIC endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the financial statements of the parent company, Asia Optical Co., Inc., as of and for the years ended December 31, 2015 and 2014, on which we have issued an unqualified report.

Deloitte & Touche

March 25, 2016

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

ASSETS	2015		2014	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 7,424,791	35	\$ 6,846,598	30
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	-	-	45	-
Available-for-sale financial assets - current (Notes 4 and 8)	-	-	30,216	-
Notes receivable (Note 4)	1,932	-	1,329	-
Trade receivable, net (Notes 4 and 10)	4,269,562	20	4,346,945	19
Trade receivable from related parties (Note 33)	-	-	25,224	-
Inventories (Notes 4 and 11)	3,088,594	15	3,671,765	16
Other financial assets - current (Notes 4, 13, 33 and 34)	82,900	-	92,401	-
Other current assets (Notes 4, 14, 19 and 33)	240,264	1	339,592	2
Total current assets	15,108,043	71	15,354,115	67
NON-CURRENT ASSETS				
Financial assets measured at cost - non-current (Notes 4 and 9)	144,945	1	154,669	1
Investments accounted for using equity method (Notes 4 and 15)	54,145	-	469,151	2
Property, plant and equipment (Notes 4 and 16)	5,754,905	27	6,577,956	28
Investment properties (Notes 4 and 17)	4,144	-	7,551	-
Intangible assets (Notes 4 and 18)	33,518	-	33,033	-
Deferred tax assets (Notes 4 and 27)	28,358	-	26,259	-
Prepayments for equipment	40,992	-	198,792	1
Refundable deposits	14,831	-	14,995	-
Prepayment for investments	27,238	-	31,956	-
Long-term prepayments for lease (Notes 4 and 19)	142,878	1	147,106	1
Total non-current assets	6,245,954	29	7,661,468	33
TOTAL	\$ 21,353,997	100	\$ 23,015,583	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bank borrowings (Note 20)	\$ 1,116,050	5	\$ 2,166,443	10
Notes payable	30,708	-	25,880	-
Trade payable	2,273,823	11	2,646,115	12
Trade payable to related parties (Note 33)	39,927	-	29,200	-
Other payables (Notes 22, 26 and 33)	1,290,822	6	1,207,183	5
Current tax liabilities (Note 4)	118,089	-	89,325	-
Other current liabilities (Notes 4, 23 and 33)	125,195	1	168,258	1
Total current liabilities	4,994,614	23	6,332,404	28
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 21)	437,668	2	428,625	2
Deferred tax liabilities (Notes 4 and 27)	36,780	-	37,647	-
Accrued pension liabilities (Notes 4 and 24)	120,823	1	97,404	-
Guarantee deposit received	19,303	-	-	-
Other non-current liabilities (Notes 4 and 23)	1,472	-	1,107	-
Total non-current liabilities	616,046	3	564,783	2
Total liabilities	5,610,660	26	6,897,187	30
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Ordinary share	2,810,839	13	2,810,839	12
Capital surplus	5,724,567	27	5,723,989	25
Retained earnings				
Legal reserve	1,542,661	7	1,542,661	7
Special reserve	5,797	-	5,797	-
Unappropriated earnings	565,946	3	594,476	2
Other equity	611,730	3	437,858	2
Total equity attributable to owners of the Company	11,261,540	53	11,115,620	48
NON-CONTROLLING INTERESTS	4,481,797	21	5,002,776	22
Total equity	15,743,337	74	16,118,396	70
TOTAL	\$ 21,353,997	100	\$ 23,015,583	100

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

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2015		2014	
	Amount	%	Amount	%
SALES (Notes 4 and 33)	\$ 18,260,647	100	\$ 17,708,628	100
COST OF GOODS SOLD (Notes 11, 26 and 33)	<u>15,648,121</u>	<u>86</u>	<u>15,464,565</u>	<u>87</u>
GROSS PROFIT	<u>2,612,526</u>	<u>14</u>	<u>2,244,063</u>	<u>13</u>
OPERATING EXPENSES (Notes 26 and 33)				
Selling and marketing expenses	217,861	1	282,980	2
General and administrative expenses	1,392,552	8	1,353,607	8
Research and development expenses	<u>639,951</u>	<u>3</u>	<u>749,953</u>	<u>4</u>
Total operating expenses	<u>2,250,364</u>	<u>12</u>	<u>2,386,540</u>	<u>14</u>
PROFIT (LOSS) FROM OPERATIONS	<u>362,162</u>	<u>2</u>	<u>(142,477)</u>	<u>(1)</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit or loss of associates (Notes 4 and 15)	(91,004)	(1)	(57,775)	-
Interest income (Note 4)	39,927	-	64,771	-
Rental income (Note 4)	78,067	-	23,289	-
Other income (Note 33)	96,596	1	196,748	1
Foreign exchange profit, net (Note 4)	98,849	1	17,920	-
Loss on financial assets (liabilities) at fair value through profit and loss (Notes 4 and 7)	(397)	-	(27,685)	-
Interest expense	(45,751)	-	(70,095)	-
Other expenses	(135,492)	(1)	(107,958)	(1)
Loss on disposal of property, plant and equipment	(4,490)	-	(5,899)	-
Loss on disposal of intangible assets	<u>-</u>	<u>-</u>	<u>(224)</u>	<u>-</u>
Total non-operating income and expenses	<u>36,305</u>	<u>-</u>	<u>33,092</u>	<u>-</u>
PROFIT (LOSS) BEFORE INCOME TAX	398,467	2	(109,385)	(1)
INCOME TAX EXPENSE (Notes 4 and 27)	<u>135,890</u>	<u>1</u>	<u>105,447</u>	<u>-</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>262,577</u>	<u>1</u>	<u>(214,832)</u>	<u>(1)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(29,882)	-	(13,682)	-

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ASIA OPTICAL CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2015		2014	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ 204,445	1	\$ 512,953	3
Unrealized gain (loss) on available-for-sale financial assets	<u>1,425</u>	<u>-</u>	<u>(1,434)</u>	<u>-</u>
	<u>205,870</u>	<u>1</u>	<u>511,519</u>	<u>3</u>
Other comprehensive income for the year, net of income tax	<u>175,988</u>	<u>1</u>	<u>497,837</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 438,565</u>	<u>2</u>	<u>\$ 283,005</u>	<u>2</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 104,467	-	\$ (333,913)	(2)
Non-controlling interests	<u>158,110</u>	<u>1</u>	<u>119,081</u>	<u>1</u>
	<u>\$ 262,577</u>	<u>1</u>	<u>\$ (214,832)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 249,225	1	\$ 190,116	1
Non-controlling interests	<u>189,340</u>	<u>1</u>	<u>92,889</u>	<u>1</u>
	<u>\$ 438,565</u>	<u>2</u>	<u>\$ 283,005</u>	<u>2</u>
EARNINGS (LOSS) PER SHARE (Note 28)				
Basic	<u>\$ 0.37</u>		<u>\$ (1.19)</u>	
Diluted	<u>\$ 0.37</u>		<u>\$ (1.19)</u>	

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

(Concluded)

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company					Other Equity (Note 8)		Total	Non-controlling Interests (Notes 4 and 29)	Total Equity
	Share Capital (Note 25)	Capital Surplus (Notes 4, 9 and 25)	Retained Earnings (Notes 4, 25, 27 and 29)			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-Sales Financial Assets			
			Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2014	\$ 2,810,385	\$ 5,722,593	\$ 1,542,661	\$ 5,797	\$ 941,659	\$ (99,441)	\$ -	\$ 10,923,654	\$ 5,196,622	\$ 16,120,276
Net loss for the year ended December 31, 2014	-	-	-	-	(333,913)	-	-	(333,913)	119,081	(214,832)
Other comprehensive income for the year ended December 31, 2014, net of income tax	-	-	-	-	(13,270)	537,692	(393)	524,029	(26,192)	497,837
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	(347,183)	537,692	(393)	190,116	92,889	283,005
Convertible bonds converted to capital shares	454	1,546	-	-	-	-	-	2,000	-	2,000
Other changes in capital surplus										
Change in percentage of ownership interest in subsidiaries	-	260,652	-	-	-	-	-	260,652	(260,652)	-
Change in capital surplus from investments in associates accounted for by using the equity method	-	(260,802)	-	-	-	-	-	(260,802)	260,802	-
Decrease in noncontrolling interest	-	-	-	-	-	-	-	-	(309,565)	(309,565)
Equity component of convertible bonds issued by the subsidiaries	-	-	-	-	-	-	-	-	22,680	22,680
BALANCE AT DECEMBER 31, 2014	2,810,839	5,723,989	1,542,661	5,797	594,476	438,251	(393)	11,115,620	5,002,776	16,118,396
Net profit for the year ended December 31, 2015	-	-	-	-	104,467	-	-	104,467	158,110	262,577
Other comprehensive income for the year ended December 31, 2015, net of income tax	-	-	-	-	(29,114)	173,479	393	144,758	31,230	175,988
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	75,353	173,479	393	249,225	189,340	438,565
Change in percentage of ownership interest in subsidiaries	-	578	-	-	(103,883)	-	-	(103,305)	103,305	-
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	(813,624)	(813,624)
BALANCE AT DECEMBER 31, 2015	\$ 2,810,839	\$ 5,724,567	\$ 1,542,661	\$ 5,797	\$ 565,946	\$ 611,730	\$ -	\$ 11,261,540	\$ 4,481,797	\$ 15,743,337

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

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	\$ 398,467	\$ (109,385)
Adjustments for:		
Depreciation expense	1,230,766	1,404,537
Amortization expense	7,890	8,647
Provision for doubtful accounts	80,960	14,986
Net loss on financial assets and financial liabilities at fair value through profit or loss	45	1,321
Interest expense	45,751	70,095
Interest income	(39,927)	(64,771)
Share of loss of associates	91,004	57,775
Loss on disposal of property, plant and equipment, net	4,490	5,899
Loss on disposal of intangible assets, net	-	224
Loss (gain) on disposal of available-for-sale financial assets, net	6,688	(39)
Gain on disposal of financial assets measured at cost, net	(19,764)	(50,071)
Impairment loss on nonfinancial assets	150,977	114,088
Net loss (gain) on foreign currency exchange	32,605	(40,403)
Recognition of provisions	11,189	9,817
Amortization of prepayments for lease	4,547	4,480
Net changes in operating assets and liabilities:		
Notes receivable	(603)	(1,077)
Trade receivables	81,471	657,455
Inventories	523,379	195,475
Other current assets	102,704	26,425
Other financial assets	(121,731)	23,040
Notes payable	5,027	(6,100)
Trade payables	(372,702)	(632,561)
Other payables	141,394	(1,579,675)
Other current liabilities	(43,975)	374,861
Accrued pension liabilities	(6,463)	(19,636)
Cash generated from operations	2,314,189	465,407
Interest received	39,927	64,771
Interest paid	(36,708)	(49,916)
Income tax paid	(109,517)	(88,506)
Net cash generated from operating activities	<u>2,207,891</u>	<u>391,756</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Prepayments for investment	(26,157)	-
Purchase of available-for-sale financial assets	(80,000)	(85,306)
Proceeds from disposal of available-for-sale financial assets	104,757	85,344
Proceeds from disposal of financial assets measured at cost	34,718	86,788
Acquisition of property, plant and equipment	(280,976)	(176,499)
Proceeds from disposal of property, plant and equipment	31,941	15,607
Proceeds of the disposal of intangible assets	-	283

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ASIA OPTICAL CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
Decrease (increase) in refundable deposits	\$ 160	\$ (2,708)
Acquisition of intangible assets	(8,423)	(10,288)
Decrease in other financial assets	1,078	-
Increase in prepayments for equipment	<u>(6,531)</u>	<u>(133,445)</u>
Net cash used in investing activities	<u>(229,433)</u>	<u>(220,224)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(1,093,409)	(81,825)
Proceeds from issuance of bonds	-	445,000
Repayment of bonds	-	(2,003,800)
Increase in guarantee deposit received	19,223	-
Decrease in lease payables	-	(127)
Decrease in other financial assets	-	1,001,209
Dividends paid to non-controlling interests	(372,506)	(309,565)
Decrease in non-controlling interests	<u>(144,640)</u>	<u>-</u>
Net cash used in financing activities	<u>(1,591,332)</u>	<u>(949,108)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>191,067</u>	<u>293,264</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	578,193	(484,312)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>6,846,598</u>	<u>7,330,910</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 7,424,791</u>	<u>\$ 6,846,598</u>

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

(Concluded)

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Asia Optical Co., Inc. (“Asia Optical” or “the Company”) was incorporated in the Republic of China (“ROC”) in October 1980 according to the Company Law of the ROC. The Company mainly manufactures, processes and sells cameras, riflescopes, photocopier lens, scanner lens and optical components.

The Company’s shares have been listed on the Taiwan Stock Exchange (“TSE”) since July 2002.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized on March 18, 2016.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (FSC)

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Company and entities controlled by the Company (collectively, the “Group”) should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version did not have any material impact on the Group’s accounting policies:

- 1) IFRS 13 “Fair Value Measurement”

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the past standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy previously required for financial instruments only are extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 are applied prospectively from January 1, 2015. Refer to Note 32 for related disclosures.

2) Amendments to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendments to IAS 1 requires items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under the previous IAS 1, there were no such requirements.

The Group retrospectively applied the above amendments starting from 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plans. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations and unrealized gains (loss) on available-for-sale financial assets. The application of the above amendments did not result in any impact on the net profit for the year, other comprehensive income for the year (net of income tax), and total comprehensive income for the year.

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

On March 10, 2016, the FSC announced the scope of the 2016 version of IFRSs to be endorsed and will take effect from January 1, 2017. The scope includes all IFRSs that were issued by the IASB before January 1, 2016 and have effective dates on or before January 1, 2017, which means the scope excludes those that are not yet effective as of January 1, 2017 such as IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” and those with undetermined effective date. In addition, the FSC announced that the Group should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

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

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group’s accounting policies, except for the following:

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

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

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

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

Except for above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the “Expected Credit Losses Model”. The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

2) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

In issuing IFRS 13 “Fair Value Measurement”, the IASB made consequential amendment to the disclosure requirements in IAS 36 “Impairment of Assets”, introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Group is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by the Financial Supervisory Commission (FSC).

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 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. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets due to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

See Note 12, table 6 and 7 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income attributed to the owners of the Company and non-controlling interests as appropriate.

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, supplies, finished goods, merchandise and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date.

g. Investment in associates

An associate is an entity over which the Group has significant influence and that is not a subsidiary.

The Group uses the equity method to account for its investments in associates.

Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates attributable to the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate of parties that are not related to the Group.

h. Property, plant, and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Depreciation of property, plant, and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

i. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

Any gain or loss arising on derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the property is derecognized.

j. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributable goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

k. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

l. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent allocation basis.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

m. 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 (other than financial assets and financial liabilities at fair value through profit or loss) 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.

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 32.

Investments in equity instruments under financial assets at fair value through profit or loss that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are subsequently measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in profit or loss.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on 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 and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

iii. Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalent and other receivables) 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 and commercial paper 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.

b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as trade receivables and other financial 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, 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 available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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 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.

c) 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.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) 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.

3) Financial liabilities

a) Subsequent measurement

Financial liabilities are measured at amortized cost using the effective interest method:

b) 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.

4) Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premium.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

n. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

o. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowance for sales returns and liability for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

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

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

- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Group; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

2) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

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.

p. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Contingent rents arising under operating leases are recognized as income in the period in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents arising under operating leases are recognized as an expense in the period in which they are incurred.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and rereasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur, when the plan amendment or curtailment occurs. Rereasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Rereasurement

recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plan except that remeasurement is recognized in profit or loss.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Income taxes

As of December 31, 2015, and December 31, 2014, the carrying amount of deferred tax assets in relation to unused tax losses was \$28,358 thousand and \$26,259 thousand, respectively. As of December 31, 2015 and 2014, no deferred tax asset has been recognized on tax losses of \$ 3,209,295 thousand and \$ 3,513,546 thousand, respectively, due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

Estimated impairment of accounts receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2015	2014
Cash on hand	\$ 11,121	\$ 4,856
Checking accounts and demand deposits	3,043,739	3,564,143
Cash equivalent (investment with original maturities less than three months)		
Time deposits	<u>4,369,931</u>	<u>3,277,599</u>
	<u>\$ 7,424,791</u>	<u>\$ 6,846,598</u>
Market rate intervals of cash in bank (%)	0.02-3.97	0.02-2.85

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

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Financial assets at FVTRL - current		
Call options - convertible bonds	\$ <u> -</u>	\$ <u> 45</u>

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Foreign investments		
Beneficiary certificates	\$ <u> -</u>	\$ <u> 30,216</u>

9. FINANCIAL ASSETS MEASURED AT COST – NON-CURRENT

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Non-publicly-traded stocks		
Pioneer Technology Co., Ltd. (“Pioneer”)	\$ 137,865	\$ 132,930
Kotura, Inc. (“Kotura”)	7,080	6,827
Optorun Co., Ltd. (“Optorun”)	<u> -</u>	<u> 14,912</u>
	<u>\$ 144,945</u>	<u>\$ 154,669</u>

The Group believed that the above unlisted equity investments held by the Group, whose fair value cannot be reliably measured due to the range of reasonable fair value estimates was so significant; therefore they were measured at cost less impairment at the end of reporting period.

The Group sold all of its holding in Optorun’s shares amounting to \$14,912 thousand (US\$687 thousand) and \$36,717 thousand (US\$1,211 thousand) in 2015 and 2014, respectively. Proceeds of the sale of Optorun’s shares were 34,718 thousand (US\$1,094 thousand) and \$86,788 thousand (US\$2,864 thousand) respectively, and gain on disposal of shares amounted to \$19,764 thousand (US\$623 thousand) and \$50,071 thousand (US\$1,652 thousand) respectively.

10. TRADE RECEIVABLE, NET

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Trade receivable	\$ 4,381,821	\$ 4,462,403
Less: Allowance for doubtful receivables	<u>(112,259)</u>	<u>(115,458)</u>
	<u>\$ 4,269,562</u>	<u>\$ 4,346,945</u>

The average credit period on sales of goods is 30 to 180 days. 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 doubtful receivables was estimated on the basis of the analysis of aging schedule, past experiences and the financial condition of Group’s clients.

The aging of receivables had been included in the evaluation of impairment (based on the invoice date) was as follows:

	December 31	
	2015	2014
Less than 90 days	\$ 2,793,098	\$ 2,718,123
91-120 days	199,554	321,221
121-150 days	130,079	55,364
151-210 days	151,379	130,924
Over 211 days	<u>1,107,711</u>	<u>1,236,771</u>
	<u>\$ 4,381,821</u>	<u>\$ 4,462,403</u>

Movement of the allowance for doubtful accounts receivable were as follows:

Collectively Assessed for Impairment	For the Year Ended December 31	
	2015	2014
Balance at January 1	\$ 115,458	\$ 377,667
Provision for doubtful accounts	80,960	14,986
Amounts written off during the period as uncollectible	(87,588)	(287,905)
Foreign exchange translation gains and losses	<u>3,429</u>	<u>10,710</u>
Balance at December 31	<u>\$ 112,259</u>	<u>\$ 115,458</u>

11. INVENTORIES

	December 31	
	2015	2014
Raw materials	\$ 2,086,750	\$ 2,246,341
Supplies	37,695	48,259
Work in progress	452,513	413,668
Finished goods	509,033	534,958
Merchandise	2,092	290,662
Inventory in transit	<u>511</u>	<u>137,877</u>
	<u>\$ 3,088,594</u>	<u>\$ 3,671,765</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2015 and 2014 was \$15,648,121 thousand and \$15,464,565 thousand, respectively.

The cost of goods sold for the year ended December 31, 2015 and 2014 included the following items:

	For the Year Ended December 31	
	2015	2014
Inventory write-downs	<u>\$ 29,744</u>	<u>\$ 34,081</u>

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Main Businesses	% of Ownership		Remark	
			December 31, 2015	December 31, 2014		
Asia Optical	Asia Optical International Ltd. (“Asia International”)	Sales	100	100		
	Powerlink Electronic International Ltd. (“Powerlink”)	Sales	100	100		
	Richman International Group Co., Ltd. (“Richman”)	Holding company	100	100		
	Taiwan Top Optical Co., Ltd. (“Taiwan Top”)	Manufacture of optical products	93	93		
	Asia Tech Image, Inc. (“Asia Tech”)	Manufacture of optical products	31	31		
	Powerlink Electronic International (Cayman) Ltd. (Powerlink Cayman)	Sales	100	100		
	Powerlink Electronic International (KY), Ltd. TWN BR. (“Powerlink TWN BR”)	Manufacture of optical products	100	100		
	AO Ether Corporation (“AO Ether”)	Manufacture of optical products	91	74	Note 29	
Asia Optical and Asia International	Dong-Guan Tailien Optical Co., Ltd. (“Dong-Guan Tailien”)	Manufacture of optical products	90	29	Note 29	
Asia Optical, Richman and Asia International	Dong-Guan Sintai Optical Co., Ltd. (“Dong-Guan Sintai”)	Manufacture of optical products	100	100		
	Shen Zhen Sintai Optical Co., Ltd. (“Shen Zhen Sintai”)	Manufacture of optical products	100	100		
	Great China Investment Enterprise Holding Limited (“Great”)	Holding company	100	100		
	Dong Yang Optoelectronics (Shen Zhen) Inc. (“Shen Zhen Dong Yang”)	Manufacture of optical products	-	-	Note (a)	
	Sintai Photonics Technology (Shang Hai) Ltd. (“Shang Hai Sintai”)	Manufacture of electronic products	100	100		
	Dong-Guan Xingfung Sintai Optical Co., Ltd. (“Xingfung Sintai”)	Manufacture of optical products	50	50		
	Winton International Industries Ltd. (“Winton”)	Sales	-	60	Note (d)	
	Pentax Sintai Holding Co., Limited (“Pentax Sintai”)	Sales	45	45		
	Hang-Zhou Nikon Camera Co., Ltd. (“Hang-Zhou Nikon”)	Manufacture of optical products	35	35		
	AOF Imaging Technology Limited (“AOF (HK)”)	Sales	80	80		
	AOI Development Center, Limited (“AOIDC”)	Development and manufacture of optical products	100	100	Note 29	
	Richman and Asia International	Yorkey Optical International (Cayman) Ltd. (“Yorkey Cayman”)	Holding company	28	27	Note 29
	Powerlink	Scopro Optical Co., Ltd. (“Scopro”)	Manufacture of optical products	100	100	
	Asia Tech	Asia Image (Samoa) Technology Limited (“Asia Tech Samoa”)	Sales	100	100	
Great	Myanmar Asia Optical International Co., Ltd. (“Myanmar Asia”)	Manufacture of optical products	100	100		
Pentax Sintai	Shen Zhen Pentax Sintai Co., Ltd. (“Shen Zhen Pentax Sintai”)	Manufacture of optical products	100	100		
Winton	Dong-Guan Sintai-North- Precision Optical Co., Ltd. (“Sintai North Precision”)	Manufacture of optical products	-	100	Note (d)	
Asia Tech Samoa	Atii Tech Image (Shen Zhen) Co., Ltd. (“Shen Zhen Atii”)	Manufacture of optical products	100	100		
AOF (HK)	AOF Imaging Technology (Shen Zhen) Co., Ltd. (“AOF (Shen Zhen)”)	Manufacture of optical products	-	-	Note (b)	
	AOF Imaging Technology, Japan Ltd. (“AOF (Japan)”)	Development and manufacture of optical products	-	-	Note 29	

(Continued)

Investor	Investee	Main Businesses	% of Ownership		Remark
			December 31, 2015	December 31, 2014	
AOF (HK)	AOF Imaging Technology (USA) Inc. (“AOF (USA)”)	Sales	-	-	Note (b)
	Worldview Technology Corp. (“Worldview”)	Development and manufacture of optical products	-	-	Note (c)
AO Ether	AO Ether International (Cayman) Limited (AO Cayman)	Holding company	100	100	
AO Cayman	AO Ether Optronics (Shen Zhen) Ltd. (“AO Shen Zhen”)	Design and manufacture of cell-phone related products	100	100	
Powerlink Cayman	Asia Scopro Optics Co., Inc. (Asia Scopro)	Manufacture of optical products	100	100	
Yorkey Cayman	Yorkey Optical Technology Limited (“Yorkey Technology”)	Sales	100	100	
Yorkey Technology	Click Away Services Limited (“Click”)	Technical training and after-sales service	100	100	
	Dong-Guan Yorkey Optical Co., Ltd. (“Dong-Guan Yorkey”)	Manufacture and sales of optical, electro-optical products	100	100	

(Concluded)

Note (a): In December 2014, the board of directors of Shen Zhen Dong Yang approved the liquidation. During the liquidation, Shen Zhen Dong Yang returned a capital of \$136 thousand to the shareholders. The liquidation resulted in the cessation of the Group’s ownership of this company; thus, the related income and expenses were excluded from the consolidated statements of comprehensive income.

Note (b): The dissolution of AOF (Shen Zhen) and AOF (USA) was approved by the board of directors of AOF (Shen Zhen) in December 2014 and by the board of directors of AOF (USA) in November 2014; thus, the related income and expenses were excluded from the consolidated statements of comprehensive income.

Note (c): In August, 2014, Worldview’s board of directors approved September 3, 2014 as the date of applying to the authorities for the liquidation. In November 2014, after deducting all possible loss from all the realized gain on this liquidation, the Group ceased to own Worldview. Thus, the related income and expenses were excluded from the consolidated statements of comprehensive income.

Note (d): In December 2015, the board of directors of Asia International agreed to sell all of its holdings in Winton’s shares.

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
	December 31	
	2015	2014
Yorkey Cayman	72%	73%
Asia Tech	69%	69%

See Table 6 and Table 7 for the information on principal place of business and place of incorporation.

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Yorkey Cayman and Yorkey Cayman's subsidiaries:

	December 31	
	2015	2014
Current assets	\$ 4,640,615	\$ 4,578,931
Non-current assets	457,368	700,676
Current liabilities	<u>(678,535)</u>	<u>(677,529)</u>
Equity	<u>\$ 4,419,448</u>	<u>\$ 4,602,078</u>
Equity attributable to:		
Owners of Yorkey Cayman	\$ 1,220,652	\$ 1,260,968
Non-controlling interests of Yorkey Cayman	<u>3,198,796</u>	<u>3,341,110</u>
	<u>\$ 4,419,448</u>	<u>\$ 4,602,078</u>
	For the Year Ended December 31	
	2015	2014
Revenue	<u>\$ 2,461,479</u>	<u>\$ 2,559,429</u>
Net profit from continuing operations	\$ 128,007	\$ 154,456
Other comprehensive income for the year	<u>(89,180)</u>	<u>(24,820)</u>
Total comprehensive income for the year	<u>\$ 38,827</u>	<u>\$ 129,636</u>
Profit attributable to:		
Owners of Yorkey Cayman	\$ 35,097	\$ 42,321
Non-controlling interests of Yorkey Cayman	<u>92,910</u>	<u>112,135</u>
	<u>\$ 128,007</u>	<u>\$ 154,456</u>
Total comprehensive income attributable to:		
Owners of Yorkey Cayman	\$ 10,465	\$ 35,520
Non-controlling interests of Yorkey Cayman	<u>28,362</u>	<u>94,116</u>
	<u>\$ 38,827</u>	<u>\$ 129,636</u>
Net cash inflow (outflow) from:		
Operating activities	\$ 429,270	\$ 369,577
Investing activities	33,802	25,366
Financing activities	<u>(380,582)</u>	<u>(274,963)</u>
Net cash inflow	<u>\$ 82,490</u>	<u>\$ 119,980</u>

Asia Tech and Asia Tech's subsidiaries:

	December 31	
	2015	2014
Current assets	\$ 2,189,816	\$ 2,315,890
Non-current assets	547,488	577,030
Current liabilities	(560,887)	(801,451)
Non-current liabilities	<u>(470,521)</u>	<u>(462,289)</u>
Equity	<u>\$ 1,705,896</u>	<u>\$ 1,629,180</u>
Equity attributable to:		
Owners of Asia Tech	\$ 516,916	\$ 493,356
Non-controlling interests of Asia Tech	<u>1,188,980</u>	<u>1,135,824</u>
	<u>\$ 1,705,896</u>	<u>\$ 1,629,180</u>
	For the Year Ended December 31	
	2015	2014
Revenue	<u>\$ 3,591,060</u>	<u>\$ 3,292,349</u>
Net profit from continuing operations	\$ 249,200	\$ 252,165
Other comprehensive income for the year	<u>(5,198)</u>	<u>62,377</u>
Total comprehensive income for the year	<u>\$ 244,002</u>	<u>\$ 314,542</u>
Profit attributable to:		
Owners of Asia Tech	\$ 76,529	\$ 77,440
Non-controlling interests of Asia Tech	<u>172,671</u>	<u>174,725</u>
	<u>\$ 249,200</u>	<u>\$ 252,165</u>
Total comprehensive income attributable to:		
Owners of Asia Tech	\$ 74,933	\$ 96,596
Non-controlling interests of Asia Tech	<u>169,069</u>	<u>217,946</u>
	<u>\$ 244,002</u>	<u>\$ 314,542</u>
Net cash inflow (outflow) from:		
Operating activities	\$ 310,014	\$ 340,715
Investing activities	(121,179)	(142,935)
Financing activities	<u>(167,286)</u>	<u>290,106</u>
Net cash inflow	<u>\$ 21,549</u>	<u>\$ 487,886</u>

13. OTHER FINANCIAL ASSETS - CURRENT

	December 31	
	2015	2014
Restricted assets - time deposits	\$ 1,613	\$ 1,000
Time deposits with original maturities more than three months	-	1,691
Other receivable - other	<u>81,287</u>	<u>89,710</u>
	<u>\$ 82,900</u>	<u>\$ 92,401</u>

14. OTHER CURRENT ASSETS

	December 31	
	2015	2014
Prepayments	\$ 88,276	\$ 112,117
Net input VAT	110,691	147,694
Other	<u>41,297</u>	<u>79,781</u>
	<u>\$ 240,264</u>	<u>\$ 339,592</u>

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31			
	2015		2014	
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
<u>Unlisted companies</u>				
Dong-Guan Nikon Surveying Instruments Co., Ltd. (Dong-Guan Nikon)	\$ 26,309	40	\$ 23,939	40
Pioneer Yorkey do Brazil Ltda. (Yorkey Brazil)	27,836	49	159,958	49
Ether Precision Inc. (Ether)	<u>-</u>	-	<u>285,254</u>	26
	<u>\$ 54,145</u>		<u>\$ 469,151</u>	

The Group acquired part-ownership of Yorkey Cayman and this acquisition resulted in the Group's acquiring 49% ownership of Yorkey Brazil, an associate of Yorkey Cayman.

Based on the change in the Group's equity in Ether, the Group's investment was reclassified from financial assets measured at cost to investments accounted for using equity method in December 2014.

The Group sold all of its interest in Ether to a third party in November 2015.

Please refer to Table 6 and 7 for the nature of activities, principal place of business and country of incorporation of the associate.

Investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have been audited.

16. PROPERTY, PLANT AND EQUIPMENT

Year Ended December 31, 2015							
	Balance, Beginning of Period	Additions	Decrease	Reclassification	Effect of Foreign Currency Exchange Differences	Acquisition From Business Combination	Balance, End of Period
<u>Cost</u>							
Land	\$ 312,261	\$ -	\$ -	\$ -	\$ 1,232	\$ -	\$ 313,493
Buildings	3,605,291	55,846	(57,849)	50,862	(39,978)	-	3,614,172
Machinery and equipment	11,268,898	93,632	(566,496)	79,611	(107,685)	(102,558)	10,665,402
Office equipment	418,132	5,128	(23,804)	-	(3,293)	-	396,163
Other equipment	2,661,360	124,689	(265,076)	42,452	(36,264)	(26,993)	2,500,168
Construction in progress	<u>52,660</u>	<u>9,353</u>	<u>-</u>	<u>(6,998)</u>	<u>2,031</u>	<u>-</u>	<u>57,046</u>
	<u>18,318,602</u>	<u>\$ 288,648</u>	<u>\$ (913,225)</u>	<u>\$ 165,927</u>	<u>\$ (183,957)</u>	<u>\$ (129,551)</u>	<u>17,546,444</u>
Revaluation	<u>4,462</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>4,462</u>
<u>Accumulated depreciation</u>							
Buildings	1,660,303	\$ 146,700	\$ (57,849)	\$ 6,646	\$ (25,248)	\$ -	1,730,552
Machinery and equipment	7,569,671	927,053	(533,904)	5,508	(115,430)	(98,102)	7,754,796
Office equipment	379,799	14,664	(21,551)	-	(3,006)	-	369,906
Other equipment	<u>2,135,335</u>	<u>138,931</u>	<u>(263,490)</u>	<u>(12,154)</u>	<u>(31,358)</u>	<u>(26,517)</u>	<u>1,940,747</u>
	<u>11,745,108</u>	<u>\$ 1,227,348</u>	<u>\$ (876,794)</u>	<u>\$ -</u>	<u>\$ (175,042)</u>	<u>\$ (124,619)</u>	<u>11,796,001</u>
	<u>\$ 6,577,956</u>						<u>\$ 5,754,905</u>

Year Ended December 31, 2014							
	Balance, Beginning of Period	Additions	Decrease	Reclassification	Effect of Foreign Currency Exchange Differences		Balance, End of Period
<u>Cost</u>							
Land	\$ 315,204	\$ -	\$ -	\$ -	\$ (2,943)	\$ -	\$ 312,261
Buildings	3,563,443	21,774	(98,967)	(44,229)	163,270	-	3,605,291
Machinery and equipment	11,858,233	45,921	(1,150,008)	(565)	515,317	-	11,268,898
Office equipment	138,049	6,532	(130,962)	396,405	8,108	-	418,132
Other equipment	3,063,783	79,083	(277,470)	(347,453)	143,417	-	2,661,360
Construction in progress	<u>49,821</u>	<u>-</u>	<u>-</u>	<u>(242)</u>	<u>3,081</u>	<u>-</u>	<u>52,660</u>
	<u>18,988,533</u>	<u>\$ 153,310</u>	<u>\$ (1,657,407)</u>	<u>\$ 3,916</u>	<u>\$ 830,250</u>	<u>-</u>	<u>18,318,602</u>
Revaluation	<u>4,462</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>4,462</u>
<u>Accumulated depreciation</u>							
Buildings	1,578,712	\$ 146,866	\$ (98,967)	\$ (44,229)	\$ 77,921		1,660,303
Machinery and equipment	7,326,774	1,050,657	(1,135,716)	(13,060)	341,016		7,569,671
Office equipment	131,246	21,536	(128,229)	347,631	7,615		379,799
Other equipment	<u>2,397,688</u>	<u>182,178</u>	<u>(272,989)</u>	<u>(286,348)</u>	<u>114,806</u>	<u>-</u>	<u>2,135,335</u>
	<u>11,434,420</u>	<u>\$ 1,401,237</u>	<u>\$ (1,635,901)</u>	<u>\$ 3,994</u>	<u>\$ 541,358</u>	<u>-</u>	<u>11,745,108</u>
	<u>\$ 7,558,575</u>						<u>\$ 6,577,956</u>

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

Buildings	
Main buildings	25-50 years
Others	2-20 years
Machinery and equipment	2-12 years
Office equipment	2-8 years
Other equipment	2-35 years

17. INVESTMENT PROPERTIES

	Balance, Beginning of Period	Depreciation Expense	Effect of Foreign Currency Exchange Differences	Balance, End of Period
Year Ended December 31, 2015	<u>\$ 7,551</u>	<u>\$ (3,418)</u>	<u>\$ 11</u>	<u>\$ 4,144</u>
Year Ended December 31, 2014	<u>\$ 10,570</u>	<u>\$ (3,300)</u>	<u>\$ 281</u>	<u>\$ 7,551</u>

Investment property is depreciated on a straight-line basis over 50 years. The valuation of the investment property is not made by independent valuator but by the Group's management using on prices of similar property in the market.

18. INTANGIBLE ASSETS

	December 31	
	2015	2014
Goodwill	\$ 14,883	\$ 14,883
Computer software	18,608	18,124
Others	<u>27</u>	<u>26</u>
	<u>\$ 33,518</u>	<u>\$ 33,033</u>

The computer software is amortized on a straight-line basis over 2 to 10 years.

19. PREPAYMENTS FOR LEASE

	December 31	
	2015	2014
Current asset	\$ 8,137	\$ 8,579
Non-current asset	<u>142,878</u>	<u>147,106</u>
	<u>\$ 151,015</u>	<u>\$ 155,685</u>

As of December 31, 2015 and 2014, prepaid lease payments include land use right with carrying amount of \$147,286 thousand and \$151,773 thousand, respectively, which are located in Mainland China.

20. SHORT-TERM BANK BORROWINGS

	December 31	
	2015	2014
Unsecured loans Amount	<u>\$ 1,116,050</u>	<u>\$ 2,166,443</u>
Annual interest rate (%)	2.11	1.6-2.45

21. BONDS PAYABLE

	December 31	
	2015	2014
<u>Asia Optical</u>		
Second domestic secured convertible bonds	\$ -	\$ -
Less: Discount on bonds payable	<u>-</u>	<u>-</u>
Bonds over one-year maturities	<u>\$ -</u>	<u>\$ -</u>
Third domestic secured convertible bonds	\$ -	\$ -
Less: Discount on bonds payable	<u>-</u>	<u>-</u>
Bonds over one-year maturities	<u>\$ -</u>	<u>\$ -</u>
Fourth domestic secured convertible bonds	\$ -	\$ -
Less: Discount on bonds payable	<u>-</u>	<u>-</u>
Bonds over one-year maturities	<u>\$ -</u>	<u>\$ -</u>
<u>Asia Tech</u>		
Second domestic unsecured convertible bonds	\$ 450,000	\$ 450,000
Less: Discount on bonds payable	<u>(12,332)</u>	<u>(21,375)</u>
Bonds over one-year maturities	<u>\$ 437,668</u>	<u>\$ 428,625</u>

In September 2009, the Company issued the second five year unsecured, zero-coupon domestic convertible bonds with a face value of \$1,500,000 thousand. On May 19, 2011, the unsecured convertible bonds became secured. Bondholders may request the Company to convert the bonds into the Company's common shares at \$44 per share between October 15, 2009 and September 15, 2014 (except in the year in which share transfer registration is suspended) or buy back the bonds on September 14, 2012 or on September 14, 2014, at 101.51% or 102.02%, respectively, of their face value.

Between October 15, 2009 and August 6, 2014, if the closing price of the Company's shares reaches 30% of the conversion price for 30 consecutive trading days or when under 10% of the bonds had been redeemed, bought back or converted, the Company may redeem the remaining bonds at a price calculated by a predetermined formula. Upon maturity, the Company should redeem the remaining bonds at 100% of their face value. As of December 31, 2014, bonds with a face value of \$1,298,600 thousand had been converted into common shares. The Company recognized a capital stock of \$249,565 thousand and capital surplus - bond conversion of \$1,188,493 thousand includes \$2,000 thousand converted in 2014, had completed the registration of bonds converted into common stock. Besides, the convertible bonds with a face value of \$201,400 thousand had been sold back. Thus, the outstanding bonds were expired on September 15, 2014.

In May 2011, the Company issued the third and fourth 3-year secured, zero-coupon overseas convertible bonds with a face value of \$2,000,000 thousand. Bondholders may request the Company to convert the bonds into the Company's common shares at \$58.5 per share between June 28, 2011 and May 17, 2014 (except in the year in which share transfer registration is suspended).

Between June 28, 2011 and April 17, 2014, if the closing price of the Company's shares reaches 130% of the conversion price for 30 consecutive trading days or when under 10% of the bonds had been redeemed, bought back or converted, the Company may redeem the remaining bonds at a price calculated by a predetermined formula. Upon bond maturity (May 27, 2014), the Company should redeem the remaining

bonds at 100% of their face value. As of May 17, 2014, no bonds had been converted into common stock, the company had redeemed the remaining bonds.

Under the guarantee contracts on secured convertible bonds, the funds of the reserve account should not be less than the following percentages during the following maturity periods for convertible bonds:

<u>Third Convertible Bond Maturity Period</u>	<u>Reserve Account Balance</u>
6 months (included) - 9 months (excluded)	5% of principal amount of bonds
9 months (included) - 12 months (excluded)	10% of principal amount of bonds
12 months (included) - 15 months (excluded)	15% of principal amount of bonds
15 months (included) - 18 months (excluded)	20% of principal amount of bonds
18 months (included) - 24 months (excluded)	30% of principal amount of bonds
24 months to maturity	50% of principal amount of bonds

In April 2014, Asia Tech issued three-year unsecured, zero-coupon domestic convertible bonds with a face value of \$450,000 thousand. Bondholders may request Asia Tech to convert the bonds into Asia Tech's common shares at \$50.5 per share between May 26, 2014 and April 15, 2017 (except in the year in which share transfer registration is suspended). On July 23, 2014, the exercise price was adjusted from \$50.5 per share to \$47.8 per share for cash dividend payment in accordance with the Corporate Bond Rules. On July 23, 2015, the exercise price was adjusted from \$47.8 per share to \$45 per share due to cash dividend payment in accordance with the Corporate Bond Rules.

Between May 26, 2014 and March 16, 2017, if the closing price of Asia Tech's shares reaches 130% of the conversion price for 30 consecutive trading days or when less than 10% of the bonds issued had been bought back or converted, Asia Tech may redeem the remaining bonds at a price calculated by a predetermined formula. Upon maturity (April 25, 2017), Asia Tech should redeem the remaining bonds at 100% of their face value. No bondholders had exercised their conversion rights as of December 31, 2015.

The convertible bonds contain asset, liability and equity components. The asset component was presented in asset under financial assets at fair value through profit or loss. The equity component was presented in equity under the heading of capital surplus - Equity component of convertible bond. The effective interest rate of the liability component for domestic unsecured convertible bonds was 2.1097% per annum on initial recognition.

	<u>Asia Tech</u>	
	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
Proceeds from issue (less transaction costs \$5,000 thousand)	\$ 445,000	\$ 445,000
Asset component	360	360
Equity component	<u>(22,680)</u>	<u>(22,680)</u>
Liability component at the date of issue	422,680	422,680
Interest paid	<u>14,988</u>	<u>5,945</u>
Liability component	<u>\$ 437,668</u>	<u>\$ 428,625</u>

22. OTHER PAYABLES

	<u>December 31</u>	
	2015	2014
Salaries and rewards	\$ 497,873	\$ 580,802
Payables for consumables and packing charges	293,317	162,391
Bonuses to employees and remuneration to directors and supervisors	61,843	45,136
Others	<u>437,789</u>	<u>418,854</u>
	<u>\$ 1,290,822</u>	<u>\$ 1,207,183</u>

23. PROVISIONS

	<u>December 31</u>	
	2015	2014
Sales returns and allowances	\$ 36,951	\$ 26,127
Employee benefits	<u>1,472</u>	<u>1,107</u>
	<u>\$ 38,423</u>	<u>\$ 27,234</u>
Other current liabilities	\$ 36,951	\$ 26,127
Other non-current liabilities	<u>1,472</u>	<u>1,107</u>
	<u>\$ 38,423</u>	<u>\$ 27,234</u>

The provision of sales returns and allowances was based on historical experience, management's judgments and other known reasons estimated product returns and allowances may occur in the year. The provision was recognized as a reduction of operating income in the years of the related goods sold.

Employee benefits refer to estimates of certain long-term benefits.

24. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company, Taiwan Top, Asia Tech, AO Ether, Powerlink TWN BR and Worldview's pension plans under the Labor Pension Act (LPA) are defined contribution plans. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiary in China and Japan are members of a state-managed retirement benefit plan operated by the government of China and Japan. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

Yorkey Cayman operates a Mandatory Provident Fund Scheme for all qualified employees in Hong Kong. The assets of the plans are held separately from those of Yorkey Cayman in funds under the control of trustees. Yorkey Cayman and employees make monthly contributions to the scheme.

b. Defined benefit plan

The Company, Taiwan Top, Asia Tech and Worldview's of the Group adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The ROC companies contribute amounts equal to 2% to 8% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2015	2014
Present value of defined benefit obligation	\$ 210,828	\$ 178,235
Fair value of plan assets	<u>(90,005)</u>	<u>(80,831)</u>
Deficit	<u>120,823</u>	<u>97,404</u>
Net defined benefit liability	<u>\$ 120,823</u>	<u>\$ 97,404</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2014	<u>\$ 186,333</u>	<u>\$ (82,983)</u>	<u>\$ 103,350</u>
Service cost			
Current service cost	2,998	-	2,998
Past service cost	1,957	-	1,957
Net interest expense (income)	<u>3,334</u>	<u>(1,673)</u>	<u>1,661</u>
Recognized in profit or loss	<u>8,289</u>	<u>(1,673)</u>	<u>6,616</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(254)	(254)
Actuarial loss - changes in demographic assumptions	5,157	-	5,157
Actuarial loss - experience adjustments	<u>8,779</u>	<u>-</u>	<u>8,779</u>
Recognized in other comprehensive income	<u>13,936</u>	<u>(254)</u>	<u>13,682</u>
Contributions from the employer	-	(11,305)	(11,305)
Benefits paid	(24,364)	12,093	(12,271)
Liabilities extinguished on settlement	<u>(5,959)</u>	<u>3,291</u>	<u>(2,668)</u>
Balance at December 31, 2014	<u>178,235</u>	<u>(80,831)</u>	<u>97,404</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Service cost			
Current service cost	\$ 6,179	\$ -	\$ 6,179
Past service cost	1,296	-	1,296
Net interest expense (income)	<u>2,874</u>	<u>(1,382)</u>	<u>1,492</u>
Recognized in profit or loss	<u>10,349</u>	<u>(1,382)</u>	<u>8,967</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(888)	(888)
Actuarial loss - changes in demographic assumptions	14,450	-	14,450
Actuarial loss - changes in financial assumptions	4,004	-	4,004
Actuarial loss - experience adjustments	<u>12,316</u>	<u>-</u>	<u>12,316</u>
Recognized in other comprehensive income	<u>30,770</u>	<u>(888)</u>	<u>29,882</u>
Contributions from the employer	(8,526)	(15,430)	(23,956)
Benefits paid	<u>-</u>	<u>8,526</u>	<u>8,526</u>
Balance at December 31, 2015	<u>\$ 210,828</u>	<u>\$ (90,005)</u>	<u>\$ 120,823</u> (Concluded)

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2015	2014
Discount rate(s)	1.375%-1.7%	1.625%-1.9%
Expected rate(s) of salary increase	2%	2%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31, 2015
Discount rate(s)	
0.25% increase	\$ (4,794)
0.25% decrease	\$ 4,973
Expected rate(s) of salary increase	
0.25% increase	\$ 4,886
0.25% decrease	\$ (4,717)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2015	2014
The expected contributions to the plan for the next year	\$ 34,080	\$ 11,040
The average duration of the defined benefit obligation	12 years	12 years

25. EQUITY

a. Ordinary shares

	December 31	
	2015	2014
Numbers of shares authorized (in thousands)	313,000	313,000
Shares authorized	\$ 3,130,000	\$ 3,130,000
Numbers of shares issued and fully paid (in thousands)	281,084	281,084
Shares issued	\$ 2,810,839	\$ 2,810,839

b. Capital surplus

	December 31	
	2015	2014
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Recognized from issuance of common shares	\$ 785,031	\$ 785,031
Recognized from conversion of bonds	4,691,598	4,691,598
<u>May be used to offset a deficit only(2)</u>		
Recognized from changes in percentage of ownership interest in subsidiaries	45,375	44,797

(Continued)

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
<u>May not be used for any purpose</u>		
Recognized from interest payable compensation of convertible bonds	\$ 74,833	\$ 74,833
Others (options expired)	<u>127,730</u>	<u>127,730</u>
	<u>\$ 5,724,567</u>	<u>\$ 5,723,989</u>
		(Concluded)

- 1) Such 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 transferred to share capital, limited to a certain percentage of the Company's capital surplus and once a year.
- 2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary resulted from equity transactions other than actual disposal or acquisition, or from changes in capital surplus of subsidiaries accounted for by using equity method.

c. Retained earnings and dividend policy

Under the Company's Articles of Incorporation, annual earnings should first be used to pay income tax and offset any prior years' deficit. Appropriation for legal reserve should be made at 10% of the remainder. If required under certain regulations, special reserve is appropriated next. Any remaining balance should be appropriated as follows:

- 1) 10%-25% as bonuses to employees. Bonus in the form of stock is limited to a certain amount as required by the law or authorities.
- 2) Maximum 2% as remuneration to directors and supervisors, and
- 3) Any remaining balance as dividends.
- 4) Upon approval by the board of directors, subsidiaries' employees may also receive bonuses.

Under the Company Law of the ROC and the Company's Articles of Incorporation, in deciding its stock dividend policy, the Company should consider that it is currently expanding and has a great demand for capital. Thus, for a stable dividend policy, the board of directors should take into account the results of operations, financial position and capital demand of the Company when deciding the type of dividends (cash or stock) to be distributed. Total dividends paid should be less than 90% of retained earnings available for appropriation, and the cash dividends must be more than 10% of total dividends paid.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been proposed by the Company's board of directors on November 9, 2015 and are subject to the resolution of the shareholders in their meeting to be held on June 8, 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to Note 26.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. 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.

Under Rule No. 1010012865 issued by the FSC and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs”, the Company should appropriate or reverse to a special reserve.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

In June of 2015 and 2014, the shareholders’ meetings approved the proposals for the offset of deficits of 2014 and 2013, respectively.

The Company’s shareholders also resolved not to issue share dividends and cash dividends for 2014 from capital surplus in the shareholders’ meeting on March 18, 2016.

The appropriations of earnings for 2015 had been proposed by the Company’s board of directors on June 8, 2016.

26. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31					
	2015			2014		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Salaries and bonus	\$ 2,455,108	\$ 698,891	\$ 3,153,999	\$ 2,314,280	\$ 761,181	\$ 3,075,461
Post-employment benefits						
Defined contribution plans	76,174	51,766	127,940	64,333	54,702	119,035
Defined benefit plans	2,376	6,591	8,967	1,820	4,796	6,616
Other employee benefits	232,004	97,170	329,174	139,710	55,629	195,339
Depreciation						
Property, plant and equipment	1,049,309	178,039	1,227,348	1,211,148	190,089	1,401,237
Investment property	-	3,418	3,418	-	3,300	3,300
amortization						
Intangible assets	1,955	10,482	12,437	2,506	10,621	13,127

The existing (2014) Articles of Incorporation of the Company stipulate to distribute bonus to employees and remuneration to directors and supervisors at the rates between 10% and 25% and no higher than 2%, respectively, of net income (net of the bonus and remuneration). For the year ended December 31, 2014, the Company had not estimated bonus to employees and remuneration to directors and supervisors because of the net loss for the year.

In compliance with the Company Act as amended in May 2015, on November 9, 2015, the Company’s board of directors proposed amendments to the Company’s Articles of Incorporation to distribute employees’ compensation and remuneration to directors and supervisors at the rates between 5% and 15% and no higher than 2%, respectively, of net profit before income tax, employees’ compensation, and remuneration to directors and supervisors. For the year ended December 31, 2015, the employees’ compensation and the remuneration to directors and supervisors were \$15,000 thousand and \$1,208 thousand, respectively, representing 12.42% and 1%, respectively, of the base net profit before income tax. The employees’ compensation and remuneration to directors and supervisors in cash for the year ended December 31, 2015 have been approved by the Company’s board of directors on March 18, 2016 and are subject to the resolution and adoption of the amendments to the Company’s Articles of Incorporation by the shareholders in their meeting to be held on June 8, 2016, and in addition thereto, a report of such distribution shall be submitted to the shareholders' meeting.

Material differences between estimated amounts and the amounts proposed by the board of directors on or before the date the annual consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. 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.

Because of operating losses, the Company did not distribute bonus to employees and remuneration to directors and supervisors for 2014 and 2013 which have been approved in the shareholders' meetings in June 2015 and June 2014, respectively.

Information on the employees' compensation and remuneration to directors and supervisors resolved by the Company's board of directors in 2016 and bonus to employees, directors and supervisors resolved by the shareholders' meeting in 2015 and 2014 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

27. INCOME TAXES

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

	<u>Year Ended December 31</u>	
	2015	2014
Current tax		
In respect of the current year	\$ 114,068	\$ 105,027
Income tax on unappropriated earnings	5,957	5,024
Adjustment for prior periods	<u>18,831</u>	<u>(721)</u>
	138,856	109,330
Deferred tax		
In respect of the current year	<u>(2,966)</u>	<u>(3,883)</u>
Income tax expense recognized in profit or loss	<u>\$ 135,890</u>	<u>\$ 105,447</u>

- b. A reconciliation of accounting profit and income tax expenses is as follows:

	<u>For the Year Ended December 31</u>	
	2015	2014
Income tax expense calculated at the statutory rate	\$ 16,637	\$ 217,313
Nondeductible expenses in determining taxable income	26,152	(141,864)
Unrecognized temporary differences	(497)	(4,224)
Unrecognized loss carryforwards	68,810	29,919
Income tax on unappropriated earnings	5,957	5,024
Adjustments for prior years' tax	<u>18,831</u>	<u>(721)</u>
Income tax expense recognized in profit or loss	<u>\$ 135,890</u>	<u>\$ 105,447</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of 2016 appropriations of earnings is uncertain, the potential income tax consequences of unappropriated earnings for the year ended December 31, 2015 are not reliably determinable.

c. Deferred tax assets and liabilities

For the year ended December 31, 2015

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred Tax Assets</u>			
Temporary differences			
Loss carryforwards	\$ 20,350	\$ -	\$ 20,350
Unrealized sale gain	528	86	614
Unrealized foreign exchange	1,739	(128)	1,611
Others	<u>3,642</u>	<u>2,141</u>	<u>5,783</u>
	<u>\$ 26,259</u>	<u>\$ 2,099</u>	<u>\$ 28,358</u>
<u>Deferred Tax Liabilities</u>			
Temporary differences			
Unrealized foreign exchange benefits	\$ 1,341	\$ (791)	\$ 550
Unappropriated earnings of subsidiaries	32,376	-	32,376
Land value increment tax	1,855	-	1,855
Deferred pension expense	<u>2,075</u>	<u>(76)</u>	<u>1,999</u>
	<u>\$ 37,647</u>	<u>\$ (867)</u>	<u>\$ 36,780</u>

For the year ended December 31, 2014

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred Tax Assets</u>			
Temporary differences			
Loss carryforwards	\$ 20,350	\$ -	\$ 20,350
Unrealized sale gain	-	528	528
Unrealized foreign exchange	(709)	2,448	1,739
Others	<u>1,918</u>	<u>1,724</u>	<u>3,642</u>
	<u>\$ 21,559</u>	<u>\$ 4,700</u>	<u>\$ 26,259</u>
<u>Deferred Tax Liabilities</u>			
Temporary differences			
Unrealized foreign exchange benefits	\$ 521	\$ 820	\$ 1,341
Unappropriated earnings of subsidiaries	32,376	-	32,376
Land value increment tax	1,855	-	1,855
Deferred pension expense	<u>2,078</u>	<u>(3)</u>	<u>2,075</u>
	<u>\$ 36,830</u>	<u>\$ 817</u>	<u>\$ 37,647</u>

- d. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2015	2014
Loss carryforwards		
Expiry in 2015	\$ -	\$ 530,191
Expiry in 2016	266,683	482,692
Expiry in 2017	420,243	481,092
Expiry in 2018	811,353	841,739
Expiry in 2019	753,866	770,713
Expiry in 2020	366,310	-
Expiry in 2021	36,666	36,666
Expiry in 2022	66,106	66,106
Expiry in 2023	70,766	70,766
Expiry in 2024	146,597	146,597
Expiry in 2025	<u>169,046</u>	<u>-</u>
	<u>\$ 3,107,636</u>	<u>\$ 3,426,562</u>
Deductible temporary differences		
Net defined benefit liability	\$ 82,383	\$ 70,545
Allowance for doubtful debts that exceed the limitation of tax laws	7,411	5,263
Allowance to reduce inventory to market	<u>11,865</u>	<u>11,176</u>
	<u>\$ 101,659</u>	<u>\$ 86,984</u>

- e. Information about unused loss carryforwards

As of December 31, 2015, loss carryforwards comprised of:

Unused Amount	Expiry Year
\$ 266,683	2016
420,243	2017
811,353	2018
753,866	2019
366,310	2020
36,666	2021
121,395	2022
84,893	2023
152,387	2024
<u>213,546</u>	2025
<u>\$ 3,227,342</u>	

- f. Integrated income tax

	December 31	
	2015	2014
Unappropriated earnings generated on and after January 1, 1998	<u>\$ 565,946</u>	<u>\$ 594,476</u>
Imputation credits accounts	<u>\$ 299,437</u>	<u>\$ 293,375</u>

The Company had no unappropriated earnings generated on and before December 31, 1997.

The creditable ratio for distribution of earnings of 2015 was 44.47% (expected ratio)

g. Income tax assessments

The tax returns through 2013 of the Company, Taiwan Top, AO Ether, Powerlink TWN BR, and Asia Tech have been assessed by the tax authorities.

28. EARNINGS (LOSS) PER SHARE

	Net Income (Loss) (Numerator)	Number of Shares (Denominator In Thousands)	Earnings (Loss) Per Share NT\$
<u>For the year ended December 31, 2015</u>			
Basic EPS			
Net income available to common shareholders of the parent	\$ 104,467	281,084	<u>\$ 0.37</u>
Dilutive effects			
Subsidiaries' employee compensation	(1,482)	-	
Company's employee compensation	<u>-</u>	<u>514</u>	
Diluted EPS			
Net income available to common shareholders of the parent (including effect of dilutive potential common shares)	<u>\$ 102,985</u>	<u>281,598</u>	<u>\$ 0.37</u>
<u>For the year ended December 31, 2014</u>			
Basic EPS			
Net loss for the year	<u>\$ (333,913)</u>	<u>281,044</u>	<u>\$(1.19)</u>
Diluted EPS			
Net loss for the year	<u>\$ (333,913)</u>	<u>281,044</u>	<u>\$(1.19)</u>

In case the Group offers to settle the compensation or bonus paid to employees, the payments can be made in cash or shares; accordingly, the Group assume the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares, if dilutive, are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

29. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In February, 2013, the Group subscribed for 1,755 thousand of 21,348 thousand preference shares of an associate, AO Ether, at a price of NT\$35 per share. In April, 2014, AO Ether converted its remaining preference shares to common shares; thus, the Group's ownership percentage decreased from 100% to 74%; thus, the Group recognized capital surplus for \$260,802 thousand.

The Group had an organization restructuring in December 2014. In this restructuring, AOF (Japan) was renamed AOIDC, and AOIDC became Asia International's wholly owned direct subsidiary. Formerly, Asia International held 80.1% of AOF (Japan)'s outstanding shares indirectly.

In June 2015, Asia International acquired a 61% equity interest in Dong-Guan Tailien for \$123,440 thousand, increasing its percentage of ownership from 29% to 90%; thus, the Group recognized capital surplus of \$37,897 thousand.

From June 2015 to October 2015, Yorkey Cayman had bought back 6,464 thousand shares from non-controlling shareholders. Thus, the Group's percentage of ownership interest in Yorkey Cayman increased from 27% to 28%, and the Group recognized capital surplus of \$2,929 thousand.

In November 2015, Asia International acquired 12,672 thousand shares of AO Ether from non-controlling shareholders at a cost of \$298,179 thousand. Thus, the Group's percentage of ownership interest in AO Ether increased from 74% to 91%, and the capital surplus decreased by the amount of \$40,248 thousand and the retained earnings decreased by the amount of \$103,883 thousand.

The above transactions were accounted for as equity transactions because the Group did not cease to have control over these subsidiaries.

	For the Year Ended December 31				
	2015			2014	
	Dong-Guan Tailien	Yorkey Cayman	AO Ether	AO Ether	AOF (Japan)
Cash consideration paid	\$ (123,440)	\$ (27,167)	\$ (298,179)	\$ -	\$ (5,321)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests	161,337	30,096	154,048	260,802	5,171
Changes of the associates accounted for using the equity method	-	-	-	(260,802)	-
Differences arising from equity transaction	<u>\$ 37,897</u>	<u>\$ 2,929</u>	<u>\$ (144,131)</u>	<u>\$ -</u>	<u>\$ (150)</u>
<u>Line items adjusted for equity transaction</u>					
Capital Surplus-changes in percentage of owner ship interest in subsidiaries	\$ 37,897	\$ 2,929	\$ (40,248)	\$ -	\$ (150)
Retained earnings	-	-	(103,883)	-	-
	<u>\$ 37,897</u>	<u>\$ 2,929</u>	<u>\$ (144,131)</u>	<u>\$ -</u>	<u>\$ (150)</u>

30. NON-CASH TRANSACTIONS

For the years ended December 31, 2015 and 2014, the Group entered into the following non-cash financing activities which were not reflected in the consolidated statement of cash flows:

The Group reclassified prepayments for equipment in the amounts of \$165,927 thousand and \$78 thousand to property, plant and equipment during the year ended December 31, 2015 and 2014, respectively.

31. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings, other equity).

Key management personnel of the Group review the capital structure on a quarterly basis. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

32. FINANCIAL INSTRUMENTS

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

- 1) Except as detailed in the following table, management believes the carrying amounts of financial liabilities recognized in the consolidated financial statements approximate their fair values.

	December 31			
	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities measured at amortized cost</u>				
Bonds payable	\$ 437,668	\$ 442,620	\$ 428,625	\$ 433,305

- 2) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2015</u>				
Financial liabilities measured at amortized cost				
Bonds payable	\$ -	\$ -	\$ 442,620	\$ 442,620
<u>December 31, 2014</u>				
Financial liabilities measured at amortized cost				
Bonds payable	-	-	433,305	433,305

The fair values of the financial assets and financial liabilities included in the Level 3 categories above have been determined in accordance with income approaches based on a discounted cash flow analysis, with the most significant unobservable inputs being the discount rate that reflects the credit risk of counterparties and current borrowing interest rates of the bond issuers at the end of the reporting period.

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

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2015</u>				
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ -	\$ -	\$ -
<u>December 31, 2014</u>				
Financial assets at FVTPL				
Derivative financial assets	-	-	45	45
Available-for-sale financial assets				
Beneficiary certificates	-	30,216	-	30,216

There were no transfers between Level 1 and 2 in the current and prior periods.

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

	<u>For the Year Ended December 31</u>	
	2015	2014
<u>Financial assets</u>		
Financial assets at FVTPL redemption right - convertible bonds		
Balance at January 1	\$ 45	\$ -
Additions	-	360
Recognized in profit or loss	(45)	(315)
Balance at December 31	<u>\$ -</u>	<u>\$ 45</u>

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

Available-for-sale financial assets were determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

The fair values of redemption right-convertible bonds are determined using binomial option pricing models where the significant unobservable inputs are historical volatility. An increase in the historical volatility used in isolation would result in an increase in the fair value of redemption right-convertible bonds.

c. Categories of financial instruments

	December 31	
	2015	2014
Financial assets		
FVTPL	\$ -	\$ 45
Available-for-sale financial assets	-	30,216
Loans and receivables	11,794,016	11,327,492
Financial assets carried at cost	144,945	154,669
Financial liabilities		
Financial assets carried at amortized cost	5,208,301	6,503,446

Loans and receivables included cash and cash equivalents, notes and trade receivable, other financial assets and refundable deposits and so on, which were carried at amortized cost.

The financial liabilities carried at amortized cost were including short-term bank borrowings, notes and trade payable, other payable, bonds payable (including bonds over one-year maturities) and guarantee deposit received and so on, which were carried at amortized cost.

d. Financial risk management objectives and policies

The Group's major financial instruments included equity, trade receivable, trade payables, borrowings, and bonds payable. The Group's Corporate Treasury function provides services to the business, coordinates access to 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, credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency-denominated monetary assets and monetary liabilities are shown in Note 36.

Sensitivity analysis

The Group was mainly exposed to the USD, HKD, RMB, JPY and EUR.

The following table details the Group's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. 1% 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 1% change in foreign currency rates. Numbers below indicate the change in pre-tax profit or equity associated with a 1% increase and decrease in New Taiwan dollars against the relevant currency:

	For the Year Ended December 31	
	2015	2014
Profit or loss		
USD impact	\$ 9,651	\$ 3,388
EUR impact	3,437	1,383
HKD impact	1,923	1,540
JPY impact	619	1,556
RMB impact	-	5,839

In management's opinion, sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings, and using forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

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

	December 31	
	2015	2014
Fair value interest rate risk		
Financial assets	\$ 4,375,062	\$ 3,281,895
Financial liabilities	437,668	428,625
Cash flow interest rate risk		
Financial assets	2,995,826	3,522,013
Financial liabilities	1,116,050	2,166,443

Sensitivity analysis

Had interest rates been 5% basis points higher/lower and all other variables been held constant, the Group's pretax profits would have decreased by \$518 thousand in 2015 and \$422 thousand in 2014. A 5% basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

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 of the end of a reporting period, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to the counterparties' failure to discharge an obligation and due to financial guarantees provided by the Group could arise from:

- a) The carrying amounts of the financial assets presented in the balance sheets; and
- b) The amounts of contingent liabilities in relation to financial guarantees issued by the Group.

The Group adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group also formed a team responsible for the establishment of credit limits, authorization of credit lines, monitoring of procedures and the development of proper strategies to ensure that receivables are collected by their due dates. On the balance sheet date, the Group carefully reviews the schedule of receivables and writes off as loss any amount that is considered uncollectible. Thus, credit risk is considered low.

3) Liquidity risk

The Group's operating funds are deemed sufficient to meet the cash flow demand; thus, liquidity risk is not considered significant.

Liquidity and interest risk rate tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

Non-derivative Financial Liabilities	On Demand Or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
<u>December 31, 2015</u>					
Fixed interest rate liabilities	\$ -	\$ -	\$ -	\$ 437,668	\$ 437,668
Variable interest rate liabilities	-	1,116,050	-	-	1,116,050
	<u>\$ -</u>	<u>\$ 1,116,050</u>	<u>\$ -</u>	<u>\$ 437,668</u>	<u>\$ 1,553,718</u>

Non-derivative Financial Liabilities	On Demand Or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
<u>December 31, 2014</u>					
Fixed interest rate liabilities	\$ -	\$ -	\$ -	\$ 428,625	\$ 428,625
Variable interest rate liabilities	<u>-</u>	<u>2,137,958</u>	<u>28,485</u>	<u>-</u>	<u>2,166,443</u>
	<u>\$ -</u>	<u>\$ 2,137,958</u>	<u>\$ 28,485</u>	<u>\$ 428,625</u>	<u>\$ 2,595,068</u>

33. RELATED-PARTY TRANSACTIONS

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

a. Trading transactions

	<u>For the Year Ended December 31</u>	
	<u>2015</u>	<u>2014</u>
1) Sales of goods		
Associates	<u>\$ 14,511</u>	<u>\$ -</u>
2) Purchases of goods		
Associates	\$ 70,295	\$ 80,149
Others	<u>44,296</u>	<u>32,595</u>
	<u>\$ 114,591</u>	<u>\$ 112,744</u>
3) Operating expense		
Others	<u>\$ 18,121</u>	<u>\$ 29,257</u>
4) Nonoperating income and expense		
Management	\$ 13,481	\$ 13,132
Associates	<u>4,390</u>	<u>3,127</u>
	<u>\$ 17,871</u>	<u>\$ 16,259</u>

The purchase and sale prices for related parties were similar to those for third parties. The payment for payables is within one month to six months.

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
5) Trade receivable		
Associates	<u>\$ -</u>	<u>\$ 25,224</u>

	December 31	
	2015	2014
6) Other financial assets - current		
Management	\$ 2,105	\$ 2,165
Associates	<u>511</u>	<u>538</u>
	<u>\$ 2,616</u>	<u>\$ 2,703</u>
7) Other current assets		
Associates	<u>\$ -</u>	<u>\$ 26,095</u>
8) Trade payable		
Associates	\$ 15,247	\$ 19,623
Other	<u>24,680</u>	<u>9,577</u>
	<u>\$ 39,927</u>	<u>\$ 29,200</u>
9) Other payables		
Associates	\$ 35	\$ -
Other	<u>70</u>	<u>4,270</u>
	<u>\$ 105</u>	<u>\$ 4,270</u>
10) Other current liabilities		
Associates	<u>\$ 538</u>	<u>\$ 9,132</u>

Related parties identified as “Other” comprised Panwell Optical Machinery Co., Ltd. (one of its directors is the Parent Company’s supervisor); Hoya Corporation (a corporate shareholder of Hong Kong Pentax Sintai Holding Co., Limited).

b. Compensation of key management personnel

	For the Year Ended December 31	
	2015	2014
Short-term employee benefits	<u>\$ 30,263</u>	<u>\$ 22,048</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

34. PLEDGED ASSETS

The following assets (classified as other financial assets-current) had been pledged as collateral to meet customs duty, convertible bonds requirements and the promise of convertible bonds:

	December 31	
	2015	2014
Restricted demand deposits (time deposits)	<u>\$ 1,613</u>	<u>\$ 1,000</u>

35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Group were as follows:

- a. The Group had rented land and buildings under operating lease agreements with unrelated parties. The present values of estimated rental expense for future years are as follows:

Year	Rent Payable
2016	\$ 10,554
2017	4,848
2018	1,328
2019	1,081
2020 and thereafter	<u>28,150</u>
	<u>\$ 45,961</u>

- b. As of December 31, 2015, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$8,482 thousand.
- c. In order to provide sufficient operation funds, Asia International incurred syndicated loan with a credit line of US\$50,000 thousand with Chinatrust Commercial Bank and related management group. Asia International is required to maintain its current ratio not less than 150%, debt ratio less than 100% and the value of net tangible assets not less than \$260 million in U.S. dollars during the contractual period of the loan agreement. Furthermore, Asia International cannot dispose any material assets or rights without the permissions of the management group (bank) during the loan period.

36. 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:

	December 31, 2015			
	Foreign Currencies	Exchange Rate		Carrying Amount
<u>Financial assets</u>				
Monetary items				
USD	\$ 69,399	32.825	(USD:NTD)	\$ 2,278,022
USD	103,575	6.4936	(USD:RMB)	3,399,849
USD	9,738	7.7509	(USD:HKD)	319,650
USD	3,857	45.781	(USD:PHP)	126,606
JPY	1,548,378	0.0083	(JPY:USD)	421,852
HKD	57,527	0.129	(HKD:USD)	243,594
HKD	54,789	0.8377	(HKD:RMB)	232,000
EUR	9,579	1.0931	(EUR:USD)	343,695
				(Continued)

December 31, 2015				
<u>Financial liabilities</u>	Foreign Currencies	Exchange Rate		Carrying Amount
Monetary items				
USD	\$ 69,975	32.825	(USD:NTD)	\$ 2,296,929
USD	69,902	6.4936	(USD:RMB)	2,294,533
USD	7,866	7.7509	(USD:HKD)	258,201
USD	9,425	45.781	(USD:PHP)	309,376
JPY	904,626	0.0083	(JPY:USD)	246,463
JPY	416,423	0.0546	(JPY:RMB)	113,453
HKD	66,897	0.129	(HKD:USD)	283,270
				(Concluded)

December 31, 2014				
<u>Financial assets</u>	Foreign Currencies	Exchange Rate		Carrying Amount
Monetary items				
USD	\$ 61,988	31.65	(USD:NTD)	\$ 1,961,920
USD	78,196	6.119	(USD:RMB)	2,474,903
USD	6,711	7.7574	(USD:HKD)	212,403
USD	3,687	43.6681	(USD:PHP)	116,694
RMB	112,895	0.1634	(RMB:USD)	583,938
JPY	2,851,749	0.0084	(JPY:USD)	758,166
JPY	442,564	0.0652	(JPY:HKD)	117,660
HKD	64,394	0.1289	(HKD:USD)	262,707
HKD	117,279	0.7889	(HKD:RMB)	478,461
EUR	3,595	1.2155	(EUR:USD)	138,302

Financial liabilities

Monetary items				
USD	41,489	31.65	(USD:NTD)	1,313,127
USD	81,734	6.119	(USD:RMB)	2,586,881
USD	7,142	7.7574	(USD:HKD)	226,044
USD	9,514	43.6681	(USD:PHP)	301,118
JPY	1,672,950	0.0084	(JPY:USD)	444,770
JPY	1,036,036	0.0514	(JPY:RMB)	275,441
HKD	143,920	0.1289	(HKD:USD)	587,148

For the years ended December 31, 2015 and 2014, realized and unrealized net foreign exchange gains were \$98,849 thousand and \$17,920 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

37. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others: Table 1
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held (excluding investment in subsidiaries and associates): Table 2
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT \$300 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4
- 9) Trading in derivative instruments: Notes 7 and 32
- 10) Intercompany relationships and significant intercompany transactions: Table 5
- 11) Information on investees: Table 6

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the mainland China area: Table 7
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 3
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 3
 - c) The amount of property transactions and the amount of the resultant gains or losses: None
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1

- f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None

38. SEGMENT INFORMATION

Information is reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance. The Company's and subsidiaries' reportable segments included optical components, digital cameras, contact image sensor modules, optronics products and optronics components.

a. Segment revenues and results

	<u>Segment Revenue</u>		<u>Segment Profit (Loss)</u>	
	<u>The Year Ended December 31</u>		<u>The Year Ended December 31</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Optical components	\$ 8,589,643	\$ 8,466,245	\$ (711,948)	\$ (1,192,573)
Contact image sensor modules	3,591,060	3,292,349	284,614	307,467
Digital cameras	1,304,647	1,516,458	101,272	(66,577)
Optronics products	2,415,255	1,951,467	403,283	563,927
Optronics components	<u>2,461,479</u>	<u>2,559,451</u>	<u>172,291</u>	<u>174,297</u>
	<u>\$ 18,362,084</u>	<u>\$ 17,785,970</u>	<u>\$ 249,512</u>	<u>\$ (213,459)</u>

b. Adjustment of segment revenue and profit

1) Segment revenue

	<u>The Year Ended December 31</u>	
	<u>2015</u>	<u>2014</u>
Reportable segment revenues	\$ 18,362,084	\$ 17,785,970
Other revenues	340,334	366,088
Eliminated intersegment revenues	<u>(441,771)</u>	<u>(443,430)</u>
Net sales	<u>\$ 18,260,647</u>	<u>\$ 17,708,628</u>

2) Segment profits

	<u>The Year Ended December 31</u>	
	<u>2015</u>	<u>2014</u>
Reportable segment income (losses)	\$ 249,512	\$ (213,459)
Amortization general and administrative expenses	113,809	94,517
Foreign exchange gain, net	98,849	17,920
General revenue	96,596	196,748
Rental income	78,067	23,289
Interest income	39,927	64,771
Loss on disposal of intangible assets	-	(224)
Valuation gain (loss) on financial instruments	(397)	(27,685)

(Continued)

	The Year Ended December 31	
	2015	2014
Other profit (loss)	\$ (1,159)	\$ (23,535)
Loss on disposal of property, plant and equipment	(4,490)	(5,899)
General expenses and losses	(135,492)	(107,958)
Interest expense	(45,751)	(70,095)
Share of loss of associates	<u>(91,004)</u>	<u>(57,775)</u>
Net income (loss) before income tax	<u>\$ 398,467</u>	<u>\$ (109,385)</u> (Concluded)

Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales in 2015 and 2014.

Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' compensation, interest income, default and compensation income, gain or loss on disposal of assets, exchange gain or loss, valuation gain or loss on financial instruments, interest expense and income tax expense. This is the amount reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

c. Segment assets and liabilities

The information on the assets and liabilities of each segment has not been reported to the chief operating decision maker.

d. Geographical information

The Group operates in two principal geographical areas - Asia and America.

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from		Non-current Assets	
	External Customers		December 31	
	Year Ended December 31		2015	2014
	2015	2014	2015	2014
Asia	\$ 9,187,695	\$ 8,746,891	\$ 5,446,224	\$ 6,285,280
America	<u>9,072,952</u>	<u>8,961,737</u>	<u>572,282</u>	<u>726,109</u>
	<u>\$ 18,260,647</u>	<u>\$ 17,708,628</u>	<u>\$ 6,018,506</u>	<u>\$ 7,011,389</u>

Non-current assets exclude financial assets measured at cost, investments accounted for using the equity method and deferred tax assets.

e. Information on major customers

Major customer accounted for \$2,140,611 thousand and \$2,353,451 thousand of the Group's revenue for 2015 and 2014, respectively.

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
 FOR THE YEAR ENDED DECEMBER 31, 2015
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower (Note 2)	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment loss	Collateral		Financing Limit for Each Borrower(Note 1)	Aggregate Financing Limit(Note 1)
													Item	Value		
1	Great	Myanmar Asia	Receivable from related parties	Yes	\$ 137,241 (US\$ 4,181)	\$ 137,241 (US\$ 4,181)	\$ 137,241 (US\$ 4,181)	-	Short-term financing	\$ -	For working capital	\$ -	-	-	\$ 1,000,000	\$ 2,000,000
2	Shen Zhen Sintai	Shang Hai Sintai	Receivable from related parties	Yes	387,773 (RMB 76,710)	372,608 (RMB 73,710)	372,608 (RMB 73,710)	0.5	Short-term financing	-	For working capital	-	-	-	1,000,000	2,000,000
3	Asia International	AOF (HK)	Other receivables	Yes	922,383 (US\$ 28,100)	922,383 (US\$ 28,100)	922,383 (US\$ 28,100)	-	Short-term financing	-	Repayments of borrowings	-	-	-	1,000,000	2,000,000

Note1: Based on (a) no more than NT\$1 billion for the individual financier and (b) no more than NT\$2 billion in total.

Note2: Intercompany accounts and transactions have been eliminated.

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

**MARKETABLE SECURITIES HELD
DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2015			
				Shares/Units (In Thousands)	Carrying Amount	Percentage of Ownership	Fair Value
Asia International	<u>Equity</u> Pioneer	None	Financial assets measured at cost – non-current	-	\$ 137,865	13	\$ -
Powerlink	<u>Stock</u> Kotura	None	Financial assets measured at cost – non-current	1	7,080	1	-

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)

Purchaser or Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase / Sale	Amount	%	Payment Terms	Unit Price	Payment Terms	Ending Balance	%	
Asia Optical	Asia International	Note 1	Sale	\$ (187,470)	(18)	30-180 days	-	-	\$ (370,687)	(84)	Note 2
Asia International	Shen Zhen Sintai	Note 1	Purchase	3,067,850	13	30-180 days	-	-	(491,543)	(19)	Note 2
	Powerlink Cayman	Note 1	Purchase	1,098,807	5	30-180 days	-	-	(183,580)	(7)	Note 2
	Myanmar Asia	Note 1	Purchase	568,755	2	30-180 days	-	-	2,724,772	26	Note 2
	Dong-Guan Tailien	Note 1	Purchase	1,061,072	4	30-180 days	-	-	(177,180)	(7)	Note 2
	Dong-Guan Sintai	Note 1	Purchase	1,630,513	7	30-180 days	-	-	78,389	1	Note 2
	Yorkey Technology	Note 1	Purchase	186,402	1	30-180 days	-	-	(18,143)	(1)	Note 2
	Asia Optical	Note 1	Purchase	187,470	1	30-180 days	-	-	510,297	5	Note 2
AO Ether	AO Cayman	Note 1	Purchase	243,898	88	30-180 days	-	-	(7,329)	(2)	Note 2
AO Cayman	AO Shen Zhen	Note 1	Sale	(159,087)	(33)	30-180 days	-	-	328,644	92	Note 2
		Note 1	Purchase	320,537	60	30-180 days	-	-	(35,371)	(11)	Note 2
	AO Ether	Note 1	Sale	(243,898)	(48)	30-180 days	-	-	18,645	5	Note 2
Powerlink Cayman	Scopro	Note 1	Purchase	1,385,856	67	30-180 days	-	-	(126,541)	(58)	Note 2
	Asia International	Note 1	Sale	(1,098,807)	(51)	30-180 days	-	-	274,189	37	Note 2
	Powerlink TWN BR	Note 1	Sale	(1,049,161)	(49)	30-180 days	-	-	460,243	63	Note 2
Powerlink TWN BR	Scopro	Note 1	Sale	(873,135)	(44)	30-180 days	-	-	280,727	65	Note 2
	Powerlink Cayman	Note 1	Purchase	1,049,161	55	30-180 days	-	-	(436,920)	(60)	Note 2
Scopro	Powerlink Cayman	Note 1	Sale	(1,385,856)	(100)	30-180 days	-	-	126,541	100	Note 2
	Powerlink TWN BR	Note 1	Purchase	873,135	85	30-180 days	-	-	(280,727)	(82)	Note 2
Pentax Sintai	Shen Zhen Pentax Sintai	Note 1	Sale	(134,890)	(37)	30-180 days	-	-	11,506	21	Note 2
		Note 1	Purchase	195,506	59	30-180 days	-	-	(72,468)	(73)	Note 2
Asia Tech	Asia Tech Samoa	Note 1	Purchase	3,281,217	100	30-180 days	-	-	(535,400)	(90)	Note 2
Asia Tech Samoa	Asia Tech	Note 1	Sale	(3,281,217)	(100)	30-180 days	-	-	535,400	100	Note 2
	Shen Zhen Atii	Note 1	Purchase	3,094,279	100	30-180 days	-	-	(533,218)	(68)	Note 2
Shen Zhen Atii	Asia Tech Samoa	Note 1	Sale	(3,094,279)	(100)	30-180 days	-	-	533,218	100	Note 2
Shen Zhen Pentax Sintai	Pentax Sintai	Note 1	Sale	(195,506)	(100)	30-180 days	-	-	72,463	100	Note 2
		Note 1	Purchase	134,890	90	30-180 days	-	-	(10,187)	(55)	Note 2

(Continued)

Purchaser or Seller	Related Party	Nature of the Relationship	Transaction Details				Non-arm's Length Terms		Notes/Accounts Payable or Receivable		Note
			Purchase or Sale	Amount	%	Payment Terms	Unit Price	Payment Terms	Ending Balance	%	
Dong-Guan Sintai	Asia International	Note 1	Sale	\$ (1,630,513)	(99)	30-180 days	-	-	\$ 615,750	100	Note 2
Shen Zhen Sintai	Asia International	Note 1	Sale	(3,067,850)	(84)	30-180 days	-	-	523,353	69	Note 2
	Dong-Guan Yorkey	Note 1	Sale	(136,265)	(4)	30-180 days	-	-	40,082	5	Note 2
Dong-Guan Tailien	Asia International	Note 1	Sale	(1,061,072)	(99)	30-180 days	-	-	190,432	83	Note 2
AO Shen Zhen	AO Cayman	Note 1	Sale	(320,537)	(70)	30-180 days	-	-	35,371	41	Note 2
		Note 1	Purchase	159,087	100	30-180 days	-	-	(215,086)	(76)	Note 2
Myanmar Asia	Asia International	Note 1	Sale	(568,755)	(100)	30-180 days	-	-	(2,724,772)	(92)	Note 2
Yorkey Technology	Asia International	Note 1	Sale	(186,402)	(8)	30-180 days	-	-	18,445	5	Note 2
	Dong-Guan Yorkey	Note 1	Sale	(452,625)	(18)	30-180 days	-	-	-	-	Note 2
		Note 1	Purchase	1,978,468	85	30-180 days	-	-	(577,739)	(83)	Note 2
Dong-Guan Yorkey	Yorkey Technology	Note 1	Sale	(1,978,468)	(91)	30-180 days	-	-	577,739	69	Note 2
		Note 1	Purchase	452,625	52	30-180 days	-	-	-	-	Note 2
	Shen Zhen Sintai	Note 1	Purchase	136,265	16	30-180 days	-	-	(40,082)	(8)	Note 2

(Concluded)

Note 1: Refer to Note 12 of consolidated financial statements.

Note 2: Intercompany accounts and transactions have been eliminated.

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)

Company Name	Related Party (Note 2)	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Powerlink	Asia International	Affiliate	\$ 347,928	Note 1	\$ -	-	\$ -	\$ -
Asia International	Myanmar Asia	Indirect Subsidiary of Asia International	2,724,772	Note 1	-	-	-	-
	Shang Hai Sintai	Subsidiary of Asia International	662,156	Note 1	-	-	-	-
	AOF (HK)	Subsidiary of Asia International	3,655,224	Note 1	-	-	-	-
	AOF (HK)	Subsidiary of Asia International	922,383	Note 1	-	-	-	-
	Great	Subsidiary of Asia International	174,478	Note 1	-	-	-	-
	AO Cayman	Affiliate	185,165	Note 1	-	-	-	-
	Asia Optical	Parent Company of Asia International	518,040	Note 1	-	-	-	-
	Asia Optical	Parent Company of Asia International	510,297	Note 1	-	-	-	-
Great	Myanmar Asia	Subsidiary of Great	223,210	Note 1	-	-	-	-
AO Cayman	AO Shen Zhen	Subsidiary of AO Cayman	328,644	Note 1	-	-	-	-
	AO Shen Zhen	Subsidiary of AO Cayman	422,942	Note 1	-	-	-	-
Scopro	Powerlink Cayman	Affiliate	126,541	Note 1	-	-	-	-
Powerlink TWN BR	Scopro	Affiliate	280,727	Note 1	-	-	-	-
Dong Guan Sintai	Asia International	Parent Company of Dong Guan Sintai	615,750	Note 1	-	-	-	-
Dong Guan Tailien	Asia International	Parent Company of Dong Guan Tailien	190,432	Note 1	-	-	-	-
Xingfung Sintai	Asia International	Parent Company of Xingfung Sintai	375,567	Note 1	-	-	-	-
Shen Zhen Sintai	Asia International	Parent Company of Shen Zhen Sintai	523,353	Note 1	-	-	-	-
	Shang Hai Sintai	Affiliate	372,608	Note 1	-	-	-	-
Asia Tech Samoa	Asia Tech	Parent Company of Asia Tech Samoa	535,400	Note 1	-	-	390,477	-
Powerlink Cayman	Asia International	Affiliate	274,189	Note 1	-	-	-	-
	Powerlink TWN BR	Branches operations of Powerlink Cayman	460,243	Note 1	-	-	-	-
Shen Zhen Atii	Asia Tech Samoa	Parent Company of Shen Zhen Atii	533,218	Note 1	-	-	63,746	-
Dong-Guan Yorkey	Yorkey Technology	Parent Company of Dong-Guan Yorkey	577,739	Note 1	-	-	-	-
Click	Yorkey Technology	Parent Company of Click	363,996	Note 1	-	-	-	-
Yorkey Cayman	Yorkey Technology	Subsidiary of Yorkey Cayman	1,824,395	Note 1	-	-	-	-

Note 1: The receivables resulted from purchases of materials and property, plant, and equipment on behalf of Asia International and loan transaction; thus, turnover analysis was not suitable.

Note 2: Intercompany accounts and transactions have been eliminated.

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)

Number	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			% to Total Sales or Assets (Note 2)
				Financial Statement Accounts	Amount	Payment Terms	
0	Asia Optical	Asia International	1	Sales	\$ 187,470	30-180 days	1
				Purchases	1,213	30-180 days	-
				Other Income	8,518	-	-
				Trade payable	370,687	30-180 days	2
				Other payable	661,742	-	3
				Other current liabilities-advance sales receipts	69,137	-	-
				Powerlink TWN BR	1	Sales	2,611
				Rental income	1,829	30 days	-
				Other financial assets - current	1,547	-	-
		Taiwan Top	1	Purchases	22,426	30-180 days	-
				Trade payable	4,148	30-180 days	-
				Other payable	4,333	-	-
		AO Shen Zhen	1	Trade receivable	27,237	30-180 days	-
		AO Ether	1	Sales	5,328	30-180 days	-
				Purchases	26,179	30-180 days	-
				Rental income	5,410	30 days	-
				Trade receivables	2,049	30-180 days	-
				Other financial assets - current	14,962	-	-
				Trade payable	5,038	30-180 days	-
				Other payable	1,857	-	-
	AO Cayman	1	Sales	22,566	30-180 days	-	
			Purchase	34,465	30-180 days	-	
			Trade receivable	44,038	30-180 days	-	
			Trade payable	2,018	30-180 days	-	
	Powerlink Cayman	1	Sales	1,771	30-180 days	-	
			Trade receivable	1,839	30-180 days	-	
	Richman	1	Other payable	48,454	-	-	
1	Asia International	Powerlink	2	Trade payable	347,928	30-180 days	2
		Dong-Guan Tailien	2	Purchase	1,061,072	30-180 days	6
				Trade payable	177,180	30-180 days	1
		Taiwan Top	2	Purchases	2,169	30-180 days	-
				Trade payable	1,182	30-180 days	-
		Dong-Guan Sintai	2	Purchases	1,630,513	30-180 days	9
				Trade receivable	78,389	30-180 days	-
		Other payable	33,311	-	-		

(Continued)

Number	Company Name	Counter-party	Flow of Transaction (Note 1)	Transaction Details					
				Financial Statement Accounts	Amount	Payment Terms	% to Consolidated Sales or Consolidated Assets (Note 2)		
1	Asia International	Pentax Sintai	2	Sales	\$ 4,062	30-180 days	-		
				Other income	12,870	-	-		
		Shen Zhen Sintai	2	Trade receivable	3,328	30-180 days	-		
				Purchases	3,067,850	30-180 days	17		
		Myanmar Asia	2	Trade payable	491,543	30-180 days	2		
				Other payable	35,832	-	-		
		Xingfung Sintai	2	Purchases	568,755	30-180 days	3		
				Trade receivable	2,724,772	30-180 days	13		
		Shang Hai Sintai	2	Purchases	27,718	30-180 days	-		
				Trade payable	375,567	30-180 days	2		
		AOF (HK)	2	Purchases	54,753	30-180 days	-		
				Trade receivable	662,156	30-180 days	3		
		Great AOIDC	2	Trade receivable	3,655,224	30-180 days	17		
				Other financial assets - current	922,383	-	4		
		AO Ether	2	Trade receivable	174,478	30-180 days	1		
				Service gees	108,201	30-180 days	1		
		AO Shen Zhen	2	Other current assets	44,038	-	-		
				Purchases	13,608	30-180 days	-		
		AO Cayman	2	Trade receivable	29,061	30-180 days	-		
				Trade receivable	51,632	30-180 days	-		
Asia Tech Samoa	2	Purchases	49,701	30-180 days	-				
		Trade receivable	185,165	30-180 days	1				
Powerlink Cayman	2	Trade receivable	3,477	30-180 days	-				
		Purchases	1,098,807	30-180 days	6				
Yorkey Technology	2	Trade payable	183,580	30-180 days	1				
		Purchases	186,402	30-180 days	1				
				Trade payable	18,143	30-180 days	-		
2	AO Ether	Taiwan Top	2	Sales	1,273	30-180 days	-		
				Sales	(8,945)	30-180 days	-		
		AO Cayman	2	Purchase	243,898	30-180 days	1		
				Trade receivable	25,037	30-180 days	-		
						Other current assets	133,126	-	-
						Trade payable	7,329	30-180 days	-
						Other payable	11,316	-	-
3	Powerlink TWN BR	Powerlink	2	Other income	1,314	-	-		
		Taiwan Top	2	Purchases	22,760	30-180 days	-		
		Scopro	2	Trade payable	4,703	30-180 days	-		
				Sales	873,135	30-180 days	5		
		Asia Scopro	2	Trade receivable	280,727	30-180 days	1		
				Sales	27,698	30-180 days	-		
				Trade receivable	28,637	30-180 days	-		
4	Asia Tech	Asia Tech Samoa	2	Purchase	3,281,217	30-180 days	18		
				Other income	14,473	-	-		
				Trade payable	535,400	30-180 days	3		

(Continued)

Number	Company Name	Counter-party	Flow of Transaction (Note 1)	Transaction Details					
				Financial Statement Accounts	Amount	Payment Terms	% to Consolidated Sales or Consolidated Assets (Note 2)		
5	AO Cayman	AO Shen Zhen	2	Sales	\$ 159,087	30-180 days	1		
				Purchases	320,537	30-180 days	2		
				Trade receivable	328,644	30-180 days	2		
				Other financial assets - current	422,942	-	2		
				Other current assets	16,413	-	-		
				Trade payable	35,371	30-180 days	-		
				Rental income	3,475	30 days	-		
				Xingfung Sintai	4,764	30 days	-		
				Other financial assets - current	2,037	-	-		
6	Dong-Guan Sintai	Dong-Guan Tailien	2	Rental income	12,976	30 days	-		
				Other financial assets - current	2,464	-	-		
				Dong-Guan Yorkey	2	Purchases	1,151	30-180 days	-
						Rental income	39,417	30 days	-
						Other financial assets - current	6,548	-	-
7	Shen Zhen Sintai	Shen Zhen Pentax Sintai	2	Sale	1,408	30-180 days	-		
				Rental income	3,928	30 days	-		
				Rental income	10,960	30 days	-		
		Shen Zhen Atii	2	Other financial assets - current	1,074	-	-		
				Shang Hai Sintai	2	Purchases	1,534	30-180 days	-
						Other financial assets - current	372,608	-	2
		AO Shen Zhen	2	Trade payable	1,802	30-180 days	-		
				Other payable	10,252	-	-		
				Sales	5,973	30-180 days	-		
		Dong-Guan Tailien	2	Rental income	23,394	30-180 days	-		
				Trade receivable	2,192	30-180 days	-		
				Other financial assets - current	56,229	-	-		
		Dong-Guan Yorkey	2	Sales	4,118	30-180 days	-		
				Trade receivable	4,839	30-180 days	-		
				Sales	136,265	30-180 days	-		
		Dong-Guan Sintai	2	Purchases	14,036	30-180 days	-		
				Trade receivable	40,082	30-180 days	1		
				Other payable	3,999	-	-		
				Sales	10,213	30-180 days	-		
						Trade receivable	3,607	30-180 days	-
						Other payable	1,279	-	-
		8	Great	Myanmar Asia	2	Other financial assets - current	223,210	-	1
9	Winton	Sintai North Precision	2	Purchases	12,214	30-180 days	-		
10	Pentax Sintai	Shen Zhen Pentax Sintai	2	Sales	134,890	30-180 days	1		
				Purchases	195,506	30-180 days	1		
				Trade receivable	11,506	30-180 days	-		
				Trade payable	72,468	30-180 days	-		

(Continued)

Number	Company Name	Counter-party	Flow of Transaction (Note 1)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Consolidated Sales or Consolidated Assets (Note 2)
11	Asia Tech Samoa	Shen Zhen Atii	2	Purchases	\$ 3,094,279	30-180 days	17
				Trade payable	533,218	30-180 days	2
		Yorkey Technology	2	Purchases	65,683	30-180 days	-
				Trade payable	12,612	30-180 days	-
12	Powerlink Cayman	Scopro	2	Sales	1,377	30-180 days	-
				Purchases	1,385,856	30-180 days	7
				Trade payable	126,541	30-180 days	1
		Asia Scopro	2	Other current assets	37,852	-	-
				Powerlink	2	Other payable	69,917
		Powerlink TWN BR	2	Sales	1,049,161	30-180 days	6
				Purchases	3,227	30-180 days	-
Trade receivable	460,243	30-180 days	2				
13	Yorkey Technology	Dong-Guan Yorkey	2	Sales	452,625	30-180 days	2
				Purchase	1,978,468	30-180 days	11
				Other financial assets - current	5,912	-	-
				Trade payable	5,77,739	30-180 days	3
		Yorkey Cayman	2	Other payable	1,824,395	-	9
				Click	2	Other expense	229,078
		Other payable	363,966	-	2		
14	Scopro	Asia Scopro	2	Other financial assets - current	3,578	-	-
15	Dong-Guan Tailien	Dong-Guan Yorkey	2	Purchases	3,728	30-180 days	-

(Concluded)

Note 1: 1. From the parent company to the subsidiary.
2. From the subsidiary to the subsidiary.

Note 2: The percentage of transactions to consolidated assets and liabilities items are calculated at the end of reporting period; income and expense items are calculated at the accumulated amount of consolidated sales.

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2015			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2015	December 31, 2014	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
Asia Optical	Asia Tech	New Taipei	Sale of precision instruments and image sensors	\$ 231,753	\$ 231,753	19,028	31	\$ 531,799	\$ 249,200	\$ 76,529	Subsidiary
	Asia International	British Virgin Islands	Sale of riflescopes, lenses and optical components	2,701,520	2,701,520	15,686	100	8,704,078	359,347	359,347	Subsidiary
	AO Ether	Taichung	Design, manufacture and sale of cell phone related products	1,485,408	1,485,408	54,692	74	624,888	(417,037)	(307,023)	Subsidiary
	Powerlink	British Virgin Islands	Sale of riflescopes, lenses and optical components	14,000	14,000	50	100	473,097	1,300	1,300	Subsidiary
	Richman	British Virgin Islands	Holding company	237,998	237,998	7,266	100	296,291	6,826	6,826	Subsidiary
	Taiwan Top	Changhua	Manufacture and sale of cameras, copy machines, printers and facsimile machines	562,781	562,781	7,744	93	81,234	14,629	13,537	Subsidiary
	Powerlink Cayman	Cayman Islands	Trading company	44,392	44,392	1,500	100	664,018	171,607	171,607	Subsidiary
Asia International	Pentax Sintai	Hong Kong	Trading company	42,557	42,557	9,360	45	66,292	315	142	Indirect subsidiary
	Winton	British Virgin Islands	Sale of precision instruments, testing machines for electronic use and print devices	-	2,650	-	-	-	(18,586)	(11,170)	Indirect subsidiary
	Great	Hong Kong	Holding company	412,183	412,183	-	100	(1,795,257)	(32,723)	(32,723)	Indirect subsidiary
	AOF (HK)	Hong Kong	Trading company	135,036	135,036	4,005	80	(3,914,122)	(34,926)	(27,976)	Indirect subsidiary
	Yorkey Cayman	Cayman Islands	Holding company	549,526	549,526	186,833	23	1,005,424	128,007	28,910	Indirect Subsidiary
	AOIDC	Japan	Development and technology services	22,071	22,071	308	100	27,235	768	768	Indirect Subsidiary
	AO Ether	Taichung	Design, manufacture and sale of cell phone related products	298,179	-	12,672	17	144,808	(417,037)	(11,824)	Subsidiary
	Ether	Cayman Islands	Holding company	-	616,593	-	-	-	-	-	-
Powerlink	Scopro	Philippines	Manufacture and trade of riflescopes, lenses and optical component	5,119	5,119	4,000	100	10,630	(15,305)	(15,305)	Indirect subsidiary
Powerlink Cayman	Asia Scopro	Philippines	Manufacture and trade of riflescopes, lenses and optical component	17,043	17,043	576	100	(819)	(4,539)	(4,539)	Indirect subsidiary
Asia Tech	Asia Tech Samoa	Samoa	Sale of precision instruments and image sensor	845,520	620,520	18,662	100	1,498,507	82,704	82,704	Indirect Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2015			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2015	December 31, 2014	Shares (In Thousands)	%	Carrying Value			
Richman	Yorkey Cayman	Cayman Islands	Holding company	\$ 291,289	\$ 291,289	40,000	5	\$ 215,227	\$ 128,007	\$ 6,187	Indirect Subsidiary
Great	Myanmar Asia	Myanmar	Manufacture of lens and related products	365,865	330,338	11,111	100	(1,845,610)	(32,266)	(32,266)	Indirect subsidiary
AO Ether	AO Cayman	Cayman Islands	Sale of cell phone related products	1,171,801	1,171,801	39,176	100	383,063	(223,134)	(223,134)	Indirect subsidiary
Yorkey Cayman	Yorkey Technology	Samoa	Trading company	2,560,518	2,560,518	550,001	100	1,698,666	4,776	4,776	Indirect subsidiary
	Yorkey Brazil	Brazil	Manufacture and sale of cameras and electric device	414,093	414,093	24,500	49	27,836	(191,679)	(93,902)	-
Yorkey Technology	Click	British Virgin Islands	Technology training and after-sales services	-	-	1	100	276,731	200,604	200,604	Indirect subsidiary

(Concluded)

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2015	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2015	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2015	Accumulated Repatriation of Investment Income as of December 31, 2015
					Outward	Inward						
Shen Zhen Sintai	Manufacture of laser printers, cameras, scanners and plastic products	US\$ 38,000	(2)	\$ 1,270,274 (US\$ 38,000)	\$ -	\$ -	\$ 1,270,274 (US\$ 38,000)	\$ (59,253)	100	\$ (59,253)	\$ 2,426,606	\$ -
Dong-Guan Sintai	Manufacture of optical components and finished products	US\$ 16,600	(2)	1,234,670 (US\$ 35,937)	-	-	1,234,670 (US\$ 35,937)	(102,567)	100	(102,567)	388,384	454,587 (US\$ 14,000)
Shen Zhen Atii	Manufacture and sale of image sensor	US\$ 10,000	(2)	170,256 (US\$ 5,400)	-	-	170,256 (US\$ 5,400)	91,902	31	28,223	340,291	-
Shang Hai Sintai	Manufacture and sale of parts of DV and DSC	US\$ 34,000	(2)	1,098,606 (US\$ 34,000)	-	-	1,098,606 (US\$ 34,000)	235,807	100	235,807	(274,402)	-
Xingfung Sintai	Manufacture and sale of DVD players, DVD pickup heads and parts	US\$ 10,000	(2)	164,037 (US\$ 5,000)	-	-	164,037 (US\$ 5,000)	16,390	50	8,195	189,133	-
Pioneer	Manufacture of DVD players and DVD pickup heads	US\$ 29,137	(2)	145,656 (US\$ 4,200)	-	-	145,656 (US\$ 4,200)	101,600	13	-	137,865	-
Dong-Guan Tailien	Manufacture and processing of cameras and parts	US\$ 3,160	(2)	-	123,440 (US\$ 4,000)	-	123,440 (US\$ 4,000)	5,851	61	10,371	171,957	15,527 (US\$ 478)
			(3)	11,163 (US\$ 420)	-	-	11,163 (US\$ 420)	5,851	17	1,000	48,160	10,460 (US\$ 322)
			(2)	22,614 (US\$ 700)	-	-	22,614 (US\$ 700)	5,851	12	674	32,448	-
Sintai North Precision	Manufacture of precision instruments, testing machines for electronics, print device and parts	US\$ 2,700	(2)	56,495 (US\$ 1,623)	-	-	56,495 (US\$ 1,623)	(23,629)	-	(14,201)	-	-
Dong-Guan Yorkey	Manufacture of plastic and metallic parts, molds and cases of optical and opto-electronic products	US\$ 20,680	(2)	291,289 (US\$ 9,079)	-	-	291,289 (US\$ 9,079)	38,848	5	1,885	55,790	-
			(2)	549,526 (US\$ 18,553)	-	-	549,526 (US\$ 18,553)	38,848	23	8,808	260,621	-
Shen Zhen Pentax Sintai	Manufacture and sale of optical instruments	HK\$ 12,600	(2)	27,703 (US\$ 845)	-	-	27,703 (US\$ 845)	9,372	45	4,217	43,064	-
Dong-Guan Nikon	Research and manufacture of equipment for electronic use	US\$ 2,000	(2)	27,772 (US\$ 800)	-	-	27,772 (US\$ 800)	7,245	40	2,898	26,309	-
Hang-Zhou Nikon	Manufacture and sale of camera components and manufacture of cameras	US\$ 500	(2)	5,386 (US\$ 175)	-	-	5,386 (US\$ 175)	2,797	35	979	11,451	738 (US\$ 23)
AO Shen Zhen	Manufacture of cell phone related products	US\$ 12,000	(2)	360,186 (US\$ 12,000)	-	-	360,186 (US\$ 12,000)	(220,650)	74	(162,443)	(358,974)	-
				-	-	-	-	(220,650)	17	(5,663)	(83,185)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2015	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA
\$ 5,677,606 (US\$ 159,690)	\$ 8,152,869 (US\$ 251,542)	(Note 3)

Note 1: The way of investments were as follows:

- (1) The investment was made directly by a subsidiary located in Mainland China.
- (2) The investment was made through a corporation established in a third country, which, in turn, invested in companies located in Mainland China. (Refer to Note 12 of the accompanying consolidated financial statements; in addition, Asia International is the parent company of Pioneer and Dong-Guan Nikon.)
- (3) Other

Note 2: Calculated based on the Company's financial statements audited by independent auditor.

Note 3: Under the "Regulations for the Screening of Applications to Engage in Technical Cooperation in Mainland China" issued by the Investment Commission of the Ministry of Economic Affairs on August 29, 2008, the amount of investment in Mainland China has no limit since the Parent Company, Asia Optical Co., Inc. had acquired the approval by the Industrial Development Bureau to establish operating headquarters in Taiwan.