ALTEK CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS AND

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

MARCH 31, 2012 AND 2011

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR12000003

To the Board of Directors and Stockholders of Altek Corporation

We have reviewed the accompanying consolidated balance sheets of Altek Corporation and subsidiaries as of March 31, 2012 and 2011, and the related consolidated statements of income and of cash flows for the three-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a conclusion on these consolidated financial statements based on our reviews.

Except as discussed in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 36 "Review of Financial Statements" in the Republic of China. A review of interim financial information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical procedures to financial data, and making inquiries of Company personnel responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As described in Note 1, the financial statements of major subsidiaries-Altek International Investment Co., Ltd. and its subsidiary-Altek (Kunshan) Co., Ltd., were consolidated based on their reviewed on major accounts of financial statements as of and for the three-month periods ended March 31, 2012 and 2011. Total assets of these subsidiaries amounted to $7,947,718 and $10,251,772, representing 41% and 51% of the consolidated total assets, as of March 31, 2012 and 2011, respectively. The financial statements of the other subsidiaries were consolidated based on their unreviewed financial statements as of and for the three-month periods ended March 31, 2012 and 2011. Total assets of these subsidiaries amounted to $2,634,707 and $2,401,484, representing 13% and 12% of the consolidated total assets, as of March 31, 2012 and 2011, respectively, and total net operating revenues of these subsidiaries for the three-month periods ended March 31, 2012 and 2011 representing less than 10% of the consolidated net operating revenues for the three-month periods then ended. In addition, as described in Note 4(6) to the consolidated financial statements, the financial statements of long-term investments accounted for under the equity method were not reviewed by independent accountants. Long-term equity investments in these companies amounted to $389,043 and $347,285 as of March 31, 2012 and 2011, respectively, and the related investment loss amounted to $3,290 and $4,911 for the three-month periods then ended. These amounts were based solely on their unreviewed financial statements.

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain subsidiaries and investee companies been reviewed by independent accountants as described in the third paragraph, we are not aware of any material modifications that should be made to the consolidated financial statements referred to in the first paragraph in order for them to be in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers", Gin-Gwen-Jen (6) Letter No. 0960064020 issued by the Financial Supervisory Commission, Executive Yuan dated November 15, 2007, "Simplified Disclosure for the Notes to Third-Quarter Consolidated Financial Statements" and generally accepted accounting principles in the Republic of China.

Altek Corporation expects to adopt International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee (collectively referred herein as the IFRSs) as recognized by the Financial Supervisory Commission, Executive Yuan, R.O.C (FSC) and the "Rules Governing the Preparation of Financial Statements by Securities Issuers" that will be applied in 2013 in the preparation of consolidated financial statements of Altek Corporation and its subsidiaries starting from January 1, 2013. Information relating to the adoption of IFRSs by Altek Corporation is disclosed in Note 13 in accordance with Jin-Guan-Zheng-Shen-Zi Order No.0990004943 of the FSC, dated February 2, 2010. The IFRSs may be subject to changes during the time of transition; therefore, the actual impact of IFRSs adoption on Altek Corporation and its subsidiaries may also change.

PricewaterhouseCoopers
Hsinchu, Taiwan
Republic of China

April 27, 2012

ALTEK CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of NT dollars)

(Unaudited)

	March 31, 2012 Amount	2012 %	March 31, 2011 Amount	2011 %
ASSETS				
Current Assets				
Cash and cash equivalents (Note 4 (1))	$ 4,850,880	25	$ 6,204,889	31
Financial assets at fair value through profit or loss-current (Note 4 (2))	447,984	2	583,511	3
Notes receivable, net	10	-	-	-
Accounts receivable, net (Note 4 (3))	4,960,586	25	4,364,605	22
Other receivables	75,241	1	56,713	-
Inventories, net (Note 4 (4))	2,511,885	13	3,196,322	16
Prepaid expenses	342,957	2	126,258	-
Deferred income tax assets-current	240,099	1	134,872	1
Other current assets	13,824	-	12,485	-
	13,443,466	69	14,679,655	73
Funds and Investments				
Financial assets carried at cost-non-current (Note 4 (5))	236,035	1	251,528	1
Long-term equity investments accounted for under the equity method (Note 4 (6))	389,043	2	347,285	2
	625,078	3	598,813	3
Property and Equipment (Note 4 (7))				
Cost				
Buildings	2,982,365	15	2,114,767	11
Machinery and equipment	1,481,910	8	1,289,705	6
Test equipment	174,648	1	144,957	1
Transportation equipment	25,287	-	20,182	-
Furniture and fixtures	164,814	1	135,782	1
Leasehold improvements	39,481	-	16,331	-
Other equipment	231,768	1	410,967	2
	5,100,273	26	4,132,691	21
Less: Accumulated depreciation	(1,577,699)	(8)	(1,331,394)	(7)
Construction in progress and prepayments for equipment	328,024	2	352,834	2
	3,850,598	20	3,154,131	16
Intangible Asset				
Other intangible assets	104,372	-	103,309	-
Other Assets				
Assets leased to others (Note 4(8))	1,479,871	8	1,491,165	8
Deposits out	42,568	-	60,226	-
Deferred charges	16,802	-	17,064	-
Deferred income tax assets-non-current	45,982	-	-	-
	1,585,223	8	1,568,455	8
TOTAL ASSETS	$ 19,608,737	100	$ 20,104,363	100

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ALTEK CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Continued)

(Expressed in thousands of NT dollars)

(Unaudited)

	March 31,			
	2012		2011	
	Amount	%	Amount	%
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Notes payable	$ 40	-	$ 1,350	-
Accounts payable	5,852,937	30	5,694,912	29
Accounts payable - related parties (Note 5)	16,785	-	31,951	-
Income tax payable	69,382	1	135,021	1
Accrued expenses	789,698	4	858,938	4
Other payables	445,942	2	376,230	2
Provision for product warranty	334,729	2	467,924	2
Other current liabilities	610,061	3	608,690	3
	8,119,574	42	8,175,016	41
Other Liabilities				
Accrued pension liabilities	1,632	-	1,288	-
Guarantee deposits received	22,530	-	22,530	-
Deferred income tax liabilities-non current	786,251	4	828,578	4
	810,413	4	852,396	4
Total Liabilities	8,929,987	46	9,027,412	45
Stockholders' Equity				
Capital (Note 4 (9))				
Common stock	3,956,554	20	3,889,121	19
Capital reserve (Note 4 (12))				
Paid-in capital in excess of par value	1,361,692	7	1,281,110	6
Capital reserve from conversion of convertible bonds	894,836	5	894,836	5
Additional paid-in capital - treasury stock transactions	6,841	-	7,617	-
Long-term investments	13,187	-	13,187	-
Capital reserve from employee stock options (Note 4(10))	97,228	1	130,806	1
Retained earnings (Note 4 (13))				
Legal reserve	1,272,282	6	1,139,515	6
Special reserve	488,347	2	-	-
Unappropriated earnings	3,371,101	17	4,714,773	23
Cumulative translation adjustments	(68,616)	-	(347,983)	(2)
Treasury stock (Note 4 (11))	(714,702)	(4)	(646,031)	(3)
Stockholders' equity of parent company	10,678,750	54	11,076,951	55
Total Stockholders' Equity	10,678,750	54	11,076,951	55
Commitments and contingent liabilities (Note 7)				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 19,608,737	100	$ 20,104,363	100

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independence accountants dated April 27, 2012.

ALTEK CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Expressed in thousands of NT dollars, except for earnings per share amount)

(Unaudited)

	For the three-month periods ended March 31,			
	2012		2011	
	Amount	%	Amount	%
Operating revenues				
Sales	$ 6,329,469	100	$ 5,784,894	100
Sales returns	(1,219)	-	-	-
Sales allowances	(14)	-	(2,982)	-
Net operating revenues	6,328,236	100	5,781,912	100
Operating costs				
Cost of sales (Note 4 (4))	(5,884,489)	(93)	(5,289,544)	(91)
Gross profit	443,747	7	492,368	9
Operating expenses				
Selling expenses	(33,057)	(1)	(30,803)	(1)
Administrative and general expenses	(69,774)	(1)	(59,393)	(1)
Research and development expenses	(319,995)	(5)	(240,438)	(4)
	(422,826)	(7)	(330,634)	(6)
Operating income	20,921	-	161,734	3
Non-operating revenues and income				
Interest income	32,191	1	34,664	-
Gain on disposal of property, plant and equipment	704	-	-	-
Foreign currency exchange gain, net	5,804	-	464	-
Rental income	8,201	-	7,904	-
Gain on valuation of financial assets (Note 4 (2))	816	-	232	-
Other income	1,183	-	253	-
	48,899	1	43,517	-
Non-operating expenses and losses				
Investment loss accounted for under the equity method (Note 4(6))	(3,290)	-	(4,911)	-
Other expenses	(14)	-	-	-
	(3,304)	-	(4,911)	-
Income before income tax	66,516	1	200,340	3
Income tax expense	(3,884)	-	(10,064)	-
Consolidated net income	$ 62,632	1	$ 190,276	3
Attributable to:				
Equity holders of the Company	$ 62,632	1	$ 190,276	3
Minority interest	-	-	-	-
	$ 62,632	1	$ 190,276	3
Basic and diluted earnings per common share (in NT dollars) (Note 4 (14))	Before Tax	After Tax	Before Tax	After Tax
Basic earnings per common share				
Net income	$ 0.15	$ 0.17	$ 0.52	$ 0.50
Diluted earnings per common share				
Net income	$ 0.14	$ 0.16	$ 0.51	$ 0.49

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

See review report of independence accountants dated April 27, 2012.

ALTEK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of NT dollars)
(Unaudited)

	For the three-month periods ended March 31, 2012	2011
Cash flows from operating activities:		
Consolidated net income	$ 62,632	$ 190,276
Adjustments to reconcile consolidated net income to net cash (used in) provided by operating activities:		
Payroll expense - employee stock options	4,294	5,205
Depreciation (including depreciation of leased assets)	66,414	85,328
Amortization	3,853	3,796
Gain on valuation of financial assets	(816)	(232)
Prevision on doubtful accounts	17,061	-
Provision for (reversal of) inventory obsolescence	17,027	(27,940)
Investment loss - accounted for under the equity method	3,290	4,911
Gain on disposal of property and equipment, net	(704)	-
Write - off of property and equipment to expenses	-	127
Deferred income tax	(12,553)	204
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Financial assets at fair value through profit or loss-current	50,484	241,342
Notes receivable	(1)	4,434
Accounts receivable, net	(1,562,290)	544,873
Other receivables	(56,046)	(38,454)
Inventories	(481,035)	(827,907)
Prepaid expenses	(46,263)	22,867
Other current assets	2,159	(7,968)
Increase (decrease) in liabilities:		
Notes payable	(917)	(2,116)
Accounts payable	666,439	667,391
Accounts payable - related parties	1,959	(18,209)
Income tax payable	14,752	1,159
Accrued expenses	22,037	(102,210)
Other payables	103,834	(82,409)
Accrued warranty liabilities	47,921	(120,531)
Other current liabilities	(4,302)	(39,940)
Net cash (used in) provided by operating activities	(1,080,771)	503,997

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ALTEK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Expressed in thousands of NT dollars)
(Unaudited)

	For the three-month periods ended March 31, 2012	2011
Cash flows from investing activities:		
Acquisition of property and equipment	($ 227,587)	($ 342,841)
Proceeds from disposal of property and equipment	5,680	-
Decrease (increase) in deposits-out, net	438	(128)
Increase in deferred charges	(2,021)	(15,409)
Net cash used in investing activities	(223,490)	(358,378)
Cash flows from financing activities:		
Increase in guarantee deposits received	-	22,530
Proceeds from employee stock options exercised	3,028	988
Purchase of treasury stock	-	(154,999)
Net cash provided by (used in) financing activities	3,028	(131,481)
Effect of exchange rate	151,733	90,113
(Decrease) increase in cash and cash equivalents	(1,452,966)	104,251
Cash and cash equivalents at beginning of period	6,303,846	6,100,638
Cash and cash equivalents at end of period	$ 4,850,880	$ 6,204,889
Supplemental disclosures of cash flow information		
Interest paid	$ -	$ -
Income tax paid	$ 1,685	$ 8,701
Investing activities partially paid by cash		
Increase in property and equipment	$ 181,560	$ 265,818
Add: property and equipment and construction billings payable at beginning of period	151,403	159,053
Less: property and equipment and construction billings payable at end of period	(105,376)	(82,030)
Cash paid	$ 227,587	$ 342,841

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independence accountants dated April 27, 2012.

ALTEK CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011
(Expressed in thousands of NT dollars, unless stated otherwise)

1. ORGANIZATION

(1) Names of consolidated subsidiaries, their main operating activities, the percentage owned by the Company and their changes in 2012 were as follows:

Name of the investor	Name of subsidiaries	Main operating items	Percentage of ownership as of March 31, 2012	2011	Remarks
Altek Corporation	Altek International Investment Co., Ltd.	Investments and general business operations	100%	100%	
"	Altek Japan Corporation	Sales and design of digital camera and its optical instruments	100%	100%	
"	Altek Investment Co., Ltd.	Investments	100%	100%	
"	Altek Autotronics Corporation	Research design, manufacture and sales of car electronic components	100%	100%	
Altek International Investment Co., Ltd.	Altek Lab Inc.	Design and sales of engineering and optical components	100%	100%	
"	Leading Tech. Co., Ltd.	Investment and general business operations	100%	100%	
"	Toptek Investment Cayman Co., Ltd.	"	100%	100%	
"	Altek Imaging Technology (Cayman) Co., Ltd.	"	100%	100%	
"	RICH-ALTEK U.S.A., INC.	Delivery and storage	100%	100%	
"	Altek Optical (Cayman) Co., Ltd.	Investments and general business operations	100%	100%	
"	Altek Trading (Cayman) Co., Ltd.	"	100%	100%	
"	Altek Semiconductor (Cayman) Co., Ltd.	Investments and general business operations	100%	100%	
"	Altek Optical Technology (Cayman) Co., Ltd.	"	100%	-	Note
Leading Tech. Co., Ltd.	Altek (Kunshan) Co., Ltd.	Manufacture and sales of digital still camera and its accessories	100%	100%	
Toptek Investment Cayman Co., Ltd.	Altek EMS (Kunshan) Co., Ltd.	SMT processing and related engineering services	100%	100%	

Name of the investor	Name of subsidiaries	Main operating items	Percentage of ownership as of March 31, 2012	2011	Remarks
Altek Imaging Technology (Cayman) Co., Ltd.	Altek Imaging Technology (Shanghai) Limited	Manufacture and sales of optical components	100%	100%	
Altek Imaging Technology (Cayman) Co., Ltd.	Altek Precision (Kunshan) Co., Ltd.	Design, manufacture and sales of digital camera parts	100%	100%	
Altek Trading (Cayman) Co., Ltd.	Altek Trading (Shanghai) Limited	Wholesale, import and export of digital camera, digital video camera and related accessories	100%	100%	
Altek Semiconductor (Cayman) Co., Ltd.	Altek Semiconductor Corporation	Research design and sales of ASIC	100%	100%	
Altek Trading (Shanghai) Limited	Beijing Altek Image Communication Technology Co., Ltd.	Sales of digital camera, handheld device and their related accessories	100%	100%	
Altek Optical Technology (Cayman) Co., Ltd.	Altek Optical Technology (Kunshan) Co., Ltd.	Manufacture and sales of digital still camera and optical components	100%	-	Note

Note: A new subsidiary in the fourth quarter of 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements of the Company and its subsidiaries (collectively referred herein as the Group) are prepared in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers", Gin-Gwen-Jen (6) Letter No. 0960064020 of the Financial Supervisory Commission, Executive Yuan, R.O.C., November 15, 2007 "Simplified Disclosure for the Notes to First-Quarter Consolidated Financial Statements" and accounting principles generally accepted in the Republic of China.

Additions to the significant accounting policies are summarized below and changes in accounting principles are in Note 2. Except for the additions, all the others remain the same as those disclosed in the notes to consolidated financial statements as of and for the year ended December 31, 2011.

3. CHANGES IN ACCOUNTING PRINCIPLES

(1) NOTES /ACCOUNTS RECEIVABLE / OTHER RECEIVABLES

Effective January 1, 2011, the Group adopted the amended R.O.C. SFAS No. 34, "Financial Instruments: Recognition and Measurement". However, this change in accounting principle had no effect on the Group's consolidated net income and earnings per share for the three-month period ended March 31, 2011.

(2) OPERATING SEGMENTS

Effective January 1, 2011, the Group adopted R.O.C. SFAS No. 41, "Operating Segments" in place of R.O.C. SFAS No. 20, "Segment Reporting". Segment information for prior years shall be restated when the Group applies this standard for the first time. This change in accounting principle had no effect on the Group's consolidated net income and earnings per share for the three-month period ended March 31, 2011.

4. **DETAILS OF SIGNIFICANT ACCOUNTS**

(1) CASH AND CASH EQUIVALENTS

	March 31, 2012	March 31, 2011
Cash:		
Petty cash	$ 1,141	$ 1,649
Savings accounts	764,426	411,070
Checking accounts	55	143
Time deposits	4,085,258	5,792,027
	$ 4,850,880	$ 6,204,889

(2) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2012	March 31, 2011
Current items:		
Financial assets held for trading	$ 444,387	$ 580,664
Adjustment of financial assets held for trading	3,597	2,847
	$ 447,984	$ 583,511

The Group recognized net gain on valuation of financial assets of $816 and $232 for the three-month periods ended March 31, 2012 and 2011, respectively.

(3) ACCOUNTS RECEIVABLE, NET

	March 31, 2012	March 31, 2011
Accounts receivable – third parties	$ 5,613,261	$ 4,373,466
Less: Allowance for doubtful accounts	(652,675)	(8,861)
	$ 4,960,586	$ 4,364,605

(4) INVENTORIES

	March 31, 2012		
	Cost	Allowance	Net Book Value
Raw materials	$ 1,422,042	($ 104,449)	$ 1,317,593
Work in process	640,866	(80,578)	560,288
Finished goods	731,744	(97,740)	634,004
Total	$ 2,794,652	($ 282,767)	$ 2,511,885

	March 31, 2011		
	Cost	Allowance	Net Book Value
Raw materials	$ 1,610,699	($ 96,275)	$ 1,514,424
Work in process	897,864	(52,950)	844,914
Finished goods	887,721	(50,737)	836,984
Total	$ 3,396,284	($ 199,962)	$ 3,196,322

Cost and losses incurred related to inventories:

	For the three-month periods ended March 31,	
	2012	2011
Cost of inventories sold	$ 5,867,462	$ 5,317,484
Loss for market price decline and obsolescence of inventories	17,027	-
Gain from price recovery of inventory	-	(27,940)
	$ 5,884,489	$ 5,289,544

(5) FINANCIAL ASSETS CARRIED AT COST

	March 31,	
	2012	2011
Non-current items:		
Unlisted stocks	$ 300,818	$ 316,311
Less: Accumulated impairment loss	(64,783)	(64,783)
	$ 236,035	$ 251,528

The investments were measured at cost since their fair value cannot be measured reliably.

(6) LONG-TERM EQUITY INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

A. Details of long-term equity investments accounted for under the equity method are set forth below:

	March 31, 2012		March 31, 2011	
Investee company	Amount	Percentage of ownership	Amount	Percentage of ownership
JinJing Optical Technology Co., Ltd.	$ 56,058	23.33%	$ 60,784	23.33%
Phoenix Optical (Shanghai) Co., Ltd.	356,572	40%	310,088	40%
	412,630		370,872	
Accumulated impairment loss	(23,587)		(23,587)	
	$ 389,043		$ 347,285	

B. Investment gain or loss accounted for under the equity method for the three-month periods ended March 31, 2012 and 2011 based on the investees' unreviewed financial statements are set forth below:

	For the three-month periods ended March 31,	
	2012	2011
JinJing Optical Technology Co., Ltd.	$ 8	($ 3,599)
Phoenix Optical (Shanghai) Co., Ltd.	(3,298)	(1,312)
	($ 3,290)	($ 4,911)

(7) PROPERTY AND EQUIPMENT

	March 31, 2012		
	Cost	Accumulated Depreciation	Net Book Value
Buildings	$ 2,982,365	($ 203,110)	$ 2,779,255
Machinery and equipment	1,481,910	(1,006,798)	475,112
Test equipment	174,648	(100,538)	74,110
Transportation equipment	25,287	(16,238)	9,049
Furniture and fixtures	164,814	(98,570)	66,244
Leasehold improvements	39,481	(24,475)	15,006
Other equipment	231,768	(127,970)	103,798
Construction in progress and prepayments for equipment	328,024	-	328,024
	$ 5,428,297	($ 1,577,699)	$ 3,850,598

	March 31, 2011		
	Cost	Accumulated Depreciation	Net Book Value
Buildings	$ 2,114,767	($ 124,728)	$ 1,990,039
Machinery and equipment	1,289,705	(820,133)	469,572
Test equipment	144,957	(76,035)	68,922
Transportation equipment	20,182	(12,621)	7,561
Furniture and fixtures	135,782	(72,669)	63,113
Leasehold improvements	16,331	(9,937)	6,394
Other equipment	410,967	(215,271)	195,696
Construction in progress and prepayments for equipment	352,834	-	352,834
	$ 4,485,525	($ 1,331,394)	$ 3,154,131

No interest expense was capitalized for the three-month periods ended March 31, 2012 and 2011.

(8) ASSETS LEASED TO OTHERS

	March 31, 2012		
	Cost	Allowance	Net Book Value
Buildings (contain of land)	$ 1,493,989	($ 14,118)	$ 1,479,871

	March 31, 2011		
	Cost	Allowance	Net Book Value
Buildings (contain of land)	$ 1,493,989	($ 2,824)	$ 1,491,165

The Company acquired the Taipei building for operating use at the end of 2010. However, since this building still cover certain unexpired lease agreements, the Company continuously leases the building to the lessee until the lease agreement is expired, and is recognized as “assets leased to others”.

(9) COMMON STOCK/STOCK DIVIDENDS DISTRIBUTABLE

A. As of March 31, 2012, the Company’s authorized capital was $5,000,000 at $10 (in NT dollars) par value per share. As of March 31, 2012, the total issued and outstanding capital was $3,956,554.

B. The stockholders at their meeting on June 15, 2011 adopted a resolution to capitalize retained earnings of $37,465 and employees’ bonus of $94,679 by issuing 6,237,361 shares of new common stocks (including 2,490,900 shares for employees’ stock bonus). In accordance with the resolution adopted by the Board of Directors on August 31, 2011, the Company set November 6, 2011 as the base date for this capital increase. The registration of this capital increase had been completed.

C. As of March 31, 2012, the Company’s employees had exercised 7,196.1 units of employee stock options in accordance with the Option Plan, representing 7,196,100 shares of common stock. The exercise price was $10~$24.7 (in NT dollars) per share.

(10) SHARE-BASED PAYMENT－EMPLOYEE COMPENSATION PLAN

A. As of March 31, 2012, the Company’s share-based payment transactions are set forth below:

Type of arrangement	Grant date	Quantity granted (in thousand shares)	Contract period	Vesting conditions	Actual resignation rate in the current period	Estimated future resignation rate
Employee stock options	June 13, 2008	8,000	9.6 years	Note	-	10～20%
〃	October 31, 2008	1,000	9.2 years	〃	-	10～20%
〃	March 23, 2009	3,000	8.8 years	〃	-	10～20%
〃	October 28 2009	3,000	9.2 years	〃	-	10～20%
〃	March 21 2012	3,000	8.9 years	〃	-	10～20%
Treasury stock transferred to employees at the fourth time	March 15, 2011	1,334	-	Vest immediately	-	-
Treasury stock transferred to employees at the fifth time	September 9, 2011	930	-	Vest immediately	-	-

Note：2 years’ service vest 40%, 3 years’ service vest 70%, 4 years’ service vest 100%.

B. Details of the employee stock options are set forth below:

Employee stock options

	For the three-month period ended March 31, 2012		For the three-month period ended March 31, 2011	
	In thousands of shares	Weighted average exercise price (in NT dollars)	In thousands of shares	Weighted average exercise price (in NT dollars)
Outstanding at the beginning of the period	13,788	$ 25.8	11,530	$ 27.5
Options granted	3,000	27.85	-	-
Distribution of stock dividends or adjustments for number of options	-	-	-	-
Options waived	-	-	-	-
Options exercised	(134)	22.6	(40)	24.7
Options forfeited	-	-	-	-
Outstanding at the end of the period	16,654	26.2	11,490	27.5
Exercisable options at the end of the period	7,228		4,440	
Approved and not yet issued options at the end of the period	-		-	

C. The weighted-average stock price of stock options at exercise date for the three-month period ended March 31, 2012 was $26.42 (in dollars).

D. The exercise price and weighted-average remaining vesting periods of the employee stock options outstanding as of March 31, 2012 and 2011 are set forth below:

	March 31, 2012		March 31, 2011	
	Exercise price (in NT dollars)	Weighted-average remaining vesting period	Exercise price (in NT dollars)	Weighted-average remaining vesting period
Employee stock options	$26.9, $22.6, $21.2, $28 and $27.85	6.99 years	$29.5, $24.7 and $23.2	6.75 years

E. For the stock options granted after January 1, 2008 with the compensation cost accounted for using the fair value method, their fair value on the grant date is estimated using the Black-Scholes option-pricing model. The parameters used in the estimation of the fair value are as follows:

Type of arrangement	Grant date	Stock price (in NT dollars)	Exercise price (in NT dollars) (Note 1)	Expected price volatility	Expected vesting period	Expected dividend yield rate	Risk-free interest rate	Fair value per unit (in NT dollars)
Employee stock options	June 13, 2008	$ 45.5	$ 26.9	24.45%	6 years	1.5%	2.40%	$ 10.56
〃	October 31, 2008	32.6	22.6	22.11%	6 years	1.5%	1.88%	6.54
〃	March 23, 2009	30.9	21.2	22.63%	6 years	1.5%	0.96%	5.73
〃	October 28, 2011	30.65	28.0	30.27%	5 years	1.4%	1.18%	7.42
〃	March 21, 2012	27.85	27.85	33.54%	4.9 years	1.4%	1.08%	7.35
Treasury stock transferred to employees at the fourth time	March 15, 2011	40.40	35.6	-	-	-	-	Note 2
Treasury stock transferred to employees at the fifth time	September 9, 2011	32.65	25.4	-	-	-	-	Note 2

Note 1: The exercise price of stock options was adjusted based on the cash dividends and stock dividends per share distributed.

Note 2: Given that the exercise date was close to the grant date, the fair value per unit was estimated using the intrinsic value method.

F. Liabilities arising from share-based payment transactions are shown below:

	For the three-month periods ended March 31,	
	2012	2011
Equity - settled	$ 4,294	$ 5,205
Cash - settled	-	-
	$ 4,294	$ 5,205

(11) TREASURY STOCK

A.

	For the three-month period ended March 31, 2012 (in thousands of shares)			
Reason of reacquisition	Beginning shares	Additions	Disposal	Ending shares
Transfer to employees	19,086	-	-	19,086

	For the three-month period ended March 31, 2011 (in thousands of shares)			
Reason of reacquisition	Beginning shares	Additions	Disposal	Ending shares
Transfer to employees	12,460	3,140	-	15,600

Details of the shares bought back by the Company as treasury stock are set forth below:

Approval date of Board of Directors	Repurchase price range (in NT dollars)	Shares bought back (in thousands of shares)	Amount bought back
December 20, 2007	$33~$69	2,976	$ 123,818
October 2, 2008	$28~$45	4,100	116,937
July 2, 2010	$40~$60	6,500	308,845
December 13, 2010	$36~$50	5,000	220,262
August 9, 2011	$25~$40	8,250	261,969
		26,826	$ 1,031,831

As of March 31, 2012, the shares bought back as treasury stock amounted to $714,702.

B. Pursuant to the R.O.C. Securities and Exchange Law, the number of shares bought back as treasury stock should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital reserve.

C. Pursuant to the R.O.C. Securities and Exchange Law, treasury stock should not be pledged as collateral and is not entitled to dividends before it is reissued to the employees.

D. The transfer price of treasury stock to employees was initially set at $45.8 (in NT dollars), $28.51 (in NT dollars) and $41.61 (in NT dollars) in 2010, 2008 and 2007, respectively, and the transfer price was adjusted to $25.4 (in NT dollars) and $33.4 (in NT dollars) per share in accordance with the earnings distribution for the fiscal years of 2008 and 2007, respectively.

(12) CAPITAL RESERVE

A. The R.O.C. Company Law requires that capital reserve shall be exclusively used to cover accumulated deficit or to increase capital and shall not be used for any other purpose. However, capital reserve arising from paid-in capital in excess of par value on issuance of common stock and donations can be capitalized once a year, provided that the Company has no accumulated deficit and the amount to be capitalized does not exceed 10% of the paid-in capital.

B. Please see Note 4 (10) for capital reserve from stock warrants.

(13) RETAINED EARNINGS

A. According to the Company's Articles of Incorporation, the annual earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Special reserve shall be set aside in accordance with the rules set forth in the Securities and Exchange Law, and remaining amount shall be distributed in the following order:

(a) allocating 10% to 20% as employees' bonus;

(b) allocating 2% as directors' and supervisors' remuneration; and

(c) distributing the remaining amount as common stockholders' dividends in accordance with the resolution adopted by the Board of Directors and approved at the stockholders' meeting.

B. Except for covering accumulated deficit or increasing capital, the legal reserve shall not be used for any other purpose. Capitalization of the legal reserve is permitted, provided that the balance of the reserve exceeds 50% of the Company's paid-in capital and the amount capitalized does not exceed 50% of the balance of the reserve.

C. In accordance with relevant laws or regulations of Securities and Futures Bureau, the Company shall set aside special reserve at the same amount as the reduction in stockholders' equity, and is not entitled to dividends.

D. The amount of dividends appropriated is based on the Company's current year's net income and prior years' retained earnings, taking into account the Company's financial structure and future operating plans. The distribution ratio of cash dividends to stock dividends is based on the Company's funding status, diluted earnings per share and other factors. According to the dividend policy adopted by the Board of Directors, cash dividends shall account for at least 20% of the total dividends distributed. Dividends appropriation shall be resolved by the stockholders at the stockholders' meeting.

E. The appropriation of 2011 earnings had been resolved at Board of Directors' meeting on March 21, 2012 and the appropriation of 2010 earnings had been resolved at the stockholders' meeting on June 15, 2011. Details are summarized below:

	2011earnings		2010 earnings	
	Amount	Dividends per share (in NT dollars)	Amount	Dividends per share (in NT dollars)
Legal reserve	$ 19,184	-	$ 132,767	-
Special reserve	(488,347)	-	488,347	-
Stock dividends	-	-	37,465	Around $ 0.1
Cash dividends	564,809	Around $1.5	749,292	Around $ 2.0
	$ 95,646		$ 1,407,871	

The 2011 directors' and supervisors' remuneration, employees' stock bonus and cash bonus as appropriated during the Board of Directors' meeting on March 21, 2012 were $13,220 and $99,151, respectively. As of April 27, 2012, the appropriation of 2011 earnings, directors' and supervisors' remuneration, employees' stock bonus and cash bonus had not been resolved by the stockholders. The 2010 directors' and supervisors' remuneration, employees' stock bonus and cash bonus resolved by the stockholders were $14,131, $94,679, and $46,633, respectively.

F. The estimated amounts of employees' bonus are $8,455 and $34,250, and the estimated amounts of directors' and supervisors' remuneration are $1,127 and $3,425 for the three-month periods ended March 31, 2012 and 2011, respectively, and are recognized as operating costs or operating expenses for 2012 and 2011, respectively. While, if the estimated amounts are different from the amounts approved by the stockholders subsequently, the difference is recognized as gain or loss in next year. Information on the appropriation of the Company's earnings as resolved by the Board of Directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(14) EARNINGS PER SHARE

	For the three-month period ended March 31, 2012				
	Amount		Weighted-average outstanding common shares	Earnings per share (in NT dollars)	
	Before tax	After tax	(In thousands of shares)	Before tax	After tax
Consolidated net income	$ 66,516	$ 62,632			
Basic earnings per share:					
Net income attributable to common stockholders of parent company	$ 54,706	$ 62,632	376,529	$ 0.15	$ 0.17
Effects of potential diluted earnings per share:					
Employee stock options					
Treasury stock transferred to employees	-	-	596		
Employees' bonus	-	-	3,956		
Diluted earnings per share:					
Net income attributable to common stockholders of parent company plus effect of dilutive share equivalent	$ 54,706	$ 62,632	381,081	$ 0.14	$ 0.16

	For the three-month period ended March 31, 2011				
	Amount		Weighted-average outstanding common shares	Earnings per share (in NT dollars)	
	Before tax	After tax	(In thousands of shares)	Before tax	After tax
Consolidated net income	$ 200,340	$ 190,276			
Basic earnings per share:					
Net income attributable to common stockholders of parent company	$ 195,339	$ 190,276	377,672	$ 0.52	$ 0.50
Effects of potential diluted earnings per share:					
Employee stock options	-	-	3,998		
Treasury stock transferred to employees	-	-	993		
Employees' bonus	-	-	3,480		
Diluted earnings per share:					
Net income attributable to common stockholders of parent company plus effect of dilutive share equivalent	$ 195,339	$ 190,276	386,143	$ 0.51	$ 0.49

5. RELATED PARTY TRANSACTIONS

A. Names of the related parties and their relationship with the Company

Names of related parties	Relationship with the Company
JinJing Optical Technology Co., Ltd.	An investee company accounted for under the equity method by the Company's subsidiary
Phoenix Optical (Shanghai) Co., Ltd.	An investee company accounted for under the equity method by the Company's subsidiary.
Gianta Co., Ltd.	A corporate director of Gianta Co., Ltd.
Pac-link Opportunity Fund Co., Ltd.	A corporate supervisor of Pac-link Opportunity Fund Co., Ltd.

B. Significant related party transactions

(1) Purchases

For the three-month periods ended March 31, 2012 and 2011, the net purchases from the related parties were $11,951 and $46,873 , respectively, which were less than 10% of the total amount of net purchases.

Purchase price and payment terms from related parties are comparable with those from other suppliers. The payment term was approximately net 30~120 days.

(2) Accounts payable

As of March 31, 2012 and 2011, the total accounts payable from related parties were $16,785 and $31,951, respectively, which were less than 10% of the total amount of accounts payable.

6. ASSETS PLEDGED AS COLLATERAL

None.

7. COMMITMENTS AND CONTINGENT LIABILITIES

Kodak US has taken civil lawsuit against to the Company in the New York District Court on January 12, 2012 (herein as "Lawsuit"), due to there is a conflict occurred between both companies in the calculation of royalty payment. The Lawsuit aforesaid is not a patent infringement litigation, the Company is undertaking a negotiation with Kodak US and tries to settle the Lawsuit out of court in good faith continuously. It is not clear to measure the financial effect to the Company as of the report signing date of independent accountants as the court proceeding is still under the initial process without any specific damage claim.

8. SIGNIFICANT CASUALTY LOSS

None.

9. SIGNIFICANT SUBSEQUENT EVENT

None.

10. OTHERS

(1) FAIR VALUE OF FINANCIAL INSTRUMENTS

	March 31, 2012			March 31, 2011		
		Fair value			Fair value	
	Book value	Quotations in an active market	Estimated using a valuation technique	Book value	Quotations in an active market	Estimated using a valuation technique
Non-derivative financial instruments						
Assets						
Financial assets with fair value equal to book value	$ 9,886,717	$ -	$ 9,886,717	$ 10,626,207	$ -	$10,626,207
Financial assets at fair value through profit or loss	447,984	447,984	-	583,511	583,511	-
Financial assets carried at cost	236,035	-	-	251,528	-	-
Liabilities						
Financial liabilities with fair value equal to book value	7,440,131	-	7,440,131	7,431,305	-	7,431,305

Derivative financial instruments: None.

The methods and assumptions used to estimate the fair values of the above financial instruments are summarized below:

For short-term instruments, the fair values were determined based on their carrying values because of the short maturities of the instruments. This method was applied to cash and cash equivalents, notes receivable, accounts receivable, short–term loans, notes payable, and accounts payable.

(2) INFORMATION ON INTEREST RATE RISK POSITIONS

A. As of March 31, 2012 and 2011, the financial assets with fair value risk due to the change of interest amounted to $4,085,258 and $5,792,027, respectively. There were no financial liabilities with fair value risk; the financial assets with cash flow risk due to the change of interest amounted to $764,426 and $411,070, respectively. There were no financial liabilities with cash flow risk due to the change of interest as of March 31, 2012 and 2011.

B. For the three-month periods ended March 31, 2012 and 2011, the interest income on financial assets or financial liabilities that are not at fair value through profit or loss amounted to $32,191 and $34,664, respectively, and there were no interest expense.

(3) PROCEDURE OF FINANCIAL RISK CONTROL AND HEDGE

The Group’s activities expose the Group to a variety of financial risks: market risk, credit risk, liquidity risk and cash flow interest rate risk. The Groups overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Group Treasury) in accordance with the policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group’s operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and the investment of excess liquidity.

(4) INFORMATION OF MATERIAL FINANCIAL RISK

A. Market risk

(A) Foreign exchange risk

The Group adopts the forward contract to hedge the currency exchange risk. As the amounts and period of the Group's foreign currency exposure and forward contracts are similar, the Group estimates no material risk would arise.

The foreign exchange risk largely arises from the Group's business that are not denominated in the functional currency (the Company's and some subsidiaries' functional currency is NTD, some subsidiaries' functional currency is RMB). Financial assets and financial liabilities relevant to foreign exchange risk were as follows:

	For the three-month periods ended March 31,					
	2012			2011		
	Foreign Currency		Exchange rate	Foreign Currency		Exchange rate
Financial Assets	(In thousands)			(In thousands)		
Monetary item						
USD:NTD	USD	183,098	1:29.51	USD	135,474	1:29.4
USD:RMB	USD	67,705	1:6.2943	USD	91,833	1:6.5564
Long-term equity investment accounted for under the equity method						
USD:NTD	USD	13,183	1:29.51	USD	11,812	1:29.4
Financial Liabilities						
Monetary item						
USD:NTD	USD	7,389	1:29.51	USD	7,739	1:29.4
USD:RMB	USD	174,370	1:6.2943	USD	185,899	1:6.5564

(B) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group. The Group sets limits to control the transaction volume and stop-loss amount to reduce its market risk.

B. Credit risk

The Group has lower significant concentrations of credit risk. It has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. The maximum loss to the Group is the book value of accounts receivable.

C. Liquidity risk

The Group invests in financial assets which are traded in active market and can be readily converted into certain amount of cash approximate to their fair values. The liquidity risk exposure is low.

D. Interest risk: None.

11. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU

(1) RELATED INFORMATION OF SIGNIFICANT TRANSACTIONS：

Not required for the first-quarter consolidated financial statements in accordance with the Gin-Gwen-Jen (6) Letter No. 0960064020 issued by the Financial Supervisory Commission, Executive Yuan, R.O.C..

(2) INFORMATION OF INVESTEE COMPANIES：

Not required for the first-quarter consolidated financial statements in accordance with the Gin-Gwen-Jen (6) Letter No. 0960064020 issued by the Financial Supervisory Commission, Executive Yuan, R.O.C..

(3) RELEVANT INFORMATION REGARDING INVESTMENT IN MAINLAND CHINA

Not required for the first-quarter consolidated financial statements in accordance with the Gin-Gwen-Jen (6) Letter No. 0960064020 issued by the Financial Supervisory Commission, Executive Yuan, R.O.C..

(4) THE RELATIONSHIP AND SIGNIFICANT TRANSACTIONS BETWEEN THE COMPANY AND ITS SUBSIDIARIES

For the three-month period ended March 31, 2012:

			General transactions			
Company	Counterparty	Relationship with the Company (Note 1)	General ledger account	Amount	Terms	Percentage of revenue or assets (Note 2)
Altek Corporation	Altek International Investment Co., Ltd.	(1)	Purchases	$ 5,280,161	Net 75 days	83%
〃	〃	(1)	Accounts payable	6,331,999	〃	32%
Altek International Investment Co., Ltd.	Altek Corporation	(2)	Sales	5,280,161	〃	83%
〃	〃	(2)	Accounts receivable	6,331,999	〃	32%
〃	Altek (Kunshan) Co., Ltd.	(3)	Purchase	5,526,224	〃	87%
〃	〃	(3)	Account payable	2,247,334	〃	11%
Altek (Kunshan) Co., Ltd.	Altek International Investment Co., Ltd.	(3)	Sales	5,526,224	〃	87%
〃	〃	(3)	Account receivable	2,247,334	〃	11%

For the three-month period ended March 31, 2011:

Company	Counterparty	Relationship with the Company (Note 1)	General transactions: General ledger account	Amount	Terms	Percentage of revenue or assets (Note 2)
Altek Corporation	Altek International Investment Co., Ltd.	(1)	Purchases	$ 4,387,798	Net 45 days	76%
〃	〃	(1)	Accounts payable	4,105,962	〃	20%
Altek International Investment Co., Ltd.	Altek Corporation	(2)	Sales	4,387,798	〃	76%
〃	〃	(2)	Accounts receivable	4,105,962	〃	20%
〃	Altek (Kunshan) Co., Ltd.	(3)	Purchase	4,687,958	〃	81%
〃	〃	(3)	Account payable	195,622	〃	1%
Altek (Kunshan) Co., Ltd.	Altek International Investment Co., Ltd.	(3)	Sales	4,687,958	〃	81%
〃	〃	(3)	Accounts receivable	195,622	〃	1%

Note 1: The relationship with the transaction parties are as follows:
(1) The Company to the consolidated subsidiary.
(2) The consolidated subsidiary to the Company.
(3) The consolidated subsidiary to the consolidated subsidiary.

Note 2: Ratio of asset/liability accounts is divided by consolidated total assets, and ratio of gain/loss accounts is divided by consolidated sales revenue.

12. OPERATING SEGMENTS

(1) General Information

The Group mainly operates in one segment. The chief operating decision-maker reviews the Group’s reporting to assess performance and allocate resource. The Group mainly has a single reportable segment.

(2) Measurement of segment information

The chief operating decision-maker assesses the segment performance through the consolidated financial statements which are prepared in accordance with the generally accepted accounting principles in Republic of China.

13. DISCLOSURES RELATING TO THE ADOPTION OF IFRSs

Pursuant to the regulations of the Financial Supervisory Commission, Executive Yuan, R.O.C., effective January 1, 2013, a public company whose stock is listed on the Taiwan Stock Exchange Corporation or traded in the GreTai Securities Market should prepare financial statements in accordance with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), and relevant interpretations and interpretative bulletins that are ratified by the Financial Supervisory Commission.

The Group discloses the following information in advance prior to the adoption of IFRSs under the requirements of Jin-Guan-Zheng-Shen-Zi Order No. 0990004943 of the Financial Supervisory Commission, dated February 2, 2010:

Major contents and status of execution of the Company's plan for IFRSs adoption:

A. The Company has formed an IFRSs group headed by the group leader, which is responsible for setting up a plan relative to the Company's transition to IFRSs. The major contents and status of execution of this plan are outlined below:

Working Items for IFRSs Adoption	Status of Execution
a. Formation of an IFRSs group	Completed
b. Setting up a plan relative to the Company's transition to IFRSs	Completed
c. Identification of the differences between current accounting policies and IFRSs	Completed
d. Identification of consolidated entities under the IFRSs framework	Completed
e. Evaluation of the impact of each exemption and option on the Company under IFRS 1 – First-time Adoption of International Financial Reporting Standards	Completed
f. Evaluation of needed information system adjustments	Completed
g. Evaluation of needed internal control adjustments	Completed
h. Establish IFRSs accounting policies	Completed
i. Selection of exemptions and options available under IFRS 1 – First-time Adoption of International Financial Reporting Standards	Completed
j. Preparation of statement of financial position on the date of transition to IFRSs	Completed
k. Preparation of IFRSs comparative financial information for 2012	In process
l. Completion of relevant internal control (including financial reporting process and relevant information system) adjustments	In process

B. Material differences that may arise between current accounting policies used in the preparation of financial statements and IFRSs and “Rules Governing the Preparation of Financial Statements by Securities Issuers” that will be used in the preparation of financial statements in the future:

The Group uses the IFRSs already ratified currently by the Financial Supervisory Commission and the “Rules Governing the Preparation of Financial Statements by Securities Issuers” that will be applied in 2013 as the basis for evaluation of material differences in accounting policies as mentioned above. However, the Group’s current evaluation results may be different from the actual differences that may arise when new issuances of or amendments to IFRSs are subsequently ratified by the Financial Supervisory Commission or relevant interpretations or amendments to the “Rules Governing the Preparation of Financial Statements by Securities Issuers” come in the future.

Material differences identified by the Group that may arise between current accounting policies used in the preparation of financial statements and IFRSs and “Rules Governing the Preparation of Financial Statements by Securities Issuers” that will be used in the preparation of financial statements in the future. The Group has also elected to use certain exemption under rules in IFRS 1, “First-time Adoption of International Financial Reporting Standards”, please refer to Note 13(c). The effects are outlined below:

1. Material differences of adjustment on assets and liabilities on January 1, 2012.

	R.O.C. SFAS	Impact amounts	IFRSs	Explanation
Deferred income tax assets-current	$ 235,716	($ 235,716)	$ -	(i)
Deferred income tax assets-non-current	47,125	325,742	372,867	(i)
Others	18,715,707	-	18,715,707	
Total assets	$ 18,998,548	$ 90,026	$ 19,088,574	
Accrued pension liabilities	$ 1,632	$ 14,718	$ 16,350	(ii)
Deferred income tax liabilities-non-current	839,109	90,026	929,135	(i)
Others	7,336,408	-	7,336,408	
Total liabilities	$ 8,177,149	$ 104,744	$ 8,281,893	
Capital reserve-long-term investment	$ 13,187	($ 13,187)	$ -	(iii)
Retained earnings	5,069,098	142,456	5,211,554	(v)
Cumulated translation adjustments	143,987	(143,987)	-	(iv)
Others	5,595,127	-	5,595,127	
Total stockholders’ equity	$ 10,821,399	($ 14,718)	$ 10,806,681	

Explanation for adjustments:

(i) In accordance with current accounting standards in the R.O.C., a deferred tax asset or liability should, according to the classification of its related asset or liability, be classified as current or noncurrent. However, a deferred tax asset or liability that is not related to an asset or liability for financial reporting should be classified as current or noncurrent according to the expected time period to realize or settle a deferred tax asset or liability. However, under IAS 1, “Presentation of Financial Statements”, an entity should not classify a deferred tax asset or liability as current. Accordingly, the Company is going to reclassify the account “deferred income tax assets” from current to non-current on transition date.

(ii) The discount rate used to calculate pensions shall be determined with reference to the factors specified in R.O.C. SFAS 18, paragraph 23. However, IAS 19, “Employee Benefits”, requires an entity to determine the rate used to discount employee benefits with reference to market yields on high quality corporate bonds that match the currency at the end day of the reporting period and duration of its pension plan; when there is no deep market in corporate bonds, an entity is required to use market yields on government bonds (at the end day of the reporting period) instead. Besides, in accordance with current accounting standards in the R.O.C., the unrecognized transitional net benefit obligation should be amortized on a straight-line basis over the average remaining service period of employees still in service and expected to receive benefits. However, in accordance with IAS 19, “Employee Benefits”, the unrecognized transitional net benefit obligation should be recognized as an expense immediately at the date of adoption. Due to the above difference and in order to eliminate the difference in employee benefits upon adoption of IFRS, the Company increased the accrued pension liabilities by $14,718, and simultaneously reduced retained earnings by $14,718 on transition date.

(iii) In accordance with current accounting standards in the R.O.C., if an investee company issues new shares and original shareholders do not purchase or acquire new shares proportionately, but the investor company does not lose its significant influence over the investee company, the investment percentage, and therefore the equity in net assets for the investment that an investor company has invested, will be changed. Such difference shall be used to adjust the ‘Additional paid-in capital’ and the ‘Long-term equity investments’ accounts. However, in accordance with IAS 28, “Investments in Associates”, increase in investment percentage is accounted for as an acquisition of investment; while, decrease in investment percentage is accounted for as a disposal of investment and any related disposal gain or loss is recognized. Accordingly, the company reduced the additional paid-in capital from investee under equity method by $13,187 and simultaneously increased the retained earnings by $13,187 on transition date.

(iv) The Group elected to use the exemption of the cumulative translation differences relating to the investment in a foreign operation. The subsequent changes in foreign exchange rate are treated in accordance with IAS 21, “Effects of Changes in Foreign Exchange Rates”. Therefore, the Group decreased the cumulative translation differences and increased retained earnings by $143,987, respectively.

(v) In accordance with Jin-Guan-Zheng-Fa-Zi Order No. 1010012865 of the FSC, dated April 6, 2012, the Group shall set aside special reserve by $142,456 for the net increases of retained earnings upon adoption of IFRS.

2. Material differences of adjustment on assets and liabilities on March 31, 2012.

	R.O.C. SFAS	Impact amounts	IFRSs	Explanation
Deferred income tax assets-current	$ 240,099	($ 240,099)	$ -	(i)
Deferred income tax assets-non-current	45,982	343,384	389,366	(i)
Others	19,322,656	-	19,322,656	
Total assets	$ 19,608,737	$ 103,285	$ 19,712,022	
Accrued pension liabilities	$ 1,632	$ 14,718	$ 16,350	(ii)
Deferred income tax liabilities-non-current	786,251	103,285	889,536	
Others	8,142,104	-	8,142,104	
Total liabilities	$ 8,929,987	$ 118,003	$ 9,047,990	
Capital reserve-long-term investment	$ 13,187	($ 13,187)	$ -	(iii)
Retained earnings	5,131,730	142,456	5,274,186	(v)
Cumulated translation adjustments	(68,616)	(143,987)	(212,603)	(iv)
Others	5,602,449	-	5,602,449	
Total stockholders' equity	$ 10,678,750	($ 14,718)	$ 10,664,032	

Explanation for adjustments:

(i) In accordance with current accounting standards in the R.O.C., a deferred tax asset or liability should, according to the classification of its related asset or liability, be classified as current or noncurrent. However, a deferred tax asset or liability that is not related to an asset or liability for financial reporting should be classified as current or noncurrent according to the expected time period to realize or settle a deferred tax asset or liability. However, under IAS 1, "Presentation of Financial Statements", an entity should not classify a deferred tax asset or liability as current. Accordingly, the Company is going to reclassify the account "deferred income tax assets" from current to non-current on transition date.

(ii) The discount rate used to calculate pensions shall be determined with reference to the factors specified in R.O.C. SFAS 18, paragraph 23. However, IAS 19, "Employee Benefits", requires an entity to determine the rate used to discount employee benefits with reference to market yields on high quality corporate bonds that match the currency at the end day of the reporting period and duration of its pension plan; when there is no deep market in corporate bonds, an entity is required to use market yields on government bonds (at the end day of the reporting period) instead. Besides, in accordance with current accounting standards in the R.O.C., the unrecognized transitional net benefit obligation should be amortized on a straight-line basis over the average remaining service period of employees still in service and expected to receive benefits. However, in accordance with IAS 19, "Employee Benefits", the unrecognized transitional net benefit obligation should be recognized as an expense immediately at the date of adoption. Due to the above difference and in order to eliminate the difference in employee benefits upon adoption of IFRS, the Company increased the accrued pension liabilities by $14,718, and simultaneously reduced retained earnings by $14,718 on transition date.

(iii) In accordance with current accounting standards in the R.O.C., if an investee company issues new shares and original shareholders do not purchase or acquire new shares proportionately, but the investor company does not lose its significant influence over the investee company, the investment percentage, and therefore the equity in net assets for the investment that an investor company has invested, will be changed. Such difference shall be used to adjust the 'Additional paid-in capital' and the 'Long-term equity investments' accounts. However, in accordance with IAS 28, "Investments in Associates", increase in investment percentage is accounted for as an acquisition of investment; while, decrease in investment percentage is accounted for as a disposal of investment and any related disposal gain or loss is recognized. Accordingly, the company reduced the additional paid-in capital from investee under equity method by $13,187 and simultaneously increased the retained earnings by $13,187 on transition date.

(iv) The Group elected to use the exemption of the cumulative translation differences relating to the investment in a foreign operation. The subsequent changes in foreign exchange rate are treated in accordance with IAS 21, "Effects of Changes in Foreign Exchange Rates". Therefore, the Group decreased the cumulative translation differences and increased retained earnings by $143,987, respectively.

(v) In accordance with Jin-Guan-Zheng-Fa-Zi Order No. 1010012865 of the FSC, dated April 6, 2012, the Group shall set aside special reserve by $142,456 for the net increases of retained earnings upon adoption of IFRS.

3. Material differences of adjustment on profit and loss on First-Quarter, 2012.

	R.O.C. SFAS	Impact amounts	IFRSs	Explanation
Operating revenues	$ 6,328,236	$ -	$ 6,328,236	
Operating costs	(5,901,089)	-	(5,901,089)	
Gross profit	427,147	-	427,147	
Operating expenses	(406,226)	-	(406,226)	
Operating income	20,921	-	20,921	
Non-operating revenues and income	48,899	-	48,899	
Non-operating expenses and loss	(3,304)	-	(3,304)	
Income before income tax	66,516	-	66,516	
Income tax expense	(3,884)	-	(3,884)	
Consolidated net income	$ 62,632	$ -	$ 62,632	

Explanation for adjustments: No significant differences.

C. The Group elected to use the following exemptions in accordance with IFRS 1 “First-time adoption of International Financial Reporting Standards” and “Rules Governing the Preparation of Financial Statements by Securities Issuers” effective in 2013.

1. Business Combinations

   For business combinations before the date of transition to IFRSs (transition date), the Group elects not to apply IFRS 3 “Business Combinations” retrospectively.

2. Share-based payment transactions

   For the vested equity instruments of share-based payment transactions before the transition date, the Group elects not to apply IFRS 2 “Share-base Payment” retrospectively.

3. Employee benefits

   The Group elects to recognize all actuarial gains or losses up to the transition date into retained earnings.

4. Cumulated translation differences

   The Group elects to use the exemption of the cumulative translation differences relating to the investment in a foreign operation. The subsequent changes in foreign exchange rate are treated in accordance with IAS 21, “Effects of Changes in Foreign Exchange Rates”.

5. Compound financial instruments

   For compound financial instruments which were not outstanding at the transition date, the Group elects the exemptions and does not have to split into separate liability and equity components.

Some of the above differences may not have a material effect on the Group in transition to IFRSs due to the exemption rules in IFRS 1, “First-time Adoption of International Financial Reporting Standards”, adopted by the Group.