# ALTEK CORPORATION AND SUBSIDIARIES

## CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

## JUNE 30, 2014 AND 2013

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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

PWCR14000052

(In Thousands of New Taiwan Dollars)

To Altek Corporation

We have reviewed the accompanying consolidated balance sheets of Altek Corporation and subsidiaries as of June 30, 2014 and 2013, and the related consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2014 and 2013, as well as the consolidated statements of changes in equity and of cash flows for the six-month periods ended June 30, 2014 and 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a conclusion on these 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 4(3), except for the financial statements of major subsidiaries-Altek International Investment Co., Ltd. and its subsidiary-Altek (Kunshan) Co., Ltd., which were consolidated based on their reviewed financial statements, other insignificant subsidiaries were consolidated based on their unreviewed financial statements as of and for the six-month periods ended June 30, 2014 and 2013. As of June 30, 2014 and 2013, total assets of these insignificant subsidiaries amounted to $2,347,704 and $4,206,142, respectively, representing 14% and 22% of the consolidated total assets, respectively, and total liabilities of these insignificant subsidiaries amounted to $308,550 and $3,142,056, respectively, representing 5% and 37% of the consolidated total liabilities, respectively, and total comprehensive loss of $30,145, $40,396, $100,918 and $120,904, constituting 49%, 29%, 31% and 23% of the consolidated total comprehensive loss for the three-month and six-month periods ended June 30, 2014 and 2013, respectively. In addition, as described in Note 6(6) to the consolidated financial statements, the financial statements of investments accounted for under the equity method were not reviewed by independent accountants. Equity investments in these investee companies amounted to $300,491 and $352,493 as of June 30, 2014 and 2013, respectively, and the related investment loss amounted to $13,680, $8,676 , $27,897 and $17,164 for the three-month and six-month periods ended June 30, 2014 and 2013, respectively. 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 preceding 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" and IAS 34 "Interim Financial Reporting", as endorsed by the Financial Supervisory Commission.

PricewaterhouseCoopers, Taiwan
Hsinchu, Taiwan
Republic of China

August 8, 2014

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ALTEK CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of June 30, 2014 and 2013 are reviewed, not audited)

| | Assets | Notes | June 30, 2014 AMOUNT | % | December 31, 2013 AMOUNT | % | June 30, 2013 AMOUNT | % |
|---|---|---|---|---|---|---|---|---|
| | **Current assets** | | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | $ 4,007,086 | 24 | $ 4,619,412 | 29 | $ 4,996,899 | 27 |
| 1110 | Financial assets at fair value through profit or loss - current | 6(2) | 558,447 | 3 | 442,167 | 3 | 383,274 | 2 |
| 1150 | Notes receivable, net | | 85,443 | 1 | 101,802 | 1 | - | - |
| 1170 | Accounts receivable, net | 6(4) | 4,099,616 | 25 | 2,319,220 | 15 | 3,611,841 | 19 |
| 1200 | Other receivables | | 69,794 | - | 58,198 | - | 32,763 | - |
| 1220 | Current income tax assets | | 2,538 | - | 5,887 | - | 4,550 | - |
| 130X | Inventories | 6(5) | 1,148,910 | 7 | 1,342,629 | 9 | 2,568,621 | 14 |
| 1410 | Prepayments | | 243,047 | 2 | 177,712 | 1 | 391,034 | 2 |
| 1470 | Other current assets | | 5,502 | - | 11,829 | - | 14,031 | - |
| 11XX | **Current Assets** | | 10,220,383 | 62 | 9,078,856 | 58 | 12,003,013 | 64 |
| | **Non-current assets** | | | | | | | |
| 1543 | Financial assets carried at cost - noncurrent | 6(3) | 156,067 | 1 | 156,108 | 1 | 236,235 | 1 |
| 1550 | Investments accounted for under the equity method | 6(6) | 300,491 | 2 | 329,654 | 2 | 352,493 | 2 |
| 1600 | Property, plant and equipment | 6(7) | 5,537,319 | 34 | 5,656,784 | 36 | 5,632,876 | 30 |
| 1780 | Intangible assets | 6(8) | 102,149 | 1 | 110,413 | 1 | 97,231 | 1 |
| 1840 | Deferred income tax assets | 6(23) | 63,368 | - | 298,633 | 2 | 303,598 | 2 |
| 1900 | Other non-current assets | 6(9) | 84,504 | - | 88,012 | - | 89,247 | - |
| 15XX | **Non-current assets** | | 6,243,898 | 38 | 6,639,604 | 42 | 6,711,680 | 36 |
| 1XXX | **Total assets** | | $ 16,464,281 | 100 | $ 15,718,460 | 100 | $ 18,714,693 | 100 |

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ALTEK CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of June 30, 2014 and 2013 are reviewed, not audited)

| | | | June 30, 2014 | | December 31, 2013 | | June 30, 2013 | |
|---|---|---|---|---|---|---|---|---|
| | Liabilities and Equity | Notes | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| | **Current liabilities** | | | | | | | |
| 2100 | Short-term borrowings | 6(10) | $ 1,000,000 | 6 | $ 1,000,000 | 6 | $ 450,000 | 3 |
| 2170 | Accounts payable | 12(2) | 3,299,219 | 20 | 2,511,106 | 16 | 5,057,364 | 27 |
| 2200 | Other payables | 12(2) | 522,368 | 3 | 637,671 | 4 | 1,263,210 | 7 |
| 2230 | Current income tax liabilities | | 36,721 | - | 17,369 | - | 39,221 | - |
| 2250 | Provisions for liabilities - current | 6(13) | 113,354 | 1 | 155,014 | 1 | 166,800 | 1 |
| 2300 | Other current liabilities | | 569,851 | 3 | 602,568 | 4 | 610,917 | 3 |
| 21XX | **Current Liabilities** | | 5,541,513 | 33 | 4,923,728 | 31 | 7,587,512 | 41 |
| | **Non-current liabilities** | | | | | | | |
| 2550 | Provisions for liabilities - noncurrent | 6(13) | 84,173 | 1 | 120,417 | 1 | 140,051 | 1 |
| 2570 | Deferred income tax liabilities | 6(23) | 519,495 | 3 | 746,845 | 5 | 773,811 | 4 |
| 2600 | Other non-current liabilities | 6(11) | 19,680 | - | 27,562 | - | 27,562 | - |
| 25XX | **Non-current liabilities** | | 623,348 | 4 | 894,824 | 6 | 941,424 | 5 |
| 2XXX | **Total Liabilities** | | 6,164,861 | 37 | 5,818,552 | 37 | 8,528,936 | 46 |
| | **Equity attributable to owners of parent** | | | | | | | |
| | **Share capital** | 6(14) | | | | | | |
| 3110 | Common stock | | 3,941,583 | 24 | 3,902,653 | 25 | 3,961,013 | 21 |
| | **Capital surplus** | 6(15) | | | | | | |
| 3200 | Capital surplus | | 2,116,668 | 13 | 2,028,690 | 13 | 2,050,129 | 11 |
| | **Retained earnings** | 6(16) | | | | | | |
| 3310 | Legal reserve | | 1,319,477 | 8 | 1,319,477 | 9 | 1,319,477 | 7 |
| 3320 | Special reserve | | 142,456 | 1 | 339,267 | 2 | 339,267 | 2 |
| 3350 | Unappropriated retained earnings | | 3,042,899 | 19 | 2,715,960 | 17 | 3,124,668 | 17 |
| | **Other equity interest** | | | | | | | |
| 3400 | Other equity interest | 6(17) | 4,511 | - | 27,904 | - | 17,541 | - |
| 3500 | Treasury stocks | 6(14) | ( 274,323) | ( 2) | ( 440,573) | ( 3) | ( 634,620) | ( 4) |
| 31XX | **Equity attributable to owners of the parent** | | 10,293,271 | 63 | 9,893,378 | 63 | 10,177,475 | 54 |
| 36XX | **Non-controlling interest** | | 6,149 | - | 6,530 | - | 8,282 | - |
| 3XXX | **Total equity** | | 10,299,420 | 63 | 9,899,908 | 63 | 10,185,757 | 54 |
| | **Significant contingent liabilities and unrecognised contract commitments** | 9 | | | | | | |
| | **Total liabilities and equity** | | $ 16,464,281 | 100 | $ 15,718,460 | 100 | $ 18,714,693 | 100 |

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated August 8, 2014.

ALTEK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)
(Reviewed, Not Audited)

| | | | Three months ended June 30 | | | | Six months ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | 2014 | | 2013 | | 2014 | | 2013 | |
| | Items | Notes | AMOUNT | % | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| 4000 | **Sales revenue** | | $ 4,851,525 | 100 | $ 4,853,531 | 100 | $ 8,655,782 | 100 | $ 8,867,835 | 100 |
| 5000 | **Operating costs** | 6(21)(22) and 7 | (4,347,628) | (90) | (4,544,228) | (94) | (7,843,152) | (91) | (8,292,482) | (93) |
| 5900 | **Net operating margin** | | 503,897 | 10 | 309,303 | 6 | 812,630 | 9 | 575,353 | 7 |
| | **Operating expenses** | 6(21)(22) | | | | | | | | |
| 6100 | Selling expenses | | (21,223) | - | (31,110) | (1) | (44,529) | - | (60,218) | (1) |
| 6200 | General & administrative expenses | | (57,089) | (1) | (54,925) | (1) | (107,990) | (1) | (107,357) | (1) |
| 6300 | Research and development expenses | | (270,773) | (6) | (218,701) | (4) | (485,087) | (6) | (463,627) | (5) |
| 6000 | **Total operating expenses** | | (349,085) | (7) | (304,736) | (6) | (637,606) | (7) | (631,202) | (7) |
| 6900 | **Operating profit (loss)** | | 154,812 | 3 | 4,567 | - | 175,024 | 2 | (55,849) | - |
| | **Non-operating income and expenses** | | | | | | | | | |
| 7010 | Other income | 6(18) | 21,976 | - | 20,575 | - | 104,388 | 1 | 42,731 | - |
| 7020 | Other gains and losses | 6(19) | (3,036) | - | 2,692 | - | 9,922 | - | 6,265 | - |
| 7050 | Finance costs | 6(20) | (3,732) | - | (2,612) | - | (7,115) | - | (5,167) | - |
| 7060 | Share of loss of associates and joint ventures accounted for under equity method | 6(6) | (13,680) | - | (8,676) | - | (27,897) | - | (17,164) | - |
| 7000 | **Total non-operating revenue and expenses** | | 1,528 | - | 11,979 | - | 79,298 | 1 | 26,665 | - |
| 7900 | **Profit (loss) before income tax** | | 156,340 | 3 | 16,546 | - | 254,322 | 3 | (29,184) | - |
| 7950 | Income tax expense | 6(23) | (23,139) | - | (513) | - | (39,327) | (1) | (513) | - |
| 8200 | **Profit (loss) for the period** | | $ 133,201 | 3 | $ 16,033 | - | $ 214,995 | 2 | ($ 29,697) | - |
| | **Other comprehensive income** | | | | | | | | | |
| 8310 | Currency translation differences of foreign operations | | ($ 194,454) | (4) | $ 145,653 | 3 | ($ 26,922) | - | $ 418,860 | 5 |
| 8360 | Actuarial gain on defined benefit plan | | - | - | - | - | 7,322 | - | - | - |
| 8370 | Share of other comprehensive income of associates and joint ventures accounted for underthe equity method | | (6,534) | - | 1,820 | - | (1,263) | - | 12,874 | - |
| 8399 | Income tax relating to the components of other comprehensive income | 6(23) | 34,168 | - | (25,070) | - | 4,792 | - | (73,394) | (1) |
| 8300 | **Total other comprehensive (loss) income for the period** | | ($ 166,820) | (4) | $ 122,403 | 3 | ($ 16,071) | - | $ 358,340 | 4 |
| 8500 | **Total comprehensive income (loss) for the period** | | ($ 33,619) | (1) | $ 138,436 | 3 | $ 198,924 | 2 | $ 328,643 | 4 |
| | **Profit (loss), attributable to:** | | | | | | | | | |
| 8610 | Owners of the parent | | $ 132,944 | 3 | $ 15,765 | - | $ 214,640 | 2 | ($ 30,492) | - |
| 8620 | Non-controlling interest | | 257 | - | 268 | - | 355 | - | 795 | - |
| | **Profit (loss) for the period** | | $ 133,201 | 3 | $ 16,033 | - | $ 214,995 | 2 | ($ 29,697) | - |
| | **Comprehensive (loss) income attributable to:** | | | | | | | | | |
| 8710 | Owners of the parent | | ($ 33,876) | (1) | $ 138,168 | 3 | $ 198,569 | 2 | $ 327,848 | 4 |
| 8720 | Non-controlling interest | | 257 | - | 268 | - | 355 | - | 795 | - |
| | **Total comprehensive (loss) income for the period** | | ($ 33,619) | (1) | $ 138,436 | 3 | $ 198,924 | 2 | $ 328,643 | 4 |
| | **Basic earnings per share** | 6(24) | | | | | | | | |
| 9750 | **Total basic earnings (loss) per share** | | $ 0.34 | | $ 0.04 | | $ 0.56 | | ($ 0.08) | |
| | **Diluted earnings (loss) per share** | 6(24) | | | | | | | | |
| 9850 | **Total diluted earnings (loss) per share** | | $ 0.34 | | $ 0.04 | | $ 0.56 | | ($ 0.08) | |

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated August 8, 2014.

ALTEK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(Reviewed, Not Audited)

| | | Equity attributable to owners of the parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Retained Earnings | | | | | | | |
| | Notes | Common stock | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Currency translation differences of foreign operations | Treasury stocks | Total | Non-controlling interest | Total equity |
| Six-month period ended June 30, 2013 | | | | | | | | | | | |
| Balance at January 1, 2013 | | $ 3,961,013 | $ 2,377,444 | $ 1,291,466 | $ - | $ 3,621,302 | ($ 340,799 ) | ($ 768,094 ) | $10,142,332 | $ 10,063 | $10,152,395 |
| Appropriation of 2012 earnings | | | | | | | | | | | |
| Legal reserve | | - | - | 28,011 | - | ( 28,011 ) | - | - | - | - | - |
| Special reserve | | - | - | - | 339,267 | ( 339,267 ) | - | - | - | - | - |
| Cash dividends and capital surplus used to issue cash to shareholders | | - | ( 335,701 ) | - | - | ( 37,300 ) | - | - | ( 373,001 ) | - | ( 373,001 ) |
| Share-based payment transactions | 6(12)(15)(16) | - | 8,002 | - | - | ( 61,564 ) | - | 133,474 | 79,912 | - | 79,912 |
| Loss for the period | 6(16) | - | - | - | - | ( 30,492 ) | - | - | ( 30,492 ) | 795 | ( 29,697 ) |
| Other comprehensive income for the period | 6(17) | - | - | - | - | - | 358,340 | - | 358,340 | - | 358,340 |
| Non-controlling interest | | - | 384 | - | - | - | - | - | 384 | ( 2,576 ) | ( 2,192 ) |
| Balance at June 30, 2013 | | $ 3,961,013 | $ 2,050,129 | $ 1,319,477 | $ 339,267 | $ 3,124,668 | $ 17,541 | ($ 634,620 ) | $10,177,475 | $ 8,282 | $10,185,757 |
| Six-month period ended June 30, 2014 | | | | | | | | | | | |
| Balance at January 1, 2014 | | $ 3,902,653 | $ 2,028,690 | $ 1,319,477 | $ 339,267 | $ 2,715,960 | $ 27,904 | ($ 440,573 ) | $ 9,893,378 | $ 6,530 | $ 9,899,908 |
| Appropriation of 2013 losses | | | | | | | | | | | |
| Special reserve | | - | - | - | ( 196,811 ) | 196,811 | - | - | - | - | - |
| Share-based payment transactions | 6(12)(15)(16) | 88,930 | 112,394 | - | - | - | - | - | 201,324 | - | 201,324 |
| Disposal of treasury shares | 6(14)(15) | ( 50,000 ) | ( 24,416 ) | - | - | ( 91,834 ) | - | 166,250 | - | - | - |
| Distribution of subsidiary cash dividends | | - | - | - | - | - | - | - | - | ( 736 ) | ( 736 ) |
| Profit for the period | 6(16) | - | - | - | - | 214,640 | - | - | 214,640 | 355 | 214,995 |
| Other comprehensive income (loss) for the period | 6(17) | - | - | - | - | 7,322 | ( 23,393 ) | - | ( 16,071 ) | - | ( 16,071 ) |
| Balance at June 30, 2014 | | $ 3,941,583 | $ 2,116,668 | $ 1,319,477 | $ 142,456 | $ 3,042,899 | $ 4,511 | ($ 274,323 ) | $10,293,271 | $ 6,149 | $10,299,420 |

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated August 8, 2014.

ALTEK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(Reviewed, Not Audited)

| | Notes | For the six-month period Ended June 30 2014 | 2013 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit (loss) before tax for the period | | $ 254,322 | ($ 29,184 ) |
| Adjustments to reconcile profit (loss) before income tax to net cash (used in) provided by operating activities | | | |
| Income and expenses having no effect on cash flows | | | |
| Depreciation | 6(7)(21) | 184,825 | 155,027 |
| Amortisation | 6(8)(21) | 9,515 | 6,036 |
| Net gains on financial assets at fair value through profit or loss | 6(2)(19) | 4,519 | ( 4,519 ) |
| Interest expense | 6(20) | 7,115 | 5,167 |
| Interest income | 6(18) | ( 42,392 ) | ( 31,785 ) |
| Share-based payment compensation cost | 6(12) | 3,952 | 10,747 |
| Share of loss of associated and joint ventures accounted for under equity method | | 27,897 | 17,164 |
| Gain on disposal of property, plant and equipment | 6(19) | ( 2,079 ) | ( 401 ) |
| Changes in assets/liabilities relating to operating activities | | | |
| Net changes in assets relating to operating activities | | | |
| Financial assets at fair value through profit or loss - current | | ( 120,799 ) | 49,527 |
| Notes receivable | | 16,359 | - |
| Accounts receivable | | ( 1,780,396 ) | ( 728,146 ) |
| Other receivables | | ( 23,460 ) | 1,614 |
| Inventories | | 193,719 | ( 853,300 ) |
| Prepayments | | ( 64,383 ) | ( 157,545 ) |
| Other current assets | | 6,327 | ( 9,640 ) |
| Net changes in liabilities relating to operating activities | | | |
| Notes payable | | - | ( 40 ) |
| Accounts payable | | 788,113 | 1,912,411 |
| Accounts payable - related parties | | - | ( 97 ) |
| Other payables | | ( 109,982 ) | ( 288,090 ) |
| Provisions for liabilities | | ( 77,904 ) | 11,860 |
| Other current liabilities | | ( 32,717 ) | ( 91,328 ) |
| Other non-current liabilities | | 346 | ( 626 ) |
| Cash used in operations | | ( 757,103 ) | ( 25,148 ) |
| Interest received | | 54,256 | 22,584 |
| Interest paid | | ( 7,023 ) | ( 4,818 ) |
| Income tax paid | | ( 3,919 ) | ( 38,750 ) |
| Net cash used in operating activities | | ( 713,789 ) | ( 46,132 ) |

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ALTEK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(Reviewed, Not Audited)

| | Notes | For the six-month period Ended June 30 2014 | 2013 |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of property, plant and equipment | 6(26) | ($ 91,143 ) | ($ 398,131 ) |
| Proceeds from disposal of property, plant and equipment | 6(7)(19) | 2,079 | 513 |
| Increase in intangible assets | 6(8) | ( 4,156 ) | ( 20,348 ) |
| Decrease (increase) in deposits received | | 2,736 | ( 7,911 ) |
| Net cash used in investing activities | | ( 90,484 ) | ( 425,877 ) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Increase in short-term borrowings | 6(10) | - | 450,000 |
| Decrease in deposits-in | | ( 906 ) | - |
| Employee stock options exercised | | 197,372 | - |
| Proceeds from employees' purchase of treasury stock | | - | 69,165 |
| Changes in non-controlling interest | | - | ( 2,192 ) |
| Net cash provided by financing activities | | 196,466 | 516,973 |
| Effect of exchange rate | | ( 4,519 ) | 253,135 |
| (Decrease) increase in cash and cash equivalents | | ( 612,326 ) | 298,099 |
| Cash and cash equivalents at beginning of period | 6(1) | 4,619,412 | 4,698,800 |
| Cash and cash equivalents at end of period | 6(1) | $ 4,007,086 | $ 4,996,899 |

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated August 8, 2014.

ALTEK CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of new Taiwan dollars, unless stated otherwise)

(Reviewed, Not Audited)

1. HISTORY AND ORGANIZATION

Altek Corporation (the "Company") was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in the development, manufacturing and sale of digital image technology application, related export and import trade.

The Company was listed in the Taiwan Stock Exchange on December 24, 2002, as approved by the Tai-Tz (91) Letter No. 024976 of the former Securities and Futures Commission, Ministry of Finance, R.O.C., dated September 27, 2002.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were reported to the Board of Directors and issued on August 8, 2014.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRSs") as endorsed by the Financial Supervisory Commission ("FSC")

None.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, 'Financial instruments') as endorsed by the FSC in preparing the consolidated financial statements. The related new standards, interpretations and amendments are listed below:

| New Standards, Interpretations and Amendments | IASB Effective Date |
| --- | --- |
| Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1) | July 1, 2010 |
| Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1) | July 1, 2011 |
| Government loans (amendment to IFRS 1) | January 1, 2013 |
| Disclosures－Transfers of financial assets (amendment to IFRS 7) | July 1, 2011 |
| Disclosures－Offsetting financial assets and financial liabilities (amendment to IFRS 7) | January 1, 2013 |
| IFRS 10, 'Consolidated financial statements' | January 1, 2013 (Investment entities: January 1, 2014) |
| IFRS 11,'Joint arrangements' | January 1, 2013 |
| IFRS 12,'Disclosure of interests in other entities' | January 1, 2013 |
| IFRS 13, 'Fair value measurement' | January 1, 2013 |
| Presentation of items of other comprehensive income (amendment to IAS 1) | July 1, 2012 |
| Deferred tax: recovery of underlying assets (amendment to IAS 12) | January 1, 2012 |
| IAS 19 (revised), 'Employee benefits' | January 1, 2013 |
| IAS 27,'Separate financial statements' (as amended in 2011) | January 1, 2013 |
| IAS 28,'Investments in associates and joint ventures'(as amended in 2011) | January 1, 2013 |
| Offsetting financial assets and financial liabilities (amendment to IAS 32) | January 1, 2014 |
| IFRIC 20, 'Stripping costs in the production phase of a surface mine' | January 1, 2013 |
| Improvements to IFRSs 2010 | January 1, 2011 |
| Improvements to IFRSs 2009－2011 | January 1, 2013 |

Based on the Group's assessment, the adoption of the 2013 version of IFRS has no significant impact on the consolidated financial statements of the Group, except for the following:

A. IAS 19 (revised), 'Employee benefits'

The revised standard eliminates the corridor approach and requires actuarial gains and losses to be recognised immediately in other comprehensive income. Past service cost will be recognised immediately in the period incurred. Net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability, replace the finance charge and expected return on plan assets. The return of plan assets, excluding net interest expenses, is recognised in other comprehensive income. An entity is required to recognise termination benefits at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognises any related restructuring costs. Additional disclosures are required to present how defined benefit plans may affect the amount, timing and uncertainty of the entity's future cash flows.

B. IAS 1, 'Presentation of financial statements'

The amendment requires entities to separate items presented in OCI classified by nature into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the Group will adjust its presentation of the statement of comprehensive income.

C. IFRS 12, 'Disclosure of interests in other entities'

The standard integrates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. And, the Group will disclose additional information about its interests in consolidated entities and unconsolidated entities accordingly.

D. IFRS 13, 'Fair value measurement'

The standard defines fair value, sets out a framework for measuring fair value, and requires disclosures about fair value measurements. Based on the Group's assessment, the adoption of the standard has no significant impact on its consolidated financial statements, and the Group will disclose additional information about fair value measurements accordingly.

For the above items, the Group is assessing their impact on the consolidated financial statements and will disclose the affected amounts accordingly.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the 2013 version of IFRS as endorsed by the FSC:

| New Standards, Interpretations and Amendments | IASB Effective Date |
|---|---|
| IFRS 9, 'Financial instruments' | January 1, 2018 |
| Accounting for acquisition of interests in joint operations (amendments to IFRS 11) | January 1, 2016 |
| IFRS 14, 'Regulatory deferral accounts' | January 1, 2016 |
| IFRS 15, 'Revenue from contracts with customers' | January 1, 2017 |
| Clarification of acceptable methods of depreciation and amortisation(amendments to IAS 16 and IAS 38) | January 1, 2016 |
| Agriculture: bearer plants (amendments to IAS 16 and IAS 41) | January 1, 2016 |
| Defined benefit plans: employee contributions (amendments to IAS 19R) | July 1, 2014 |
| Recoverable amount disclosures for non-financial assets (amendments to IAS 36) | January 1, 2014 |
| Novation of derivatives and continuation of hedge accounting (amendments to IAS 39) | January 1, 2014 |
| IFRIC 21, 'Levies' | January 1, 2014 |
| Improvements to IFRSs 2010-2012 | July 1, 2014 |
| Improvements to IFRSs 2011-2013 | July 1, 2014 |

The Group is assessing the potential impact of the new standards, interpretations and amendments above and has not yet been able to reliably estimate their impact on the consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

A.The consolidated financial statements of the Group have been prepared in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and IAS 34, 'Interim Financial Reporting' as endorsed by the FSC.

B.The consolidated financial statements should be read together with 2013 annual consolidated financial statements.

(2) Basis of preparation

A.Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B.The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

Basis of preparation of consolidated financial statements is consistent with the annual consolidated financial statements for the year 2013.

B.Subsidiaries included in the consolidated financial statements:

| | | | Ownership (%) | | | |
|---|---|---|---|---|---|---|
| Name of Investor | Name of Subsidiaries | Main Business Activities | June 30, 2014 | December 31, 2013 | June 30, 2013 | Note |
| Altek Corporation | Altek International Investment Co., Ltd. | Investments and general business operations | 100% | 100% | 100% | |
| " | Altek Japan Corporation | Sales and design of optical instruments | 100% | 100% | 100% | |
| " | Altek Investment Co., Ltd. | Investments | 100% | 100% | 100% | |
| " | Altek Autotronics Corporation | Research design, manufacture and sales of car electronic components | 97.96% | 97.96% | 97.17% | Note 1 |
| Altek International Investment Co., Ltd. | Altek Lab Inc. | Design service | 100% | 100% | 100% | |
| " | Altek Optical (Cayman) Co., Ltd. | Investments and general business operations | 100% | 100% | 100% | |
| Note 2 | Altek (Kunshan) Co., ltd. | Manufacture and sales of digital still camera and its accessories | 100% | 100% | 100% | |
| Note 2 | Altek EMS (Kunshan) Co., Ltd. | Manufacture and sales of related engineering services | 100% | 100% | 100% | |
| Note 2 | Altek Imaging Technology (Shanghai) Limited | Manufacture and sales of optical components | 100% | 100% | 100% | |
| Note 2 | Altek Precision (Kunshan) Co., Ltd. | Manufacture and sales of digital camera parts | 100% | 100% | 100% | |
| Note 2 | Altek Trading (Shanghai) Limited | Wholesale, import and export of digital cameras, digital video cameras and their associated accessories | 100% | 100% | 100% | |
| Note 2 | Altek Semiconductor Corporation | Research design and sales of ASIC | 100% | 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% | 100% | |
| Note 2 | Altek Optical Technology (Kunshan) Co., Ltd. | Manufacture and sales of digital camera and its accessories and optical components | 100% | 100% | 100% | |

Note 1: Ownership increased due to subsidiary's continued repurchase of shares of Altek Autotronics Corporation.

Note 2: Altek International Investment Co., Ltd.'s wholly- owned subsidiaries - Leading Tech. Co., Ltd.、Toptek Investment Cayman Co., Ltd.、Altek Imaging Technology (Cayman) Co., Ltd.、Altek Trading (Cayman) Co., Ltd.、Altek Semiconductor (Cayman) Co., Ltd.、Altek Optical Technology (Cayman) Co., Ltd. which Altek International Investment Co., Ltd. invests other subsidiaries through.

Note 3: Except for the financial statements of major subsidiaries – Altek International Investment Co., Ltd. and its subsidiary – Altek (Kunshan) Co., Ltd., which were consolidated based on their reviewed financial statements, other subsidiaries were consolidated based on their unreviewed financial statements as of and for the six-month periods ended June 30, 2014 and 2013.

C.Subsidiaries not included in the consolidated financial statements: None.

D.Adjustments for subsidiaries with different balance sheet dates: None.

E.Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

(4) Employee benefits

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

(5) Income tax

The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies: None.

(2) Critical accounting estimates and assumptions:

A.Realisability of deferred tax assets

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global economic environment, industry environment, and laws and regulations might cause material adjustments to deferred tax assets.

As of June 30, 2014, the Group recognised deferred tax assets amounting to $63,368.

B.Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory comsumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of June 30, 2014, the carrying amount of inventories was $1,148,910.

C.Calculation of accrued pension obligations

When calculating the present value of defined pension obligations, the Group must apply judgements and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and expected rate of return on plan assets. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.

As of June 30, 2014, the carrying amount of accrued pension obligations was $12,224.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash

| | June 30, 2014 | December 31, 2013 | June 30, 2013 |
|---|---|---|---|
| Cash on hand | $ 1,161 | $ 1,436 | $ 1,377 |
| Checking accounts and demand deposits | 200,825 | 142,138 | 448,893 |
| Time deposits | 3,805,100 | 4,475,838 | 4,546,629 |
| | $ 4,007,086 | $ 4,619,412 | $ 4,996,899 |

A.The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

B.The Group has no cash and cash equivalents pledged to others.

### (2) Financial assets at fair value through profit or loss

| Items | June 30, 2014 | December 31, 2013 | June 30, 2013 |
|---|---|---|---|
| Current items: | | | |
| Financial assets held for trading | $ 521,941 | $ 427,458 | $ 374,642 |
| Listed stocks | 42,411 | - | - |
| Valuation adjustment | ( 5,905) | 14,709 | 8,632 |
| Total | $ 558,447 | $ 442,167 | $ 383,274 |

The Group recognized net (loss) gain of $(15,920) and $72 for the three-month periods ended June 30, 2014 and 2013, respectively, and net (loss) gain of $(4,519) and $4,519 for the six-month periods ended June 30, 2014 and 2013, respectively.

(3) Financial assets measured at cost

| Items | June 30, 2014 | December 31, 2013 | June 30, 2013 |
|---|---|---|---|
| Non-current items: | | | |
| Unlisted stocks | $ 245,219 | $ 245,260 | $ 301,018 |
| Less: Accumulated impairment | ( 89,152) | ( 89,152) | ( 64,783) |
| Total | $ 156,067 | $ 156,108 | $ 236,235 |

A.As the Group’s investment in unlisted stocks are not traded in an active market, and no sufficient industry information of companies similar to these stocks financial information can be obtained, the fair value of the investment in unlisted stocks cannot be measured reliably. The Group classified those stocks as ‘financial assets measured at cost’.

B.As of June 30, 2014, December 31, 2013 and June 30, 2013, no financial assets measured at cost held by the Group were pledged to others.

(4) Accounts receivable

| | June 30, 2014 | December 31, 2013 | June 30, 2013 |
|---|---|---|---|
| Accounts receivable | $ 4,099,616 | $ 2,971,895 | $ 4,264,516 |
| Less: allowance for bad debts | - | ( 652,675) | ( 652,675) |
| | $ 4,099,616 | $ 2,319,220 | $ 3,611,841 |

A.The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group’s Credit Quality Control Policy:

| | June 30, 2014 | December 31, 2013 | June 30, 2013 |
|---|---|---|---|
| Group 1 | $ 4,073,957 | $ 2,285,513 | $ 3,579,782 |
| Group 2 | 4,340 | 8,536 | 20,121 |
| | $ 4,078,297 | $ 2,294,049 | $ 3,599,903 |

Note:

Group 1: Including domestic and foreign listed companies and their affiliated companies.

Group 2: Others.

B.The ageing analysis of accounts receivable that were past due but not impaired is as follows:

| | June 30, 2014 | December 31, 2013 | June 30, 2013 |
|---|---|---|---|
| Up to 30 days | $ 5,761 | $ 24,988 | $ 9,087 |
| 31 to 90 days | 14,899 | 119 | 2,297 |
| 91 to 180 days | 604 | 64 | 306 |
| Over 181 days | 55 | - | 248 |
| | $ 21,319 | $ 25,171 | $ 11,938 |

The above ageing analysis was based on past due date.

C.Movements on the Group’s provision for impairment of accounts receivable are as follows:

| | 2014 | | |
|---|---|---|---|
| | Individual provision | Group provision | Total |
| At January 1 | $ 652,675 | $ - | $ 652,675 |
| Less：Impaired for uncollectible | ( 652,675) | - | ( 652,675) |
| At June 30 | $ - | $ - | $ - |

| | 2013 | | |
|---|---|---|---|
| | Individual provision | Group provision | Total |
| At January 1 / June 30 | $ 652,675 | $ - | $ 652,675 |

Note: The impaired financial assets refer to receivables from Kodak US who has filed for bankruptcy protection. The full amount of the unrecovered receivables was recorded as impaired. The possibility of recovery of receivables was assessed to be low during the second quarter of 2014, thus, the receivables were eliminated.

D.The maximum exposure to credit risk at June 30, 2014, December 31, 2013 and June 30, 2013 was the carrying amount of each class of accounts receivable.

E.The Group does not hold any collateral as security.

(5) Inventories

| | June 30 , 2014 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | $ 558,409 | ($ 67,575) | $ 490,834 |
| Work-in-process | 158,162 | ( 22,447) | 135,715 |
| Finished goods | 540,995 | ( 18,634) | 522,361 |
| Total | $ 1,257,566 | ($ 108,656) | $ 1,148,910 |

| | December 31, 2013 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | $ 630,832 | ($ 94,354) | $ 536,478 |
| Work-in-process | 185,181 | ( 30,012) | 155,169 |
| Finished goods | 672,496 | ( 21,514) | 650,982 |
| Total | $ 1,488,509 | ($ 145,880) | $ 1,342,629 |

| | June 30 , 2013 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | $ 1,320,758 | ($ 124,177) | $ 1,196,581 |
| Work-in-process | 329,514 | ( 31,735) | 297,779 |
| Finished goods | 1,104,338 | ( 30,077) | 1,074,261 |
| Total | $ 2,754,610 | ($ 185,989) | $ 2,568,621 |

The cost of inventories recognised as expense for the three-month periods ended June 30, 2014 and 2013 was $4,347,627 and $4,544,228, respectively, and for the six-month periods ended June 30, 2014 and 2013 was $7,843,151 and $8,292,482, respectively, including the amount of $(5,406)、$3,514、$(4,976) and $(19,121), respectively, that the Group wrote down from cost to net realizable value accounted for as 'cost of goods sold' or that the Group reversed from a previous inventory write-down and accounted for as reduction of 'cost of goods sold'.

(6) Investments accounted for under the equity method

| | June 30, 2014 | December 31, 2013 | June 30, 2013 |
|---|---|---|---|
| JinJing Optical Technology Co., Ltd. | $ 58,877 | $ 59,418 | $ 58,122 |
| Phoenix Optical (Shanghai) Co., Ltd. | 265,201 | 293,823 | 317,958 |
| | 324,078 | 353,241 | 376,080 |
| Less: accumulated impairment loss | ( 23,587) | ( 23,587) | ( 23,587) |
| | $ 300,491 | $ 329,654 | $ 352,493 |

The financial information of the Group's principal associates is summarized below:

| | Assets | Liabilities | Revenue | Profit/(Loss) | % interest held |
|---|---|---|---|---|---|
| June 30, 2014 | $ 1,213,246 | $ 308,867 | $ 428,854 | ($ 72,747) | note |
| December 31, 2013 | $ 1,372,933 | $ 391,595 | $ 1,167,607 | ($ 98,396) | note |
| June 30, 2013 | $ 1,431,570 | $ 396,849 | $ 545,656 | ($ 38,736) | note |

Note: The shareholding ratio to the JinJing Optical Technology Co., Ltd. and Phoenix Optical (Shanghai) Co., Ltd. was 23.33% and 40%, respectively.

(Blank below)

(7) Property, plant and equipment

| | Land | Buildings | Machinery | Test equipment | Construction in progress and prepayment for equipment | Others | Total |
|---|---|---|---|---|---|---|---|
| At January 1, 2014 | | | | | | | |
| Cost | $ 1,042,216 | $ 3,637,511 | $ 2,297,655 | $ 211,774 | $ 24,235 | $ 567,879 | $ 7,781,270 |
| Accumulated depreciation and impairment | - | (384,930) | (1,223,233) | (144,247) | - | (372,076) | (2,124,486) |
| | $ 1,042,216 | $ 3,252,581 | $ 1,074,422 | $ 67,527 | $ 24,235 | $ 195,803 | $ 5,656,784 |
| Six-month period ended June 30, 2014 | | | | | | | |
| Opening net book amount | $ 1,042,216 | $ 3,252,581 | $ 1,074,422 | $ 67,527 | $ 24,235 | $ 195,803 | $ 5,656,784 |
| Additions | - | - | 8,641 | 1,494 | 1,470 | 76,758 | 88,363 |
| Disposals | - | - | - | - | - | - | - |
| Reclassifications | - | - | 3,670 | 1,200 | (19,373) | 13,551 | (952) |
| Depreciation charge | - | (46,863) | (75,980) | (14,851) | - | (47,131) | (184,825) |
| Net exchange differences | - | (14,395) | (6,715) | (204) | 74 | (811) | (22,051) |
| Closing net book amount | $ 1,042,216 | $ 3,191,323 | $ 1,004,038 | $ 55,166 | $ 6,406 | $ 238,170 | $ 5,537,319 |
| At June 30, 2014 | | | | | | | |
| Cost | $ 1,042,216 | $ 3,620,885 | $ 2,293,458 | $ 213,072 | $ 6,406 | $ 646,951 | $ 7,822,988 |
| Accumulated depreciation and impairment | - | (429,562) | (1,289,420) | (157,906) | - | (408,781) | (2,285,669) |
| | $ 1,042,216 | $ 3,191,323 | $ 1,004,038 | $ 55,166 | $ 6,406 | $ 238,170 | $ 5,537,319 |

| | Land | Buildings | Machinery | Test equipment | Construction in progress and prepayment for equipment | Others | Total |
|---|---|---|---|---|---|---|---|
| At January 1, 2013 | | | | | | | |
| Cost | $ 1,042,216 | $ 3,441,708 | $ 1,727,766 | $ 193,969 | $ 116,167 | $ 547,908 | $ 7,069,734 |
| Accumulated depreciation and impairment | - | ( 280,986) | ( 1,053,271) | ( 118,059) | - | ( 319,526) | ( 1,771,842) |
| | $ 1,042,216 | $ 3,160,722 | $ 674,495 | $ 75,910 | $ 116,167 | $ 228,382 | $ 5,297,892 |
| Six-month period ended June 30, 2013 | | | | | | | |
| Opening net book amount | $ 1,042,216 | $ 3,160,722 | $ 674,495 | $ 75,910 | $ 116,167 | $ 228,382 | $ 5,297,892 |
| Additions | - | ( 15,555) | 259,360 | 4,725 | 31,641 | 58,972 | 339,143 |
| Disposals | - | - | ( 66) | ( 6) | - | ( 40) | ( 112) |
| Reclassifications | - | 13,215 | 86,846 | - | ( 105,310) | 718 | ( 4,531) |
| Depreciation charge | - | ( 45,165) | ( 54,237) | ( 13,610) | - | ( 42,015) | ( 155,027) |
| Net exchange differences | - | 98,738 | 40,797 | 2,246 | 4,154 | 9,576 | 155,511 |
| Closing net book amount | $ 1,042,216 | $ 3,211,955 | $ 1,007,195 | $ 69,265 | $ 46,652 | $ 255,593 | $ 5,632,876 |
| At June 30, 2013 | | | | | | | |
| Cost | $ 1,042,216 | $ 3,548,970 | $ 2,170,671 | $ 201,972 | $ 46,652 | $ 606,257 | $ 7,616,738 |
| Accumulated depreciation and impairment | - | ( 337,015) | ( 1,163,476) | ( 132,707) | - | ( 350,664) | ( 1,983,862) |
| | $ 1,042,216 | $ 3,211,955 | $ 1,007,195 | $ 69,265 | $ 46,652 | $ 255,593 | $ 5,632,876 |

For the six-month periods ended June 30, 2014 and 2013, there was no capitalisation of borrowing interests attributable to the property, plant and equipment and the Group did not pledge any fixed asset as collateral.

(8) Intangible assets

| | 2014 | 2013 |
|---|---|---|
| At January 1 | | |
| Cost | $ 141,213 | $ 87,038 |
| Accumulated amortisation and impairment | ( 30,800) | ( 13,959) |
| | $ 110,413 | $ 73,079 |
| Six-month period ended June 30 | | |
| Opening net book amount | $ 110,413 | $ 73,079 |
| Additions | 787 | 27,086 |
| Amortisation charge | ( 9,017) | ( 5,555) |
| Net exchange differences | ( 34) | 2,621 |
| Closing net book amount | $ 102,149 | $ 97,231 |
| At June 30 | | |
| Cost | $ 127,915 | $ 109,512 |
| Accumulated amortisation and impairment | ( 25,766) | ( 12,281) |
| | $ 102,149 | $ 97,231 |

The Group has no intangible assets pledged to others.

(9) Long-term prepaid rents ( shown as 'Other non-current assets')

| | June 30, 2014 | December 31, 2013 | June 30, 2013 |
|---|---|---|---|
| Land-use right | $ 38,927 | $ 39,700 | $ 39,923 |

The Group recognized amortisation expenses for the three-month periods ended June 30, 2014 and 2013 amounting to $248 and $243, and for the six-month periods ended June 30, 2014 and 2013 amounting to $498 and $481, respectively.

(10) Short-term borrowings

| Type of borrowings | June 30, 2014 | Interest rate range | Collateral |
|---|---|---|---|
| Bank borrowings | | | |
| Unsecured borrowings | $ 1,000,000 | 1.19%~1.32% | None |

| Type of borrowings | December 31, 2013 | Interest rate range | Collateral |
|---|---|---|---|
| Bank borrowings | | | |
| Unsecured borrowings | $ 1,000,000 | 1.17%~1.32% | None |

| Type of borrowings | June 30, 2013 | Interest rate range | Collateral |
|---|---|---|---|
| Bank borrowings | | | |
| Unsecured borrowings | $ 450,000 | 1.30% | None |

(11) Pensions

A.

a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

b) For the aforementioned pension plan, the Group recognised pension costs for the three-month periods ended June 30, 2014 and 2013 amounting to $3 and $0, and for the six-month periods ended June 30, 2014 and 2013 amounting to $352 and $0, respectively.

Details of costs and expenses recognised in comprehensive income statements are as follows:

| | For the three-month period ended June 30, 2014 |
|---|---|
| Selling expenses | $ - |
| General and administrative expenses | 3 |
| Research and development expenses | - |
| | $ 3 |

| | For the six-month period ended June 30, 2014 |
|---|---|
| Selling expenses | $ 20 |
| General and administrative expenses | 42 |
| Research and development expenses | 290 |
| | $ 352 |

c) Expected contributions to the defined benefit pension plans of the Group within one year from June 30, 2014 amounts to $12.

B.

a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. For the three-month periods ended June 30, 2014 and 2013, the Group had recognized pension costs of $8,907 and $8,994, and for the six-month periods ended June 30, 2014 and 2013, the Group had recognized pension costs of $17,688 and $17,717, respectively, under the above pension scheme.

b) The subsidiaries provided defined contribution plans for its employees. Pursuant to local regulations, such employees and the subsidiaries each make contributions based on a certain percentage based of the salaries and wages to the pension funds. The subsidiaries had recognised pension costs of $14,252 and $16,912 for the three-month periods ended June 30, 2014 and 2013, respectively, and of $25,314 and $29,002 for the six-month periods ended June 30, 2014 and 2013, respectively.

(12) Share-based payment

A.As of June 30, 2014 and 2013, the Company's share-based payment arrangements were as follows:

| Type of arrangement | Grant date | Quantity granted | Contract period | Vesting conditions |
|---|---|---|---|---|
| Employee stock options | June 13, 2008 | 8,000 | 9.6 years | Note |
| " | October 31, 2008 | 1,000 | 9.2 years | Note |
| " | March 23, 2009 | 3,000 | 8.8 years | Note |
| " | October 28, 2011 | 3,000 | 9.2 years | Note |
| " | March 21, 2012 | 3,000 | 8.9 years | Note |
| Treasury stock transferred to employees at the seventh time | March 15, 2013 | 2,196 | - | Vested immediately |
| Treasury stock transferred to employees at the eighth time | April 9, 2013 | 1,818 | - | Vested immediately |

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

B.Details of the share-based payment arrangements are as follows:

| | For the six-month period June 30, 2014 | | For the six-month period June 30, 2013 | |
|---|---|---|---|---|
| | No. of options | Weighted-average exercise price (in dollars) | No. of options | Weighted-average exercise price (in dollars) |
| Options outstanding at beginning of the period | 15,708 | $ 22.60 | 16,008 | $ 24.00 |
| Options forfeited | ( 254) | - | ( 300) | - |
| Options exercised | ( 8,893) | 22.19 | - | - |
| Options outstanding at end of the period | 6,561 | 23.30 | 15,708 | 24.00 |
| Options exercisable at end of the period | 3,201 | 22.60 | 10,108 | 23.20 |
| Approved and not yet issued options at the end of the period | - | | - | |

C.The weighted-average stock price of stock options at exercise dates for the three-month period ended June 30, 2014 amounted to $31.21(in dollars), and for the six-month period ended June 30, 2014 amounted to $30.39 (in dollars), respectively.

D.The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

| | | June 30, 2014 | | December 31, 2013 | | June 30, 2013 | |
|---|---|---|---|---|---|---|---|
| Issue date approved | Expiry date | No. of shares (in thousands) | Exercise price (in dollars) | No. of shares (in thousands) | Exercise price (in dollars) | No. of shares (in thousands) | Exercise price (in dollars) |
| June 13, 2008 | December 31, 2017 | 1,555 | $ 23.20 | 7,177 | $ 23.20 | 7,177 | $ 24.60 |
| October 31, 2008 | December 31, 2017 | 256 | 19.40 | 506 | 19.40 | 506 | 20.60 |
| March 23, 2009 | December 31, 2017 | 366 | 18.30 | 2,425 | 18.30 | 2,425 | 19.40 |
| October 28, 2011 | December 31, 2020 | 2,320 | 24.10 | 2,600 | 24.10 | 2,600 | 25.60 |
| March 21, 2012 | December 31, 2020 | 2,064 | 23.90 | 3,000 | 23.90 | 3,000 | 25.40 |

E.The fair value of stock options granted after January 1, 2008 is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

| Type of arrangement | Grant date | Stock price (in dollars) | Exercise price (Note 1) (in dollars) | Expected price volatility | Expected option life | Expected dividends | Risk-free interest rate | Fair value per unit (in dollars) |
|---|---|---|---|---|---|---|---|---|
| Employee stock options | June 13, 2008 | $ 45.50 | $ 23.20 | 24.45% | 6 years | 1.5% | 2.40% | 10.56 |
| " | October 31, 2008 | 32.60 | 19.40 | 22.11% | 6 years | 1.5% | 1.88% | 6.54 |
| " | March 23, 2009 | 30.90 | 18.30 | 22.63% | 6 years | 1.5% | 0.96% | 5.73 |
| " | October 28, 2011 | 30.65 | 24.10 | 30.27% | 5 years | 1.4% | 1.18% | 7.42 |
| " | March 21, 2012 | 27.85 | 23.90 | 33.54% | 4.9 years | 1.4% | 1.08% | 7.35 |
| Treasury stock transferred to employees at the seventh time | March 15, 2013 | 18.05 | 17.23 | - | - | - | - | Note 2 |
| Treasury stock transferred to employees at the eighth time | April 9,2013 | 17.75 | 17.23 | - | - | - | - | 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 was close to the grant date, the fair value per unit was estimated using the intrinsic value method.

F.Expenses incurred on share-based payment transactions are shown below:

| | For the three-month period ended June 30, 2014 | For the three-month period ended June 30, 2013 |
|---|---|---|
| Equity-settled | $ 1,662 | $ 4,506 |
| | For the six-month period ended June 30, 2014 | For the six-month period ended June 30, 2013 |
| Equity-settled | $ 3,952 | $ 10,747 |

(13) Provisions

| | Warranty |
|---|---|
| At January 1, 2014 | $ 275,431 |
| Used (reversed) during the period | ( 77,923) |
| Exchange differences | 19 |
| At June 30, 2014 | $ 197,527 |

| | June 30, 2014 | December 31, 2013 | June 30, 2013 |
|---|---|---|---|
| Current | $ 113,354 | $ 155,014 | $ 166,800 |
| Non-current | $ 84,173 | $ 120,417 | $ 140,051 |

The Group gives warranties on digital image technology application products sold. Provision for warranty is estimated based on historical warranty data of digital image technology application products.

(14) Share capital

A. As of June 30, 2014, the Company's authorized capital was $5,000,000, consisting of 500,000 thousand shares of ordinary stock (including 30,000 thousand shares reserved for stock options), and the paid-in capital was $3,941,583 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

| | 2014 | 2013 |
|---|---|---|
| At January 1 | 377,015 | 373,001 |
| Employee stock options exercised (including treasury shares transferred to employees) | 8,893 | 4,014 |
| At June 30 | 385,908 | 377,015 |

B. Treasury shares

a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

| | | June 30, 2014 (in thousands of shares) | |
|---|---|---|---|
| Shares held by | Reason for reacquisition | Number of shares | Book Value |
| Altek Corporation | To be reissued to employees | 8,250 | $ 274,323 |

| | | December 31, 2013 (in thousands of shares) | |
|---|---|---|---|
| Shares held by | Reason for reacquisition | Number of shares | Book Value |
| Altek Corporation | To be reissued to employees | 13,250 | $ 440,573 |

| | | June 30, 2013 (in thousands of shares) | |
|---|---|---|---|
| Shares held by | Reason for reacquisition | Number of shares | Book Value |
| Altek Corporation | To be reissued to employees | 19,086 | $ 634,620 |

b) Pursuant to the R.O.C. Securities and Exchange Law, the number of shares bought back as treasury share 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 realised capital surplus.

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

d) Pursuant to the R.O.C. Securities and Exchange Law, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company’s credit rating and the stockholders’ equity should be retired within six months of acquisition.

e) The cancellation of treasury shares was approved by the Board of Directors’ resolution on August 5, 2013, amounting to $194,047 consisting of 5,836 thousand shares. The capital reduction date was on September 2, 2013, and the registration for cancellation of treasury shares had been completed.

f) The cancellation of treasury shares was approved by the Board of Directors’ resolution dated November 4, 2013, amounting to $166,250 consisting of 5,000 thousand shares. The capital reduction date was on February 11, 2014, and the registration for cancellation of treasury shares had been completed.

C. For the six-month period ended June 30, 2014, the Company issued of 8,893 thousand shares for employee stock options excercised and the registration for issuance will be completed pursuant to the regulation.

D. On June 19, 2014, the stockholders have resolved to reduce capital by $1,182,475. The expectation is elimination of 118,247,496 shares and 300 shares out of every thousand shares. The capital reduction ratio is approximately 30% and $3 is returned for each share. The amount of the Company's issued shares is expected to be 275,910,825 shares with a par value of $10, and the paid-in capital will be $2,759,108 after the capital reduction. The capital reduction will be effective after the Company reports to the competent authority.

(15) Capital surplus

Pursuant to the R.O.C. Company Law, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

| | Share premium | Employee stock options | Difference between proceeds from disposal of subsidiary and book value | Total |
|---|---|---|---|---|
| At January 1, 2014 | $ 1,903,779 | $ 123,953 | $ 958 | $ 2,028,690 |
| Employee stock options exercised | 188,687 | ( 80,245) | - | 108,442 |
| Employee stock options expenses | - | 3,952 | - | 3,952 |
| Cancellation of treasury shares | ( 24,391) | ( 25) | - | ( 24,416) |
| At June 30, 2014 | $ 2,068,075 | $ 47,635 | $ 958 | $ 2,116,668 |

| | Share premium | Employee stock options | Difference between proceeds from disposal of subsidiary and book value | Total |
|---|---|---|---|---|
| At January 1, 2013 | $ 2,267,949 | $ 109,495 | $ - | $ 2,377,444 |
| Employee stock options exercised | - | 8,002 | - | 8,002 |
| Capital surplus used to issue cash to shareholders | ( 335,701) | - | - | ( 335,701) |
| Difference between proceeds on acquisition of equity interest in a subsidiary and its carrying amount | - | - | 384 | 384 |
| At June 30, 2013 | $ 1,932,248 | $ 117,497 | $ 384 | $ 2,050,129 |

(16) Retained earnings

| | 2014 | 2013 |
|---|---|---|
| At January 1 | $ 4,374,704 | $ 4,912,768 |
| Profit (loss) for the period | 214,640 | ( 30,492) |
| Appropriation of earnings | - | ( 37,300) |
| Share-based payment transactions | - | ( 61,564) |
| Actuarial gain on post employment benefit obligations | 7,322 | - |
| Cancellation of treasury shares | ( 91,834) | - |
| At June 30 | $ 4,504,832 | $ 4,783,412 |

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. 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.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company’s paid-in capital.

D.

a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

b) The Company has elected to recognize the financial statements translation differences of foreign operations as $0 and increased retained earnings on initial application of IFRSs. In accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6,2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

E. The appropriation of 2013 losses had been resolved at the Board of Directors’ meeting on June 19, 2014. The appropriation of 2012 earnings had been resolved at the stockholders’ meeting on June 24, 2013. Details are summarized below:

| | 2013 losses | | 2012 earnings | |
|---|---|---|---|---|
| | Amount | Dividends per share (in NT dollars) | Amount | Dividends per share (in NT dollars) |
| Legal reserve | $ - | - | $ 28,011 | - |
| Special reserve | ( 196,811) | - | 196,811 | - |
| Cash dividends | - | - | 37,300 | Around $0.1 |
| | ($ 196,811) | | $ 262,122 | |

The deficit compensation of 2013 was the same as that approved by the Board of Directors on March 21, 2014. The appropriation of 2012 earnings was the same as that approved by the Board of Directors on March 18, 2013. The 2012 directors' and supervisors' remuneration and employees' cash bonus as appropriated during the stockholders' meeting on June 24, 2013 were $1,106 and $8,292, respectively, and the additional paid-in capital appropriated to stockholders was $335,701 (around $0.9 per share in dollars).

F. The estimated amounts of employees' bonus were $17,947 ,$0, $28,976, and $0 for the three-months and six-month periods ended June 30, 2014 and 2013 and the estimated amounts of directors' and supervisors' remuneration were $2,393 ,$0, $3,864, and $0 for the three-months and the six-month periods ended June 30, 2014 and 2013, respectively, and were recognized as operating costs or operating expenses. 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.

(17) Other equity items

| | 2014 | 2013 |
|---|---|---|
| At January 1 | $ 27,904 | ($ 340,799) |
| Currency translation differences: | | |
| Group | ( 22,345) | 347,654 |
| Associates | ( 1,048) | 10,686 |
| At June 30 | $ 4,511 | $ 17,541 |

(18) Other income

| | For the three-month period ended June 30, 2014 | For the three-month period ended June 30, 2013 |
|---|---|---|
| Rental revenue | $ 4,277 | $ 5,140 |
| Interest income: | | |
| Interest income from bank deposits | 17,680 | 15,386 |
| Others | 19 | 27 |
| Other income - others | - | 22 |
| Total | $ 21,976 | $ 20,575 |

| | For the six-month period ended June 30, 2014 | For the six-month period ended June 30, 2013 |
|---|---|---|
| Rental revenue | $ 8,837 | $ 10,277 |
| Interest income: | | |
| Interest income from bank deposits | 42,352 | 31,733 |
| Others | 40 | 52 |
| Other income - others (Note) | 53,159 | 669 |
| Total | $ 104,388 | $ 42,731 |

Note: The Company was allotted shares and warrants of Kodak US, due to the property distribution plan of Kodak US. The Company recognized this transaction as other income for the six-month period ended June 30, 2014.

(19) Other gains and losses

| | For the three-month period ended June 30, 2014 | For the three-month period ended June 30, 2013 |
|---|---|---|
| Net (losses) gains on financial assets at fair | ($ 15,920) | $ 72 |
| Net currency exchange gains | 13,571 | 2,495 |
| Gain on disposal of property, plant and equipment | 186 | 153 |
| Other expenses | ( 873) | ( 28) |
| Total | ($ 3,036) | $ 2,692 |

| | For the six-month period ended June 30, 2014 | For the six-month period ended June 30, 2014 |
|---|---|---|
| Net (losses) gains on financial assets at fair | ($ 4,519) | $ 4,519 |
| Net currency exchange gains | 13,987 | 1,971 |
| Gain on disposal of property, plant and equipment | 2,079 | 401 |
| Other expenses | ( 1,625) | ( 626) |
| Total | $ 9,922 | $ 6,265 |

(20) Finance costs

| | For the three-month period ended June 30, 2014 | For the three-month period ended June 30, 2013 |
|---|---|---|
| Interest expense: | | |
| Bank borrowings | $ 3,732 | $ 2,612 |

| | For the six-month period ended June 30, 2014 | For the six-month period ended June 30, 2013 |
|---|---|---|
| Interest expense: | | |
| Bank borrowings | $ 7,115 | $ 5,167 |

(21) Expenses by nature

| | For the three-month period ended June 30, 2014 | For the three-month period ended June 30, 2013 |
|---|---|---|
| Employee expenses | $ 461,026 | $ 458,132 |
| Depreciation charges on property, plant and equipment | 92,283 | 81,927 |
| Amortisation charges on intangible assets | 4,396 | 3,767 |
| Total | $ 557,705 | $ 543,826 |

| | For the six-month period ended June 30, 2014 | For the six-month period ended June 30, 2013 |
|---|---|---|
| Employee expenses | $ 857,900 | 944,934 |
| Depreciation charges on property, plant and equipment | 184,825 | 155,027 |
| Amortisation charges on intangible assets | 9,017 | 5,555 |
| Total | $ 1,051,742 | $ 1,105,516 |

(22) Employee expenses

| | For the three-month period ended June 30, 2014 | For the three-month period ended June 30, 2013 |
|---|---|---|
| Wages and salaries | $ 397,063 | $ 385,623 |
| Employee stock options | 1,662 | 4,506 |
| Labor and health insurance fees | 21,844 | 22,513 |
| Pension costs | 23,162 | 25,906 |
| Other personnel expenses | 17,295 | 19,584 |
| Total | $ 461,026 | $ 458,132 |

| | For the six-month period ended June 30, 2014 | For the six-month period ended June 30, 2013 |
|---|---|---|
| Wages and salaries | $ 734,869 | $ 800,873 |
| Employee stock options | 3,952 | 10,747 |
| Labor and health insurance fees | 41,860 | 44,100 |
| Pension costs | 43,354 | 46,719 |
| Other personnel expenses | 33,865 | 42,495 |
| Total | $ 857,900 | $ 944,934 |

(23) Income tax

A.Income tax expense

a) Components of income tax expense:

| | For the three-month period ended June 30, 2014 | For the three-month period ended June 30, 2013 |
|---|---|---|
| Current tax: | | |
| Current tax on profits for the period | $ 25,571 | $ 9,207 |
| Adjustments in respect of prior years | 5 | ( 8,268) |
| Total current tax | 25,576 | 939 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | ( 2,437) | ( 426) |
| Total deferred tax | ( 2,437) | ( 426) |
| Income tax expense | $ 23,139 | $ 513 |

| | For the six-month period ended June 30, 2014 | For the six-month period ended June 30, 2013 |
|---|---|---|
| Current tax: | | |
| Current tax on profits for the period | $ 27,594 | $ 25,421 |
| Adjustments in respect of prior years | ( 1,267) | ( 8,268) |
| Total current tax | 26,327 | 17,153 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 13,000 | ( 16,640) |
| Total deferred tax | 13,000 | ( 16,640) |
| Income tax expense | $ 39,327 | $ 513 |

b) The income tax charged to equity during the period is as follows:

| | For the three-month period ended June 30, 2014 | For the three-month period ended June 30, 2013 |
|---|---|---|
| Translation differences of foreign operations | ($ 34,168) | $ 25,070 |

| | For the six-month period ended June 30, 2014 | For the six-month period ended June 30, 2013 |
|---|---|---|
| Translation differences of foreign operations | ($ 4,792) | $ 73,394 |

B. As of June 30, 2014, the Company's income tax returns through 2011 have been assessed and approved by the Tax Authority.

C. Unappropriated retained earnings:

| | June 30, 2014 | December 31, 2013 | June 30, 2013 |
|---|---|---|---|
| Earnings generated in and after 1998 | $ 3,042,899 | $ 2,715,960 | $ 3,124,668 |

E. As of June 30, 2014, December 31, 2013 and June 30, 2013, the balance of the imputation tax credit account was $223,882, $221,518 and $244,436, respectively. The creditable tax rate was estimated to be 7.36% for 2013 and was 7.03% for 2012.

(24) Earnings (losses) per share

| | For the three-month period ended June 30, 2014 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (share in thousands) | Earnings per share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 132,944 | 385,804 | $ 0.34 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 132,944 | - | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employee stock options | - | 1,068 | |
| Employees' bonus | - | 1,040 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 132,944 | 387,912 | $ 0.34 |

| | For the three-month period ended June 30, 2013 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (share in thousands) | Earnings per share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 15,765 | 376,995 | $ 0.04 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 15,765 | - | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' bonus | - | - | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 15,765 | 376,995 | $ 0.04 |

| | For the six-month period ended June 30, 2014 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (share in thousands) | Earnings per share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 214,640 | 381,502 | $ 0.56 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 214,640 | 899 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' bonus | - | 1,040 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 214,640 | 383,441 | $ 0.56 |

| | For the six-month period ended June 30, 2013 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (share in thousands) | Losses per share (in dollars) |
| Basic losses per share | | | |
| Loss attributable to ordinary shareholders of the parent | ($ 30,492) | 375,264 | ($ 0.08) |
| Diluted earnings per share | | | |
| Loss attributable to ordinary shareholders of the parent | ($ 30,492) | - | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' bonus | - | - | |
| Loss attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | ($ 30,492) | 375,264 | ($ 0.08) |

(25) Operating leases

The Group acquired a Taipei building for operating use at the end of 2010. However, since this building is still under a certain unexpired lease agreement, the Company continuously leases the building to the lessee. Contingent rents of $7,101、$7,963、$14,490 and $15,927 were recognized for these leases in profit or loss for the three-month periods ended June 30, 2014 and 2013, and for the six-month periods ended June 30, 2014 and 2013, respectively. The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

| | June 30, 2014 | June 30, 2013 |
|---|---|---|
| 2013 | $ - | $ 16,724 |
| 2014 | 13,001 | 29,825 |
| 2015 | 12,045 | 14,912 |
| | $ 25,046 | $ 61,461 |

(26) Non-cash transactions

Investing activities partially paid by cash:

| | For the six-month period ended June 30, 2014 | For the six-month period ended June 30, 2013 |
|---|---|---|
| Acquisitions of property, plant, and equipment | $ 88,363 | $ 339,143 |
| Add:property and equipment and construction billings payable at beginning of period | 8,848 | 83,597 |
| Less: property and equipment and construction billings payable at end of period | ( 6,068) | ( 24,609) |
| Cash paid | $ 91,143 | $ 398,131 |

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions and balances with related parties:

No significant related party transactions.

(2) Key management compensation

| | For the three-month period ended June 30, 2014 | For the three-month period ended June 30, 2013 |
|---|---|---|
| Salaries and other short-term employee benefits | $ 4,846 | $ 5,977 |
| Post-employment benefits | 108 | 135 |
| Share-based payments | 363 | 689 |
| Total | $ 5,317 | $ 6,801 |

| | For the six-month period ended June 30, 2014 | For the six-month period ended June 30, 2013 |
|---|---|---|
| Salaries and other short-term employee benefits | $ 9,991 | $ 11,944 |
| Post-employment benefits | 216 | 270 |
| Share-based payments | 726 | 1,944 |
| Total | $ 10,933 | $ 14,158 |

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

In June, 2014, the GUC (General Unsecured Creditor Trustee) of Eastman Kodak Company (hereunder ‘Kodak’) filed a lawsuit against the Company in the United States Bankruptcy Court for the Southern District of New York, asserting certain payments in 49.2 million transactions prior to Kodak's bankruptcy were out of ordinary course of business. The Company vigorously dispute GUC's claim, and insists that the transactions had always been made in the ordinary course of business with Kodak. According to the press release, GUC has sued over 700 of Kodak's suppliers, trying to require marginal settlement fees from the suppliers, as it is a regular ploy of US bankruptcy lawyers in bankruptcy cases. For the protection of shareholders' interests, this Company did not accept GUC's settlement proposal. The GUC's assertion has now been heard by the court, and this incident did not have a significantly impact on the Company's business and financial performance.

(2) Commitments

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.  In order to maintain or adjust the capital structure. The Group may adjust the amount of dividends, return capital or issue new shares to achieve the optimal capital structure.

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of financial instruments (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, refundable deposits (shown as non-current assets), short-term borrowings, notes payable, accounts payable, other payables, and guarantee deposits received (shown as non-current liabilities)) are approximate to their fair value. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

B.Financial risk management policies

a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.  The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.

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

C.Significant financial risks and degrees of financial risks

a) Market risk

Foreign exchange risk

i.The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

ii.Management has set up a policy to require that group companies hedge their entire foreign exchange risk exposure with Group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

iii.The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through transactions denominated in the relevant foreign currencies.

iv.The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

| | June 30, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | | | Book Value | Sensitivity Analysis | | |
| | Foreign Currency Amount (In thousands) | Exchange Rate | (NTD) | Extent of Variation | Effect on Profit or (Loss) | Effect on Other Comprehensive income (loss) |
| (Foreign currency: functional currency) | | | | | | |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD:NTD | USD 196,319 | 29.865 | $ 5,863,067 | 1% | $ 58,631 | $ - |
| USD:RMB | USD 122,749 | 6.1528 | 755,250 | 1% | 7,553 | - |
| Non-monetary items | | | | | | |
| USD:NTD | USD 10,062 | 29.865 | $ 300,491 | 1% | $ - | $ 3,005 |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD:NTD | USD 191,879 | 29.865 | $ 5,730,466 | 1% | ($ 57,305) | $ - |
| USD:RMB | USD 113,252 | 6.1528 | 696,817 | 1% | ( 6,968) | - |

| | December 31, 2013 | | | | |
|---|---|---|---|---|---|
| | Foreign Currency Amount (In thousands) | | Exchange Rate | Book Value (NTD) | |
| (Foreign currency: functional currency) | | | | | |
| Financial assets | | | | | |
| Monetary items | | | | | |
| USD:NTD | USD | 88,682 | 29.805 | $ | 2,643,167 |
| USD:RMB | USD | 86,167 | 6.097 | | 2,568,207 |
| Non-monetary items | | | | | |
| USD:NTD | USD | 11,060 | 29.805 | $ | 329,654 |
| Financial liabilities | | | | | |
| Monetary items | | | | | |
| USD:NTD | USD | 112,262 | 29.805 | $ | 3,345,969 |
| USD:RMB | USD | 87,480 | 6.097 | | 2,607,341 |

| | June 30, 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | Book Value | Sensitivity Analysis | | |
| | Foreign Currency Amount (In thousands) | | Exchange Rate | (NTD) | Extent of Variation | Effect on Profit or (Loss) | Effect on Other Comprehensive income (loss) |
| (Foreign currency: functional currency) | | | | | | | |
| Financial assets | | | | | | | |
| Monetary items | | | | | | | |
| USD:NTD | USD | 89,632 | 30.000 | $2,688,960 | 1% | $ 26,890 | $ - |
| USD:RMB | USD | 180,714 | 6.1787 | 5,421,420 | 1% | 54,214 | - |
| Non-monetary items | | | | | | | |
| USD:NTD | USD | 11,750 | 30.000 | $ 352,493 | 1% | $ - | $ 3,525 |
| Financial liabilities | | | | | | | |
| Monetary items | | | | | | | |
| USD:NTD | USD | 106,581 | 30.000 | $3,197,430 | 1% | ($ 31,974) | $ - |
| USD:RMB | USD | 210,026 | 6.1787 | 6,300,780 | 1% | ( 63,008) | - |

Interest rate risk

Interest risk arises from the changes of market interest rate causing fluctuation in financial instruments' fair value or cash received and paid in the future.

The Group raised short-term borrowings at fixed rates during the six-month period ended June 30, 2014, and thus had no significant cash flow interest rate risk.

Price risk

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

b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings, the utilization of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

ii No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

iii.The individual analysis of financial assets that had been impaired is provided in the statement for each type of financial assets in Note 6.

iv.The credit quality information of financial assets that are neither past due nor impaired is provided in the statement in Note 6(4).

c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, and compliance with internal balance sheet ratio targets.

ii. Surplus cash held by the operating entities over and above the balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

iii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

| June 30, 2014 | Less than 1 year | Over 1 year |
|---|---|---|
| Short-term borrowings | $ 1,000,000 | $ - |
| Accounts payable | 3,299,219 | - |
| Other payables | 522,368 | - |
| Guarantee deposits received | - | 7,456 |

Non-derivative financial liabilities:

| December 31, 2013 | Less than 1 year | Over 1 year |
|---|---|---|
| Short-term borrowings | $ 1,000,000 | $ - |
| Accounts payable | 2,511,106 | - |
| Other payables | 637,671 | - |
| Guarantee deposits received | 906 | 7,456 |

Non-derivative financial liabilities:

| June 30, 2013 | Less than 1 year | Over 1 year |
|---|---|---|
| Short-term borrowings | $ 450,000 | $ - |
| Accounts payable | 5,057,364 | - |
| Other payables | 1,263,210 | - |
| Guarantee deposits received | 8,362 | - |

(3) Fair value estimation

A. The table below analyses financial instruments measured at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the assets or liabilities that are not based on observable market data.

The following table presents the Group’s financial assets and liabilities that are measured at fair value at June 30, 2014, December 31, 2013, and June 30, 2013.

| June 30, 2014 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Beneficiary Certificate | $ 558,447 | $ - | $ - | $ 558,447 |

| December 31, 2013 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Beneficiary Certificate | $ 442,167 | $ - | $ - | $ 442,167 |

| June 30, 2013 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Beneficiary Certificate | $ 383,274 | $ - | $ - | $ 383,274 |

B. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity instruments classified as financial assets at fair value through profit or loss or available-for-sale financial assets.

(Blank below)

## 13. SUPPLEMENTARY DISCLOSURES

The following information was expressed in thousand of New Taiwan dollars, unless stated otherwise. The foreign currency amounts of gain or loss was translated into New Taiwan dollars using the exchange rate of 1:30.1856, remaining foreign currency amounts was translated using the exchange rate of 1:29.865.

(1) Significant transactions information

The details are as follows:

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures) :

| | | | | As of June 30, 2014 | | | |
|---|---|---|---|---|---|---|---|
| Securities held by | Marketable securities | Relationship with the securities issuer | General ledger account | Number of shares | Book value | Ownership (%) | Market value |
| Altek Corporation | Gianta Co., Ltd. - Common stock | Director | Financial assets carried at cost - non-current | 381,438 | $ 10,311 | 14.98% | $ 10,311 |
| " | Pac-line Opportunity Fund - Common stock | Supervisor | " | 9,908,257 | 22,526 | 7.06% | 22,526 |
| " | Yung Li Investments Inc. - Common stock | None | " | 30 | 23,954 | 4.84% | 23,954 |
| " | Hua-chuang Automobile Information Technical Center Co., Ltd. - Common stock | None | " | 10,000,000 | 93,450 | 2% | 93,450 |
| " | Money Market Fund | None | Financial asets at fair value through profit or loss-current | 10,989,480 | 237,064 | N/A | 237,064 |
| " | EASTMAN KODAK COMPANY-Common Stock | None | " | 48,004 | 35,081 | 0.12% | 35,081 |
| Altek (Kunshan) Co., Ltd. | Guangdong Kingding Optical Machine Co., Ltd. | None | Financial assets carried at cost - non-current | N/A | 5,826 | (Note 1) | 5,826 |
| Altek Investment Co., Ltd. | Money Market Fund | None | Financial assets at fair value through profit or loss-current | 254,029 | 4,015 | N/A | 4,015 |

| | | | | As of June 30, 2014 | | | |
|---|---|---|---|---|---|---|---|
| Securities held by | Marketable securities | Relationship with the securities issuer | General ledger account | Number of shares | Book value | Ownership (%) | Market value |
| Altek Autotronics Corporation | Money Market Fund | None | Financial assets at fair value through profit or loss-current | 21,790,120 | $ 281,694 | N/A | $ 281,694 |
| Altek Semiconductor Corporation | Money Market Fund | None | " | 45,797 | 593 | N/A | 593 |

Note 1: 8% of Guangdong kingding Optical Machine Co.,Ltd.'s capital contribution.

D. Aggregate purchases or sales of the same securities reaching NT$300 million or 20% of paid-in capital or more: None.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT100 million or 20% of paid-in capital or more:

| | | | Transaction | | | | Differences in transaction terms compared to third party transactions | | Notes / accounts receivable (payable) | |
|---|---|---|---|---|---|---|---|---|---|---|
| Purchaser/Seller | Counterparty | Relationship with the counterparty | Purchases (sales) | Amount | Percentages of total purchases (sales) | Credit term | Unit price | Credit term | Balance | Percentage of total notes / accounts receivable (payable) |
| Altek Corporation | Altek International Investment Co., Ltd. | Parent and affiliated company | Purchases | $ 5,523,929 | 99% | Net 120 days | Approximately the same price with third parties | Note | ($ 5,653,879) | 99% |
| Altek International Investment Co., Ltd. | Altek Corporation | " | Sales | ( 5,523,929) | 98% | " | " | " | 5,653,879 | 99% |
| Altek International Investment Co., Ltd. | Altek (Kunshan) Co., Ltd. | " | Purchases | 5,557,699 | 100% | Net 75 days | " | " | ( 2,513,249) | 97% |
| Altek (Kunshan) Co., Ltd. | Altek International Investment Co., Ltd. | " | Sales | ( 5,557,699) | 74% | " | " | " | 2,513,249 | 86% |

Note: The payment term with third parties was net 60~120 days, the collection term with third parties was net 45~90 days.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more:

| Creditor | Counterparty | Relationship with the counterparty | Balance as at June 30, 2014 | Annual turnover rate | Overdue receivables Amount | Overdue receivables Action taken | Amount collected subsequent to the balance sheet date | Allowance for doubtful accounts |
|---|---|---|---|---|---|---|---|---|
| Altek International Investment Co., Ltd. | Altek Corporation | Parent company | $ 5,653,879 | 2.74 | $ - | N/A | $ 1,483,348 | $ - |

I. Derivative financial instruments undertaken for the six-month period ended June 30, 2014: None.

J. Significant inter-company transactions for the six-month period ended June 30, 2014:

| Company name | Counterparty | Relationship (Note 1) | Transaction: General ledger account | Transaction: Amount | Transaction: Transaction terms | Transaction: Percentage of consolidated total operating revenues or total assets (Note 2) |
|---|---|---|---|---|---|---|
| Altek Corporation | Altek International Investment Co., Ltd. | (1) | Purchases | $ 5,523,929 | Net 120 days | 64% |
| " | " | (1) | Accounts payable | 5,653,879 | " | 34% |
| Altek International Investment Co., Ltd. | Altek Corporation | (2) | Sales | 5,523,929 | " | 64% |
| " | " | (2) | Accounts receivable | 5,653,879 | " | 34% |
| " | Altek (Kunshan) Co., Ltd. | (3) | Purchases | 5,557,699 | Net 75 days | 64% |
| " | " | (3) | Accounts payable | 2,513,249 | " | 15% |
| Altek (Kunshan) Co., Ltd. | Altek International Investment Co., Ltd. | (3) | Sales | 5,557,699 | " | 64% |
| " | " | (3) | Accounts receivable | 2,513,249 | " | 15% |

Note 1: Relationship between transaction and counterparty is classified into the following categories:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 2: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

(2) Information on investees (not including information on investments in Mainland China)

| | | | | Initial investment amount | | Shares held as at June 30, 2014 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Investor | Investee | Location | Main business activities | Balance as at June 30, 2014 | Balance as at December 31, 2013 | Number of Shares | Ownership (%) | Book value | Net profit (loss) of the investee for the six-month period ended June 30, 2014 | Investment income (loss) recognised by the Company for the six-month period ended June 30, 2014 | Footnote |
| Altek Corporation | Altek International Investment Co., Ltd. | British Virgin Islands | Investment and general business operations | $ 3,086,363 | $ 3,086,363 | 94,333,839 | 100% | $ 9,292,708 | ($ 100,737) | ($ 100,737) | |
| " | Altek Japan Corporation | Japan | Sale and design of optical instruments | 2,869 | 2,869 | 1,000 | 100% | 8,152 | ( 232) | ( 232) | |
| " | Altek Investment Co., Ltd. | Republic of China | Investment | 50,000 | 50,000 | 5,000,000 | 100% | 26,352 | 3,274 | 3,274 | |
| " | Altek Autotronics Corporation | Republic of China | Research design, manufacture and sales of car electronic components | 177,500 | 177,500 | 21,300,000 | 97.96% | 276,210 | 17,426 | 13,757 | Note 1 |
| Altek International Investment Co., Ltd. | Altek Lab Inc. | U.S.A. | Design service | 109,895 | 19,895 | 11,311,875 | 100% | 54,175 | 2,549 | 2,549 | Note 2 |
| " | JinJing Optical Technology Co., ltd. | Samoa | Investment and general business operations | 104,528 | 104,528 | 3,500,000 | 23.33% | 35,290 | ( 6,858) | ( 999) | |
| Altek Semiconductor (Cayman) Co., Ltd. | Altek Semiconductor Corporation | Republic of China | Research design and sales of ASIC | 200,000 | 200,000 | 20,000,000 | 100% | 117,797 | ( 24,424) | ( 24,424) | |

Note 1: Ownership (%) on Altek Autotronics Corporation held by Altek Corporation and Altek Investment Co., Ltd. are 88.75% and 9.21%, respectively.
Note 2: Common stock of 9,311,875 shares and preferred stock of 2,000,000 shares.

(3) Information on investments in Mainland China

A.The related information of investments in Mainland China are as follows:

| Investee in Mainland China | Main business activities | Paid-in Capital | Investment Method (Note 1) | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2014 | Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the six-month period ended June 30, 2014 | | Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2014 | Net profit (loss) of the investee for the six-month period ended June 30, 2014 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the six-month period ended June 30, 2014 | Book value of investments in Mainland China as of June 30, 2014 | Accumulated amount of investment income remitted back to Taiwan as of June 30, 2014 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | |
| Altek (Kunshan) Co., Ltd. (Note 2) | Manufacture and sale of digital still cameras and its accessories | $ 1,481,304 | 1 | $ 1,343,925 | $ - | $ - | $ 1,343,925 | $ 21,115 | 100% | $ 21,115 | $ 4,025,552 | $ - |
| Altek EMS (Kunshan) Co., Ltd. (Note 3) | Manufacture and sale of related engineering services | 149,325 | 1 | 271,265 | - | - | 271,265 | ( 66,921) | 100% | ( 66,921) | 765,608 | - |
| Altek Imaging Technology (Shanghai) Limited | Manufacture and sale of optical components | 86,609 | 1 | 86,609 | - | - | 86,609 | 2 | 100% | 2 | 51,762 | - |
| Altek Trading (Shanghai) Limited | Wholesale, import and export of digital cameras, digital video cameras and their associated accessories | 253,853 | 1 | 253,853 | - | - | 253,853 | 2,923 | 100% | 2,923 | 301,112 | - |
| Kinko Optical (Suzhou) Co., Ltd. | Manufacture and sale of optical components | 447,975 | 1 | 104,528 | - | - | 104,528 | ( 3,494) | 23.33% | ( 815) | 54,910 | - |
| Phoenix Optical (Shanghai) Co., Ltd. | Manufacturing and marketing of digital cameras and its key components, photo sensor and optoelectronic equipment | 472,554 | 1 | 264,723 | - | - | 264,723 | ( 65,889) | 40% | ( 26,898) | 265,201 | - |
| Beijing Altek Image Communication Technology Co., Ltd. | Sales of digital camera, cell phone and related accessories and supporting products | 30,612 | 1 | - | - | - | - | 3,496 | 100% | 3,496 | 104 | - |

| Investee in Mainland China | Main business activities | Paid-in Capital | Investment Method (Note 1) | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2014 | Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the six-month period ended June 30, 2014 | | Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2014 | Net profit (loss) of the investee for the six-month period ended June 30, 2014 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the six-month period ended June 30, 2014 | Book value of investments in Mainland China as of June 30, 2014 | Accumulated amount of investment income remitted back to Taiwan as of June 30, 2014 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | |
| Altek Precision (Kunshan) Co., Ltd. | Design, manufacture and sales of digital camera parts | $ 412,137 | 1 | $ 412,137 | $ - | $ - | $ 412,137 | $ 7,298 | 100% | $ 7,298 | $ 168,811 | - |
| Altek Optical Technology (Kunshan) Co., Ltd. | Manufacture and sales of digital camera and its accessories and optical components | 447,975 | 1 | 447,975 | - | - | 447,975 | ( 39,718) | 100% | ( 39,718) | 256,745 | - |

Note 1: Indirect investment in PRC through existing companies located in the third area.

Note 2: Including retained earnings capitalized of US$4,600 (In thousand of US dollars).

Note 3: Including retained earnings capitalized of US$3,600 (In thousand of US dollars).

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2014 | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (note) |
|---|---|---|---|
| Altek Corporation | $ 3,185,015 | $ 4,269,321 | $ - |

Note: According to "REGULATIONS GOVERNING THE APPROVAL OF INVESTMENT OR TECHNICAL COOPERATION IN MAINLAND CHINA" on August 29, 2008, Altek Corporation obtained the approval from the Industrial Development Bureau of Ministry of Economics Affairs issued to Headquarters, so there is no need to compute the ceiling amount of the Company.

B. Significant transactions with the direct and indirect investments in Mainland China :

For the significant purchases, sales, accounts payable and accounts receivable transactions between the Company and the investee companies in Mainland China through its subsidiaries, please refer to Note 13(1) G、H and J.

14. SEGMENT INFORMATION

(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 resources. The Group mainly has a single reportable segment.

(2) Segment information

The Group has a single reportable segment. The revenue from external customers, the related gain or loss, and the assets correspond with the consolidated revenue, consolidated operating income, and consolidated assets.

(3) Reconciliation for segment income (loss)

None.

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