

**ALTEK CORPORATION AND
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS**

DECEMBER 31, 2015 AND 2014

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.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR15000184

(In Thousands of New Taiwan Dollars)

To Altek Corporation

We have audited the accompanying consolidated balance sheets of Altek Corporation and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of Altek Corporation and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

We have also audited the parent company only financial statements of Altek Corporation as of the years ended December 31, 2015 and 2014. In our report dated March 18, 2016, we expressed an unqualified opinion on these financial statements.

PricewaterhouseCoopers, Taiwan
Hsinchu, Taiwan
Republic of China

March 18, 2016

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
DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2015		December 31, 2014	
		AMOUNT	%	AMOUNT	%
Current assets					
Cash and cash equivalents	6(1)	\$ 5,741,973	37	\$ 5,441,850	34
Financial assets at fair value through profit or loss - current	6(2)	427,531	3	362,155	2
Notes receivable, net		17,264	-	73,485	1
Accounts receivable, net	6(3)	2,251,748	15	2,367,794	15
Other receivables		21,199	-	20,323	-
Current income tax assets		2,061	-	2,767	-
Inventories, net	6(4)	1,061,419	7	1,176,361	8
Prepayments		115,452	1	194,519	1
Other current assets		10,869	-	3,801	-
Current Assets		9,649,516	63	9,643,055	61
Non-current assets					
Financial assets at cost - non current	6(5)	143,995	1	151,369	1
Investments accounted for using equity method	6(6)	138,206	1	179,520	1
Property, plant and equipment, net	6(7)	5,211,143	34	5,603,692	35
Intangible assets	6(8)	93,713	1	103,447	1
Deferred income tax assets	6(23)	71,834	-	84,918	-
Other non-current assets	6(9)	91,771	-	86,210	1
Non-current assets		5,750,662	37	6,209,156	39
Total assets		\$ 15,400,178	100	\$ 15,852,211	100

(Continued)

ALTEK CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2015		December 31, 2014	
		AMOUNT	%	AMOUNT	%
Current liabilities					
Short-term borrowings	6(10) and 12(2)	\$ 1,730,000	11	\$ 1,410,000	9
Accounts payable	12(2)	2,422,069	16	2,933,033	19
Other payables	12(2)	510,923	3	530,190	3
Current income tax liabilities		62,273	1	71,778	-
Provisions for liabilities - current	6(13)	36,998	-	64,373	-
Other current liabilities		362,274	2	438,251	3
Current Liabilities		<u>5,124,537</u>	<u>33</u>	<u>5,447,625</u>	<u>34</u>
Non-current liabilities					
Provisions for liabilities - noncurrent	6(13)	98,880	1	120,235	1
Deferred income tax liabilities	6(23)	528,141	3	583,165	4
Other non-current liabilities	6(11)	19,768	-	21,058	-
Non-current liabilities		<u>646,789</u>	<u>4</u>	<u>724,458</u>	<u>5</u>
Total Liabilities		<u>5,771,326</u>	<u>37</u>	<u>6,172,083</u>	<u>39</u>
Equity attributable to owners of parent					
Share capital	6(14)				
Common stock		2,726,938	18	2,701,358	17
Capital surplus	6(15)				
Capital surplus		1,975,772	13	2,063,551	13
Retained earnings	6(16)				
Legal reserve		1,347,010	9	1,319,477	8
Special reserve		142,456	1	142,456	1
Unappropriated retained earnings		3,047,283	20	2,964,969	19
Other equity interest					
Other equity interest	6(17)	414,647	2	481,868	3
Treasury stocks	6(14)	(129,393)	(1)	-	-
Equity attributable to owners of the parent		<u>9,524,713</u>	<u>62</u>	<u>9,673,679</u>	<u>61</u>
Non-controlling interest		<u>104,139</u>	<u>1</u>	<u>6,449</u>	<u>-</u>
Total equity		<u>9,628,852</u>	<u>63</u>	<u>9,680,128</u>	<u>61</u>
Significant contingent liabilities and unrecognised contract commitments	9				
Significant subsequent event after the balance sheet date	11				
Total liabilities and equity		<u>\$ 15,400,178</u>	<u>100</u>	<u>\$ 15,852,211</u>	<u>100</u>

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

ALTEK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31

(Expressed in thousands of New Taiwan dollars, except earning per share amounts)

Items	Notes	Year ended December 31			
		2015		2014	
		AMOUNT	%	AMOUNT	%
Sales revenue		\$ 12,492,029	100	\$ 15,431,081	100
Operating costs	6(21)(22)	(10,923,243)	(87)	(13,870,115)	(90)
Net operating margin		<u>1,568,786</u>	<u>13</u>	<u>1,560,966</u>	<u>10</u>
Operating expenses	6(21)(22)				
Selling expenses		(65,012)	(1)	(77,825)	(1)
General & administrative expenses		(230,592)	(2)	(216,641)	(1)
Research and development expenses		(1,046,831)	(8)	(965,249)	(6)
Total operating expenses		<u>(1,342,435)</u>	<u>(11)</u>	<u>(1,259,715)</u>	<u>(8)</u>
Operating profit		<u>226,351</u>	<u>2</u>	<u>301,251</u>	<u>2</u>
Non-operating income and expenses					
Other income	6(18)	90,192	-	179,374	1
Other gains and losses	6(19)	1,602	-	(3,534)	-
Finance costs	6(20)	(20,459)	-	(17,276)	-
Share of loss of associates and joint ventures accounted for under equity method	6(6)	(15,175)	-	(148,933)	(1)
Total non-operating income and expenses		<u>56,160</u>	<u>-</u>	<u>9,631</u>	<u>-</u>
Profit before income tax		<u>282,511</u>	<u>2</u>	<u>310,882</u>	<u>2</u>
Income tax expense	6(23)	(8,131)	-	(34,707)	-
Profit for the year		<u>\$ 274,380</u>	<u>2</u>	<u>\$ 276,175</u>	<u>2</u>

(Continued)

ALTEK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31

(Expressed in thousands of New Taiwan dollars, except earning per share amounts)

Items	Notes	Year ended December 31			
		2015		2014	
		AMOUNT	%	AMOUNT	%
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
Actuarial gain on defined benefit plan	6(11)	(\$ 4,392)	-	\$ 4,791	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	747	-	(393)	-
Components of other comprehensive income that will not be reclassified to profit or loss		(3,645)	-	4,398	-
Components of other comprehensive income that will be reclassified to profit or loss					
Currency translation differences of foreign operations		(846)	-	533,064	4
Share of other comprehensive loss of associates and joint ventures accounted for under equity method		(8,112)	-	13,880	-
Income tax relating to the components of other comprehensive income	6(23)	839	-	(92,980)	(1)
Components of other comprehensive income that will be reclassified to profit or loss		(8,119)	-	453,964	3
Total other comprehensive (loss) income for the year		(\$ 11,764)	-	\$ 458,362	3
Total comprehensive income for the year		\$ 262,616	2	\$ 734,537	5
Profit, attributable to:					
Owners of the parent		\$ 273,643	2	\$ 275,335	2
Non-controlling interest		737	-	840	-
Profit for the year		\$ 274,380	2	\$ 276,175	2
Comprehensive income attributable to:					
Owners of the parent		\$ 265,898	2	\$ 733,697	5
Non-controlling interest		(3,282)	-	840	-
Total comprehensive income for the year		\$ 262,616	2	\$ 734,537	5
Basic earnings per share	6(24)				
Total basic earnings per share		\$ 1.02		\$ 0.80	
Diluted earnings per share	6(24)				
Total diluted earnings per share		\$ 1.01		\$ 0.79	

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

ALTEK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent												
		Retained Earnings					Other equity interest					
	Notes	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Currency translation differences of foreign operations	Other equity - others	Treasury stocks	Total	Non-controlling interest	Total equity
For the year ended December 31, 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	6(16)											
Special reserve		-	-	-	(196,811)	196,811	-	-	-	-	-	-
Share-based payment transactions	6(12)(14)(15)	88,930	115,399	-	-	-	-	-	-	204,329	-	204,329
Disposal of treasury shares	6(14)(15)	(107,750)	(67,524)	-	-	(183,002)	-	-	358,276	-	-	-
Distribution of subsidiary cash dividends		-	-	-	-	-	-	-	-	-	(713)	(713)
Cash capital reduction	6(14)(15)	(1,182,475)	(13,014)	-	-	(44,533)	-	-	82,297	(1,157,725)	-	(1,157,725)
Profit for the year	6(16)	-	-	-	-	275,335	-	-	-	275,335	840	276,175
Other comprehensive income for the year	6(17)	-	-	-	-	4,398	453,964	-	-	458,362	-	458,362
Non-controlling interest	6(25)	-	-	-	-	-	-	-	-	-	(208)	(208)
Balance at December 31, 2014		<u>\$ 2,701,358</u>	<u>\$ 2,063,551</u>	<u>\$ 1,319,477</u>	<u>\$ 142,456</u>	<u>\$ 2,964,969</u>	<u>\$ 481,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,673,679</u>	<u>\$ 6,449</u>	<u>\$ 9,680,128</u>
For the year ended December 31, 2015												
Balance at January 1, 2015		\$ 2,701,358	\$ 2,063,551	\$ 1,319,477	\$ 142,456	\$ 2,964,969	\$ 481,868	\$ -	\$ -	\$ 9,673,679	\$ 6,449	\$ 9,680,128
Appropriation of 2014 earnings	6(16)											
Legal reserve		-	-	27,533	-	(27,533)	-	-	-	-	-	-
Cash dividends and capital surplus used to issue cash to shareholders		-	(135,127)	-	-	(135,127)	-	-	-	(270,254)	-	(270,254)
Share-based payment transactions	6(12)(14)(15)(17)	1,180	5,733	-	-	-	-	2,271	-	9,184	-	9,184
Issuance of restricted shares to employees	6(12)(14)(15)(17)	24,400	40,992	-	-	-	-	(65,392)	-	-	-	-
Purchase of treasury shares	6(14)	-	-	-	-	-	-	-	(129,393)	(129,393)	-	(129,393)
Changes in ownership interests in subsidiaries		-	-	-	-	(25,024)	-	-	-	(25,024)	25,024	-
Difference between consideration and carrying amount of subsidiaries acquired	6(15)(25)	-	623	-	-	-	-	-	-	623	(623)	-
Profit for the year	6(16)	-	-	-	-	273,643	-	-	-	273,643	737	274,380
Other comprehensive income for the year	6(17)	-	-	-	-	(3,645)	(4,100)	-	-	(7,745)	(4,019)	(11,764)
Non-controlling interest	6(25)	-	-	-	-	-	-	-	-	-	76,571	76,571
Balance at December 31, 2015		<u>\$ 2,726,938</u>	<u>\$ 1,975,772</u>	<u>\$ 1,347,010</u>	<u>\$ 142,456</u>	<u>\$ 3,047,283</u>	<u>\$ 477,768</u>	<u>(\$ 63,121)</u>	<u>(\$ 129,393)</u>	<u>\$ 9,524,713</u>	<u>\$ 104,139</u>	<u>\$ 9,628,852</u>

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

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

		Years ended December 31	
	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Consolidated profit before tax for the year		\$ 282,511	\$ 310,882
Adjustments to reconcile profit before tax to net cash used in operating activities			
Income and expenses having no effect on cash flows			
Depreciation expense	6(7)(21)	426,624	377,248
Amortisation expense	6(8)(21)	15,529	19,488
Provision for doubtful accounts	6(4)	502	37
Net (gains) loss on financial assets at fair value through profit or loss	6(2)(19)	(2,005)	4,638
Impairment loss on investments accounted for using equity method	6(6)(19)	20,442	13,214
Impairment of financial assets	6(5)(19)	-	880
Gain on disposal of financial assets at amortised cost	6(5)(19)	(10,833)	-
Interest expense	6(20)	20,459	17,276
Interest income	6(18)	(50,299)	(68,429)
Cash dividends income		(267)	(572)
Share-based payment compensation cost	6(12)	5,113	6,957
Share of loss of associates and joint ventures accounted for under equity method		15,175	148,933
Gain on disposal of property, plant and equipment	6(19)	(1,974)	(19,349)
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		(63,124)	75,374
Notes receivable		55,710	28,317
Accounts receivable		106,201	(48,611)
Other receivables		814	30,280
Inventories		93,137	166,268
Prepayments		76,547	(15,852)
Other current assets		(6,875)	8,028
Net changes in liabilities relating to operating activities			
Accounts payable		(452,745)	421,927
Other payables		(61,409)	(106,597)
Provisions for liabilities		(48,626)	(90,823)
Other current liabilities		(76,208)	(164,317)
Other non-current liabilities		341	626
Cash generated from operations		344,740	1,115,823
Interest received		48,383	76,024
Cash dividends received		267	572
Interest paid		(20,364)	(17,069)
Income tax paid		(57,103)	(20,516)
Net cash provided by operating activities		315,923	1,154,834

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

		(Expressed in thousands of New Taiwan dollars)	
		Years ended December 31	
	Notes	2015	2014
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at cost		(\$ 20,389)	\$ -
Proceeds from liquidation of financial assets measured at cost		32,480	-
Proceed from capital reduction of financial assets measured at cost		5,806	4,200
Acquisition of property, plant and equipment	6(27)	(53,096)	(139,383)
Proceeds from disposal of property, plant and equipment		1,974	19,448
Increase in intangible assets	6(27)	(8,839)	(6,660)
(Increase) decrease in refundable deposits		(7,274)	3,059
Net cash used in investing activities		(49,338)	(119,336)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(10)	320,000	410,000
Decrease in guarantee deposits		(6,022)	(2,339)
Employee stock options exercised		4,071	197,372
Proceeds to acquire treasury stock	6(14)	(129,393)	-
Payments of cash dividends		(270,254)	-
Payments for cash capital reduction	6(14)	-	(1,157,725)
Changes in non-controlling interest		76,571	(921)
Net cash used in financing activities		(5,027)	(553,613)
Effect of exchange rate		38,565	340,553
Increase in cash and cash equivalents		300,123	822,438
Cash and cash equivalents at beginning of year	6(1)	5,441,850	4,619,412
Cash and cash equivalents at end of year	6(1)	\$ 5,741,973	\$ 5,441,850

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

ALTEK CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in thousands of new Taiwan dollars, unless stated otherwise)

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, and 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 authorized for issuance by the Board of Directors on March 18, 2016.

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”)

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued by FSC on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taipei Exchange or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, ‘Financial instruments’) as endorsed by the FSC and Regulations Governing the Preparation of Financial Reports by Securities Issuers effective January 1, 2015 (collectively referred herein as the “2013 version of IFRS”) in preparing the consolidated financial statements. The impact of adopting the 2013 version of IFRS is listed below:

A. IAS 19 , ‘Employee benefits’

The revised standard makes amendments that net interest amount, calculated by applying the discount rate to the net defined benefit asset or liability, replaces the finance charge and expected return on plan assets. The revised standard eliminates the accounting policy choice that the actuarial gains and losses could be recognised based on corridor approach or recognised in profit or loss. The revised standard requires that the actuarial gains and losses can only be recognised immediately in other comprehensive income when incurred. Past service cost will be recognised immediately in the period incurred and will no longer be amortised using straight-line basis over the average period until the benefits become vested. 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, rather than when the entity is demonstrably committed to a termination.

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 reclassified 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 13, ‘Fair value measurement’

The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard sets out a framework for measuring fair value using the assumptions that market participants would use when pricing the asset or liability; for non-financial assets, fair value is determined based on the highest and best use of the asset. Also, the standard 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.

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

None.

(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	Effective Date by International Accounting Standards Board
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
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, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendment to IAS 12)	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
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
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
Improvements to IFRSs 2012-2014	January 1, 2016

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

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(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 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

- A. Basis for preparation of consolidated financial statements:
- a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

- c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

(Blank below)

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiaries	Main Business Activities	Ownership (%)		Note
			December 31, 2015	December 31, 2014	
Altek Corporation	Altek International Investment Co., Ltd.	Investments and general business operations	100%	100%	
"	Altek Japan Corporation	Sales and design of optical instruments	100%	100%	
"	Altek Investment Co., Ltd.	Investments	100%	100%	
"	Altek Autotronics Corporation	Research design, manufacture and sales of car electronic components	99.59%	98.02%	Note 1
"	Altek Biotechnology Corporation	Research and development, manufacture and sales of biotechnology	100%	100%	
Altek International Investment Co., Ltd.	Altek Lab Inc.	Design service	100%	100%	
"	Altek Optical (Cayman) Co., Ltd.	Investments and general business operations	100%	100%	
"	Altek Semiconductor (Cayman) Co., Ltd.	Investments and general business operations	71.43%	100%	Note 2
Note 3	Altek (Kunshan) Co., Ltd.	Manufacture and sales of digital still camera and its accessories	100%	100%	
Note 3	Altek EMS (Kunshan) Co., Ltd.	Manufacture and sales of related engineering services	100%	100%	
Note 3	Altek Imaging Technology (Shanghai) Limited	Manufacture and sales of optical components	-	100%	Note 4
Note 3	Altek Precision (Kunshan) Co., Ltd.	Manufacture and sales of digital camera parts	100%	100%	
Note 3	Altek Trading (Shanghai) Limited	Wholesale, import and export of related electronic and their associated accessories	100%	100%	
Altek Semiconductor (Cayman) Co., Ltd.	Altek Semiconductor Corporation	Research design and sales of ASIC	100%	100%	
Altek Trading (Shanghai) Limited	Beijing Altek Image Communication Technology Co., Ltd.	Sales of electronic and their related accessories	-	100%	Note 4
Note 3	Altek Optical Technology (Kunshan) Co., Ltd.	Manufacture and sales of related electronic services and its accessories and optical components	100%	100%	

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

Note 2: The Group did not participate in the subsidiary's capital increase, thus, the share ownership was decreased.

Note 3: 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 Optical Technology (Cayman) Co., Ltd. which Altek International Investment Co., Ltd. invests other subsidiaries through.

Note 4: Altek Imaging Technology (Shanghai) Limited and Beijing Altek Image Communication Technology Co., Ltd. have completed the liquidation in the fourth quarter of 2015.

- C. Subsidiaries not included in the consolidated financial statements: None.
- D. Adjustments for subsidiaries with different balance sheet dates: None.
- E. Significant restrictions: None.
- F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss as part of the fair value gain or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- a) The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

- iii. All resulting exchange differences are recognised in other comprehensive income.
- b) When the foreign operation partially disposed of or sold is an associate or joint arrangements, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even the Group still retains partial interest in the former foreign associate or joint arrangements after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangements, such transactions should be accounted for as disposal of all interest in these foreign operations.
- c) When a foreign operation is partially disposed of or sold, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale.
- d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - b) Assets held mainly for trading purposes;
 - c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - a) Liabilities that are expected to be paid off within the normal operating cycle;
 - b) Liabilities arising mainly from trading activities;
 - c) Liabilities that are to be paid off within twelve months from the balance sheet date;
 - d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition.

Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

- a) Hybrid contracts; or
 - b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
 - c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- B. On a regular way purchase or sale basis, financial assets held for trading are recognised and derecognised using trade date accounting.
- C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

(7) Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

- A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
- a) Significant financial difficulty of the issuer or debtor;
 - b) A breach of contract, such as a default or delinquency in interest or principal payments;
 - c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
 - d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
 - e) The disappearance of an active market for that financial asset because of financial difficulties;

- f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
 - g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
 - h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:
- a) Financial assets measured at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.
 - b) Financial assets measured at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(9) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows from the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The Group neither retains nor transfers substantially all risks and rewards of ownership of the

financial asset; however, it has not retained control of the financial asset.

(10) Lease receivables/ leases (lessor)

An operating lease is a lease other than a finance lease. Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(11) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(12) Investments accounted for under the equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss arising through subsequent assessments.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity that are not recognised in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and

‘investments accounted for under the equity method’ shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group’s ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.
- G. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- H. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it still retains significant influence over this associate, then the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives.
- D. The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets’ residual values and useful lives differ from previous estimates or the patterns of consumption of the assets’ future economic benefits embodied in the assets have changed significantly, any change is accounted

for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

Buildings	3 years ~ 40 years
Machinery	3 years ~ 10 years
Test equipment	3 years ~ 6 years
Other equipment	1 years ~ 11 years

(14) Intangible assets

Intangible assets consist of software costs and are amortized on a straight-line basis over its estimated useful life of 1 to 5 years.

(15) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(16) Borrowings

- A. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(17) Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(18) Provisions for other liabilities

Provisions (including warranties) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(19) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.
- ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's

employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises expense as it can no longer withdraw an offer of termination benefits or it recognized relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' remuneration (bonus) and directors' and supervisors' remuneration

Employees' remuneration (bonus) and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. The Company calculates the number of shares of employees' stock bonus based on the fair value per share at the previous day of the stockholders' meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

(20) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

B. Restricted stocks:

- (a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period.
- (b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognized the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.
- (c) For restricted stocks where employees do not need to pay to acquire those stocks, if the Group will pay the employees who resign during the vesting period to repurchase the stocks, the Group estimates such payment that will be made and recognizes such amounts as compensation cost and liability at the grant date in accordance with the terms of restricted stocks.

(21) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(22) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(23) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(24) Revenue recognition

The Group manufactures and sells digital image technology application products. Revenue is measured at the fair value of the consideration received or receivable taking into account of value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods should be recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

(25) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

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:

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 obsolete inventories 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 December 31, 2015, the carrying amount of inventories was \$1,061,419.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Cash on hand	\$ 1,139	\$ 1,194
Checking accounts and demand deposits	282,049	126,864
Time deposits	5,458,785	5,313,792
Total	<u>\$ 5,741,973</u>	<u>\$ 5,441,850</u>

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.

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

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

<u>Items</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Current items:		
Financial assets held for trading	\$ 425,032	\$ 361,658
Valuation adjustment	2,499	497
Total	<u>\$ 427,531</u>	<u>\$ 362,155</u>

The Group recognized net loss of \$11,190 and \$4,638 for the years ended December 31, 2015 and 2014, respectively.

(3) Accounts receivable

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Accounts receivable	\$ 2,252,282	\$ 2,367,831
Less: allowance for bad debts	(534)	(37)
	<u>\$ 2,251,748</u>	<u>\$ 2,367,794</u>

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:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Group 1	\$ 2,156,195	\$ 2,357,895
Group 2	91,433	8,784
	<u>\$ 2,247,628</u>	<u>\$ 2,366,679</u>

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:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Up to 30 days	\$ 565	\$ 1,077
31 to 90 days	3,312	38
91 to 180 days	243	-
	<u>\$ 4,120</u>	<u>\$ 1,115</u>

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:

	<u>2015</u>		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
At January 1	\$ 37	\$ -	\$ 37
Provision for impairment	502	-	502
Effects of foreign exchange	(5)	-	(5)
At December 31	<u>\$ 534</u>	<u>\$ -</u>	<u>\$ 534</u>
	<u>2014</u>		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
At January 1	\$ 652,675	\$ -	\$ 652,675
Provision for impairment	37	-	37
Write-off of uncollectible receivable (Note)	(652,675)	-	(652,675)
At December 31	<u>\$ 37</u>	<u>\$ -</u>	<u>\$ 37</u>

Note: The impaired financial assets refer to receivables from Kodak US which 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 Group does not hold any collateral as security.

(4) Inventories

December 31, 2015			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 586,514	(\$ 125,289)	\$ 461,225
Work-in-process	145,078	(25,569)	119,509
Finished goods	591,776	(111,091)	480,685
Total	<u>\$ 1,323,368</u>	<u>(\$ 261,949)</u>	<u>\$ 1,061,419</u>

December 31, 2014			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 497,182	(\$ 70,708)	\$ 426,474
Work-in-process	236,833	(23,157)	213,676
Finished goods	555,805	(19,594)	536,211
Total	<u>\$ 1,289,820</u>	<u>(\$ 113,459)</u>	<u>\$ 1,176,361</u>

The cost of inventories recognised as expense for the years ended December 31, 2015 and 2014 was \$10,923,243 and \$13,870,115, respectively, including the amount of \$103,880 and (\$204), 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’.

(5) Financial assets measured at cost

Items	December 31, 2015	December 31, 2014
Non-current items:		
Unlisted stocks	\$ 156,591	\$ 241,402
Less: Accumulated impairment	(12,596)	(90,033)
Total	<u>\$ 143,995</u>	<u>\$ 151,369</u>

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. Financial assets measured at cost – Pac-line Opportunity Fund has completed the liquidation on December 23, 2015. The Company recognised disposal of financial assets at Pac-line Opportunity Fund's carrying amount of \$21,647. The actual amount recovered was \$32,480 and gain on disposal of investments of \$10,833 was recognised.
- C. The Group assessed and recognized impairment loss of \$880 for the year ended December 31, 2014.
- D. As of December 31, 2015 and 2014, no financial assets measured at cost held by the Group were pledged to others.

(6) Investments accounted for under the equity method

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
JinJing Optical Technology Co., Ltd.	\$ 44,028	\$ 61,214
Phoenix Optical (Shanghai) Co., Ltd.	<u>151,420</u>	<u>155,107</u>
	195,448	216,321
Less: accumulated impairment loss	(<u>57,242</u>)	(<u>36,801</u>)
	<u>\$ 138,206</u>	<u>\$ 179,520</u>

The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarized below:

As of December 31, 2015 and 2014, the carrying amount of the Group's individually immaterial associates amounted to \$138,206 and \$179,520, respectively.

	<u>2015</u>	<u>2014</u>
Loss for the period from continuing operations	(\$ 79,237)	(\$ 373,515)
Other comprehensive income-net of tax	(<u>12,930</u>)	<u>-</u>
Total comprehensive loss	<u>(\$ 92,167)</u>	<u>(\$ 373,515)</u>

(7) Property, plant and equipment

	Land	Buildings	Machinery	Test equipment	Construction in progress and prepayment for equipment	Others	Total
At January 1, 2015							
Cost	\$ 1,042,216	\$ 3,774,021	\$ 1,914,467	\$ 221,421	\$ 2,695	\$ 711,759	\$ 7,666,579
Accumulated depreciation and impairment	-	(496,859)	(920,394)	(178,466)	-	(467,168)	(2,062,887)
	<u>\$ 1,042,216</u>	<u>\$ 3,277,162</u>	<u>\$ 994,073</u>	<u>\$ 42,955</u>	<u>\$ 2,695</u>	<u>\$ 244,591</u>	<u>\$ 5,603,692</u>
2015							
Opening net book amount	\$ 1,042,216	\$ 3,277,162	\$ 994,073	\$ 42,955	\$ 2,695	\$ 244,591	\$ 5,603,692
Additions	-	98	1,334	3,512	12,974	87,873	105,791
Disposals	-	-	-	-	-	-	-
Reclassifications	-	-	240	-	(240)	-	-
Depreciation charge	-	(95,578)	(172,772)	(21,861)	-	(136,413)	(426,624)
Net exchange differences	-	(48,341)	(18,428)	(618)	(86)	(4,243)	(71,716)
Closing net book amount	<u>\$ 1,042,216</u>	<u>\$ 3,133,341</u>	<u>\$ 804,447</u>	<u>\$ 23,988</u>	<u>\$ 15,343</u>	<u>\$ 191,808</u>	<u>\$ 5,211,143</u>
At December 31, 2015							
Cost	\$ 1,042,216	\$ 3,717,659	\$ 1,868,136	\$ 201,217	\$ 15,343	\$ 740,695	\$ 7,585,266
Accumulated depreciation and impairment	-	(584,318)	(1,063,689)	(177,229)	-	(548,887)	(2,374,123)
	<u>\$ 1,042,216</u>	<u>\$ 3,133,341</u>	<u>\$ 804,447</u>	<u>\$ 23,988</u>	<u>\$ 15,343</u>	<u>\$ 191,808</u>	<u>\$ 5,211,143</u>

	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)
	<u>\$ 1,042,216</u>	<u>\$ 3,252,581</u>	<u>\$ 1,074,422</u>	<u>\$ 67,527</u>	<u>\$ 24,235</u>	<u>\$ 195,803</u>	<u>\$ 5,656,784</u>
2014							
Opening net book amount	\$ 1,042,216	\$ 3,252,581	\$ 1,074,422	\$ 67,527	\$ 24,235	\$ 195,803	\$ 5,656,784
Additions	-	-	15,584	2,267	(3,512)	124,528	138,867
Disposals	-	-	53	27	-	(179)	(99)
Reclassifications	-	-	3,680	-	(18,225)	13,590	(955)
Depreciation charge	-	(93,880)	(155,413)	(29,009)	-	(98,946)	(377,248)
Net exchange differences	-	118,461	55,747	2,143	197	9,795	186,343
Closing net book amount	<u>\$ 1,042,216</u>	<u>\$ 3,277,162</u>	<u>\$ 994,073</u>	<u>\$ 42,955</u>	<u>\$ 2,695</u>	<u>\$ 244,591</u>	<u>\$ 5,603,692</u>
At December 31, 2014							
Cost	\$ 1,042,216	\$ 3,774,021	\$ 1,914,467	\$ 221,421	\$ 2,695	\$ 711,759	\$ 7,666,579
Accumulated depreciation and impairment	-	(496,859)	(920,394)	(178,466)	-	(467,168)	(2,062,887)
	<u>\$ 1,042,216</u>	<u>\$ 3,277,162</u>	<u>\$ 994,073</u>	<u>\$ 42,955</u>	<u>\$ 2,695</u>	<u>\$ 244,591</u>	<u>\$ 5,603,692</u>

For the years ended December 31, 2015 and 2014, 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

	2015	2014
At January 1		
Cost	\$ 138,662	\$ 141,213
Accumulated amortisation and impairment	(35,215)	(30,800)
	<u>\$ 103,447</u>	<u>\$ 110,413</u>
Year ended December 31		
Opening net book amount	\$ 103,447	\$ 110,413
Additions	2,676	6,085
Amortisation charge	(14,497)	(18,489)
Net exchange differences	2,087	5,438
Closing net book amount	<u>\$ 93,713</u>	<u>\$ 103,447</u>
At December 31		
Cost	\$ 130,369	\$ 138,662
Accumulated amortisation and impairment	(36,656)	(35,215)
	<u>\$ 93,713</u>	<u>\$ 103,447</u>

A. Details of amortisation on intangible assets are as follows:

	Year ended December 31, 2015	Year ended December 31, 2014
Operating costs	\$ 7,685	\$ 7,459
Operating expense	6,812	11,030
	<u>\$ 14,497</u>	<u>\$ 18,489</u>

B. The Group has no intangible assets pledged to others.

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

	December 31, 2015	December 31, 2014
Land-use right	<u>\$ 39,003</u>	<u>\$ 40,957</u>

The Group recognized amortisation expenses for the years ended December 31, 2015 and 2014 amounting to \$1,032 and \$999, respectively.

(10) Short-term borrowings

Type of borrowings	December 31, 2015	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 1,730,000</u>	1.14%~1.3%	None
Type of borrowings	December 31, 2014	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 1,410,000</u>	1.21%~1.36%	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) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Present value of defined benefit obligations	(\$ 68,753)	(\$ 62,721)
Fair value of plan assets	<u>48,985</u>	<u>47,686</u>
Net defined benefit liability	(\$ 19,768)	(\$ 15,035)

(c) Movements in net defined benefit liabilities are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Year ended December 31, 2015			
Balance at January 1	(\$ 62,721)	\$ 47,686	(\$ 15,035)
Current service cost	(52)	-	(52)
Interest (expense) income	(1,255)	<u>954</u>	(301)
	<u>(64,028)</u>	<u>48,640</u>	<u>(15,388)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	333	333
Change in demographic assumptions	-	-	-
Change in financial assumptions	(2,284)	-	(2,284)
Experience adjustments	(2,441)	-	(2,441)
	<u>(4,725)</u>	<u>333</u>	<u>(4,392)</u>
Pension fund contribution	<u>-</u>	<u>12</u>	<u>12</u>
Balance at December 31	<u>(\$ 68,753)</u>	<u>\$ 48,985</u>	<u>(\$ 19,768)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2014			
Balance at January 1	(\$ 58,795)	\$ 46,571	(\$ 12,224)
Current service cost	(47)	-	(47)
Interest (expense) income	(1,176)	931	(245)
	(60,018)	47,502	(12,516)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	172	172
Change in demographic assumptions	-	-	-
Change in financial assumptions	-	-	-
Experience adjustments	(2,703)	-	(2,703)
	(2,703)	172	(2,531)
Pension fund contribution	-	12	12
Balance at December 31	(\$ 62,721)	\$ 47,686	(\$ 15,035)

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earning is less than aforementioned rates, government shall make payment for the deficit after authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The constitution of fair value of plan assets as of December 31, 2015 and 2014 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Year ended December 31, 2015	Year ended December 31, 2014
Discount rate	1.70%	2.00%
Future salary increases	3.00%	3.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
December 31, 2015				
Effect on present value of defined benefit obligations	(\$ 7,216)	\$ 8,447	\$ 7,504	(\$ 6,593)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculate net pension liability in the balance sheet are the same.

The method and assumptions of analysing sensitivity are the same with the previous for the period.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ended December 31, 2016 amount 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 years ended December 31, 2015 and 2014, the Group had recognized pension costs of \$35,926 and \$35,580, 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 \$49,915 and \$46,637 for the years ended December 31, 2015 and 2014, respectively.

(12) Share-based payment

A.As of December 31, 2015 and 2014, 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 1
"	October 31, 2008	1,000	9.2 years	Note 1
"	March 23, 2009	3,000	8.8 years	Note 1
"	October 28, 2011	3,000	9.2 years	Note 1
"	March 21, 2012	3,000	8.9 yesrs	Note 1
First time issuance of restricted shares to employees	November 13, 2015	2,440	3 years	Note 2 、 Note 3

Note 1:2 years' service vest 40%, 3 years' service vest 70%, 4 years' service vest 100%.

Note 2:The restricted shares were issued at no consideration to the Company's existing employees whose service years have reached 2 years and 3 years and who achieved the performance requirement. The vested ratio is 50% and 50%, respectively. If employees who are entitled to receive restricted stocks do not meet the vesting conditions, the Company will redeem at no consideration and retire those shares.

Note 3:The stocks and dividends distributed to employees during the vesting period shall be given by the Company at no consideration. Employees are not required to return the stocks and dividends if they resign during the vesting period.

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

- a) For the year ended December 31,2015 and 2014 the share options and the weighted number of average exercise price of compensation plan empolyee stock options of the information revealed:

	For the year ended December 31, 2015		For the year ended December 31, 2014	
	No. of options	Weighted-average exercise price (in dollars)(Note)	No. of options	Weighted-average exercise price (in dollars)(Note)
Options outstanding at beginning of the year	6,561	\$ 33.60	15,708	\$ 22.60
Options forfeited	(1,288)	-	(254)	-
Options exercised	(118)	34.50	(8,893)	22.19
Options outstanding at end of the year	<u>5,155</u>	32.80	<u>6,561</u>	33.60
Options exercisable at end of the year	<u>4,417</u>	32.70	<u>3,201</u>	32.60
Approved and not yet issued options at the end of the year	<u>-</u>		<u>-</u>	

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

- b) The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2015 and 2014 amounted to \$37.48 (in dollars) and 30.39 (in dollars). No stock options were excercised during the six-month periods ended December 31, 2015 and 2014.
- c) The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

Issue date approved	Expiry date	December 31, 2015		December 31, 2014	
		No. of shares (in thousands)	Exercise price (Note)(in dollars)	No. of shares (in thousands)	Exercise price (Note)(in dollars)
June 13, 2008	December 31, 2017	1,400	\$ 32.00	1,555	\$ 33.40
October 31, 2008	December 31, 2017	30	26.80	256	28.00
March 23, 2009	December 31, 2017	-	-	366	26.40
October 28, 2011	December 31, 2020	2,320	33.20	2,320	34.70
March 21, 2012	December 31, 2020	1,405	33.00	2,064	34.50

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

d) The fair value of stock options granted 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	\$ 33.40	24.45%	6 years	1.5%	2.40%	10.56
"	October 31, 2008	32.60	28.00	22.11%	6 years	1.5%	1.88%	6.54
"	March 23, 2009	30.90	26.40	22.63%	6 years	1.5%	0.96%	5.73
"	October 28, 2011	30.65	34.70	30.27%	5 years	1.4%	1.18%	7.42
"	March 21, 2012	27.85	34.50	33.54%	4.9 years	1.4%	1.08%	7.35

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

Note 2: The grant date is close to the exercise date. Fair value per unit is estimated based on its intrinsic value.

C.The information of restricted shares to employees is as follows:

	Year ended December 31, 2015 (share in thousands)
Outstanding opening balance	-
Shares granted	2,440
Shares retired	-
Outstanding ending balance	<u>2,440</u>

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

	For the year ended December 31, 2015	For the year ended December 31, 2014
Equity-settled	<u>\$ 5,113</u>	<u>\$ 6,957</u>

(13) Provisions

		Warranty
At January 1, 2015		\$ 184,608
Additional provisions		(48,626)
Exchange differences		(104)
At December 31, 2015		<u>\$ 135,878</u>
	December 31, 2015	December 31, 2014
Current	<u>\$ 36,998</u>	<u>\$ 64,373</u>
Non-current	<u>\$ 98,880</u>	<u>\$ 120,235</u>

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 December 31, 2015, the Company's authorized capital was \$5,000,000, consisting of 500,000 thousand shares of ordinary stock, and the paid-in capital was \$2,726,938 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:

(Expressed in thousands of shares)

	2015	2014
At January 1	270,136	377,015
Employee stock options exercised	118	8,893
Issuance of restricted stocks	2,440	-
Cash capital reduction	- (	115,772)
Purchase of treasury shares	(4,414)	-
At December 31	<u>268,280</u>	<u>270,136</u>

B. Treasury shares

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

		December 31, 2015 (in thousands of shares)	
Shares held by	Reason for reacquisition	Number of shares	Book value
Altek Corporation	Repurchase shares under the R.O.C Company Law section 187 and the Enterprises Mergers and Acquisitions Act section 12	981	\$ 33,255
Altek Corporation	To be reissued to employees	3,433	96,138
		<u>4,414</u>	<u>\$ 129,393</u>

December 31, 2014 : None.

- 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 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.
 - f) The cancellation of treasury shares was approved by the Board of Directors' resolution on September 22, 2014, amounting to \$192,026 consisting of 5,775 thousand shares. The capital reduction date was on October 7, 2014, and the registration for cancellation of treasury shares had been completed.
- C. On June 19, 2014, the stockholders have resolved to reduce capital by \$1,182,475, by eliminating 118,247,496 shares (including elimination of 2,475,000 treasury shares as a result of the cash capital reduction) and 300 shares out of every thousand shares. The capital reduction ratio was approximately 30% and \$3 (in dollars) refund for each share. After the capital reduction, the amount of the Company's issued shares was 275,910,825 shares with a par value of \$10 (in dollars), and the paid-in capital was \$2,759,108. The capital reduction date was set on September 4, 2014, and the registration for the capital reduction had been completed. The amount of share capital that was refunded amounted to \$1,157,725. On September 22, 2014, the Board of Directors has resolved the distribution date of return of share capital as October 24, 2014.
- D. For the year ended December 31, 2015 and 2014, the Company issued 118 and 8,893 thousand shares respectively for employee stock options exercised and the registration for issuance had been completed.
- E. Under the Enterprise Merger and Acquisition Act, in consideration of business strategies and division of services to increase competitiveness and operational performance, the Company decided to spin-off its medical electronics segment amounting to \$400,000 to swap for common shares of Altek Biotechnology Corporation at \$10 per share and obtained 40 million shares. The split was resolved by the shareholders on June 2, 2015. On September 8, 2015, the Board of Directors has proposed to set the spin-off date as January 4, 2016.
- F. The Board of Directors meeting on April 20, 2015 and the stockholder's meeting on June 2, 2015 adopted a resolution to issue employee restricted ordinary shares 4,000 thousands shares. Notification to the competent authority take effect once or issued within one year from the date of arrival. The shares are subscribed at no cost to employees (Accounting policies see Note

4(19)). The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares.

(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	Restricted shares to employees	Total
At January 1, 2015	\$ 2,012,075	\$ 50,518	\$ 958	\$ -	\$ 2,063,551
Employee stock options expenses	-	2,842	-	-	2,842
Employee stock options exercised	3,758	(867)	-	-	2,891
Issuance of restricted shares to employees	-	-	-	40,992	40,992
Cash dividends from capital	(135,127)	-	-	-	(135,127)
Acquisition of ownership interests in subsidiaries	-	-	623	-	623
At December 31, 2015	<u>\$ 1,880,706</u>	<u>\$ 52,493</u>	<u>\$ 1,581</u>	<u>\$ 40,992</u>	<u>\$ 1,975,772</u>

	Share premium	Employee stock options	Difference between proceeds from disposal of subsidiary and book value	Restricted shares to employees	Total
At January 1, 2014	\$ 1,903,779	\$ 123,953	\$ 958	\$ -	\$ 2,028,690
Employee stock options expenses	-	6,957	-	-	6,957
Employee stock options exercised	188,687	(80,245)	-	-	108,442
Cancellation of treasury shares (Including elimination of treasury shares caused by the cash capital reduction)	(80,391)	(147)	-	-	(80,538)
At December 31, 2014	<u>\$ 2,012,075</u>	<u>\$ 50,518</u>	<u>\$ 958</u>	<u>\$ -</u>	<u>\$ 2,063,551</u>

(16) Retained earnings

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

- (a) allocating 10% to 20% as employees' bonus;
- (b) allocating 2% as directors' and supervisors' remuneration;
- (c) dividends

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 amounts previously set aside by the Company as special reserve 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. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

- E. The appropriation of 2014 earnings had been resolved at the stockholders' meeting on June 2, 2015. The appropriation of 2013 losses had been resolved at the stockholders' meeting on June 19, 2014. Details are summarized below:

	2014		2013	
	Amount	Dividends per share (in NT dollars)	Amount	Dividends per share (in NT dollars)
Legal reserve	\$ 27,533	-	\$ -	-
Special reserve	-	-	(196,811)	-
Cash dividends	135,127	0.5	-	-
	<u>\$ 162,660</u>		<u>(\$ 196,811)</u>	

The appropriation of 2014 earnings was the same as that approved by the Board of Directors on April 20, 2015. The deficit compensation for 2013 was the same as that approved by the Board of Directors on March 21, 2014. The additional paid-in capital was returned to stockholders as resolved at the stockholders' meeting on June 2, 2015. Furthermore, on June 2, 2015, the shareholders resolved to return capital surplus of \$135,127 (approximately \$0.5 per share) to shareholders on the nature of capital contribution.

- F. The appropriation of 2015 earnings had been resolved at the Board of Directors meeting on March 18, 2016. Details are summarized below:

	2015	
	Amount	Dividends per share (in NT dollars)
Legal reserve	\$ 27,364	-
Cash dividends	134,140	0.5
	<u>\$ 161,504</u>	

Furthermore, on March 18, 2016, the Board of Directors has proposed to return the capital surplus as the nature of capital contribution amounting to \$134,140 (about 0.5 dollars per share) to shareholders. Abovementioned appropriation of 2015 earnings and cash distribution with capital surplus is yet to be resolved by the shareholders.

- G. The information relating to employees' remuneration (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(22).

(17) Other equity items

	Foreign currency translation adjustment	Unearned compensation	Total
At January 1, 2015	\$ 481,868	\$ -	\$ 481,868
Currency translation differences:			
Group	2,633	-	2,633
Associates	(6,733)	-	(6,733)
Issuance of restricted shares to employees	-	(65,392)	(65,392)
Share-based payment transactions	-	2,271	2,271
At December 31, 2015	<u>\$ 477,768</u>	<u>(\$ 63,121)</u>	<u>\$ 414,647</u>

	Foreign currency translation adjustment	Unearned compensation	Total
At January 1, 2014	\$ 27,904	\$ -	\$ 27,904
Currency translation differences:			
Group	442,443	-	442,443
Associates	11,521	-	11,521
At December 31, 2014	<u>\$ 481,868</u>	<u>\$ -</u>	<u>\$ 481,868</u>

(18) Other income

	For the year ended December 31, 2015	For the year ended December 31, 2014
Rental revenue	\$ 5,822	\$ 15,678
Dividend income	267	572
Interest income:		
Interest income from bank deposits	50,233	68,350
Others	66	79
Other income - others (Note)	33,804	94,695
Total	<u>\$ 90,192</u>	<u>\$ 179,374</u>

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 years ended December 31, 2015 and 2014.

(19) Other gains and losses

	For the year ended December 31, 2015	For the year ended December 31, 2014
Net losses on financial assets at fair value through profit or loss	(\$ 11,190)	(\$ 4,638)
Net currency exchange gains (losses)	21,297	(2,510)
Gain on disposal of property, plant and equipment	1,974	19,349
Gain on disposal of financial assets at amortised cost	10,833	-
Impairment loss	(20,442)	(14,094)
Other expenses	(870)	(1,641)
Total	<u>\$ 1,602</u>	<u>(\$ 3,534)</u>

(20) Finance costs

	For the year ended December 31, 2015	For the year ended December 31, 2014
Interest expense: Bank borrowings	<u>\$ 20,459</u>	<u>\$ 17,276</u>

(21) Expenses by nature

	For the year ended December 31, 2015	For the year ended December 31, 2014
Employee benefit expenses	\$ 1,634,084	\$ 1,695,060
Depreciation charges on property, plant and equipment	426,624	377,248
Amortisation charges on intangible assets	14,497	18,489
Total	<u>\$ 2,075,205</u>	<u>\$ 2,090,797</u>

(22) Employee benefit expenses

	For the year ended December 31, 2015	For the year ended December 31, 2014
Wages and salaries	\$ 1,404,206	\$ 1,458,888
Employee stock options	5,113	6,957
Labor and health insurance fees	80,852	80,704
Pension costs	86,194	82,854
Other personnel expenses	57,719	65,657
Total	<u>\$ 1,634,084</u>	<u>\$ 1,695,060</u>

- A. According to the Articles of Incorporation of the Company, when distributing earnings, the Company shall distribute bonus to the employees and pay remuneration to the directors and supervisors that account for 10%~20% and 2%, respectively, of the total distributed amount. However, in accordance with the Company Act amended on May 20, 2015, a company shall distribute employee remuneration, based on the current year's profit condition, in a fixed amount or a proportion of profits. If a company has accumulated deficit, earnings should be channeled to cover losses. Aforementioned employee remuneration could be paid by cash or stocks. Specifics of the compensation are to be determined in a board meeting that registers two-thirds of directors in attendance, and the resolution must receive support from half of participating members. The resolution should be reported to the shareholders' meeting. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation. The board of directors of the Company has approved the amended Articles of Incorporation of the Company on March 18, 2016. According to the amended articles, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors and supervisors remuneration. The ratio shall not be lower than 10%~20% for employees' compensation and shall not be higher than 2% for directors and supervisors remuneration. The amended articles will be resolved in the shareholders' meeting in 2016.
- B. For the years ended December 31, 2015 and 2014, employees' remuneration (bonus) was accrued at \$45,124 and \$37,170, respectively; while directors' and supervisors' remuneration was accrued at \$6,017 and \$4,956, respectively. The aforementioned amounts were recognized in salary expenses. The expenses recognised for the year 2015 were accrued based on the earnings of current year; the expenses recognised for the year 2014 were accrued based on the net income for 2014 and the percentage specified in the Articles of Incorporation of the Company, taking into account other factors such as legal reserve.
- C. The 2013 employees' cash bonus and directors' and supervisors' remuneration as appropriated during the stockholders' meeting on June 2, 2015 were \$37,170 and \$4,956, respectively. Employees' bonus and directors' and supervisor' remuneration for 2014 as resolved by the stockholders were in agreement with those amounts recognised in the 2014 financial statements.
- Information about the appropriation of employees' bonus and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(23) Income tax

A. Income tax expense

a) Components of income tax expense:

	For the year ended December 31, 2015	For the year ended December 31, 2014
Current tax:		
Current tax on profits for the period	\$ 55,823	\$ 78,891
Adjustments in respect of prior years	(7,338)	(1,278)
Total current tax	<u>48,485</u>	<u>77,613</u>
Deferred tax:		
Origination and reversal of temporary differences	(40,354)	(43,338)
Effect of exchange rate changes arising from temporary differences	-	432
Total deferred tax	(40,354)	(42,906)
Income tax expense	<u>\$ 8,131</u>	<u>\$ 34,707</u>

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

	For the year ended December 31, 2015	For the year ended December 31, 2014
Remeasurement of defined benefit obligations	(\$ 747)	\$ 393
Translation differences of foreign operations	(839)	92,980
	<u>(\$ 1,586)</u>	<u>\$ 93,373</u>

B. Reconciliation between income tax expense and accounting profit:

	For the year ended December 31, 2015	For the year ended December 31, 2014
Tax calculated based on profit before tax and statutory tax rate	\$ 74,552	\$ 65,844
Expense disallowed by tax regulation	(2,447)	(5,776)
Estimated 10% corporate income tax on unappropriated earnings	15,451	796
Changes in reassessment of deferred tax assets	(54,841)	(25,311)
Effect of exchange rate changes arising from temporary differences	-	432
Effect from tax credit of investment	(17,246)	-
Adjustment of income tax expense in prior years	(7,338)	(1,278)
Income tax expense	<u>\$ 8,131</u>	<u>\$ 34,707</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary difference, loss carryforward and investment tax credit are as follows:

For the year ended December 31, 2015				
			Recognised in other	
	Recognised in comprehensive			
	January 1	profit or loss	income	December 31
Temporary differences:				
-Deferred tax assets:				
Cost of after-sales service and other estimated expenses	\$ 67,911	(\$ 6,216)	\$ 747	\$ 62,442
Net operating loss carryforward	17,007	(17,007)	-	-
Tax credit of investment	-	9,392	-	9,392
Subtotal	<u>\$ 84,918</u>	<u>(\$ 13,831)</u>	<u>\$ 747</u>	<u>\$ 71,834</u>
-Deferred tax liabilities:				
Gain on foreign investment under the equity method	(\$454,966)	\$ 54,971	\$ -	(\$ 399,995)
Currency translation differences	(128,186)	-	839	(127,347)
Others	(13)	(786)	-	(799)
Subtotal	<u>(\$583,165)</u>	<u>\$ 54,185</u>	<u>\$ 839</u>	<u>(\$ 528,141)</u>
Total	<u>(\$498,247)</u>	<u>\$ 40,354</u>	<u>\$ 1,586</u>	<u>(\$ 456,307)</u>
For the year ended December 31, 2014				
			Recognised in other	
	Recognised in comprehensive			
	January 1	profit or loss	income	December 31
Temporary differences:				
-Deferred tax assets:				
Cost of after-sales service and other estimated expenses	\$242,924	(\$ 174,620)	(\$ 393)	\$ 67,911
Net operating loss carryforward	55,709	(38,702)	-	17,007
Subtotal	<u>\$298,633</u>	<u>(\$ 213,322)</u>	<u>(\$ 393)</u>	<u>\$ 84,918</u>
-Deferred tax liabilities:				
Gain on foreign investment under the equity method	(\$711,639)	\$ 256,673	\$ -	(\$ 454,966)
Currency translation differences	(35,206)	-	(92,980)	(128,186)
Others	-	(13)	-	(13)
Subtotal	<u>(\$746,845)</u>	<u>\$ 256,660</u>	<u>(\$ 92,980)</u>	<u>(\$ 583,165)</u>
Total	<u>(\$448,212)</u>	<u>\$ 43,338</u>	<u>(\$ 93,373)</u>	<u>(\$ 498,247)</u>

- D. According to the Act for Industrial Innovation and Statute for Upgrading Industries (before its abolishment), details of the amount the Group is entitled as investment tax credit and unrecognised deferred tax assets amount are as follows:

Qualifying items	December 31, 2015		
	Unused tax credits	Unrecognised deferred tax assets	Investment usable until
Research and development	\$ 9,392	\$ -	2017

- E. Expiration dates of unused net operating loss carryforward and amounts of unrecognised deferred tax assets are as follows:

December 31, 2015: None.

December 31, 2014				
Year incurred	Amount filed / assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
2012	\$ 19,048	\$ 18,024	\$ -	2022
2013	42,253	42,253	-	2023
2014	39,765	39,765	-	2024
	<u>\$ 101,066</u>	<u>\$ 100,042</u>		

- F. The amounts of deductible temporary difference that are not recognized as deferred tax assets :
None.

- G. As of December 31, 2015, the Company's income tax returns through 2013 have been assessed and approved by the Tax Authority.

- H. Unappropriated retained earnings:

	December 31, 2015	December 31, 2014
Earnings generated in and after 1998	<u>\$ 3,047,283</u>	<u>\$ 2,964,969</u>

- I. As of December 31, 2015 and 2014, the balance of the imputation tax credit account was \$258,938 and \$245,051, respectively. The creditable tax rate is estimated 8.50% for the year ended December 31, 2015 and was 9.24% for the year ended December 31, 2014.

(24) Earnings per share

For the year ended December 31, 2015			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 273,643	269,237	\$ 1.02
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 273,643		
Restricted shares to employees		7	
Assumed conversion of all dilutive potential ordinary shares		3	
Employees' bonus	-	795	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 273,643	270,042	\$ 1.01
For the year ended December 31, 2014			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 275,335	345,978	\$ 0.80
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 275,335		
Assumed conversion of all dilutive potential ordinary shares		53	
Employees' bonus	-	1,033	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 275,335	347,064	\$ 0.79

(25) Transactions with non-controlling interest

A. Acquisition of additional equity interest in a subsidiary

For the years ended December 31, 2015 and 2014, the Group acquired an additional 1.57% and 0.06%, respectively, of shares of its subsidiary—Altek Autotronics Corporation for a total cash consideration of \$5,097 and 208, respectively. This transaction resulted in a decrease in the non-controlling interest by \$5,720 and \$208 and an increase in the equity attributable to owners of the parent by \$623 and \$0, respectively. The effect of changes in ownership interests in Altek Autotronics Corporation on the equity attributable to owners of the parent for the years ended December 31, 2015 and 2014 is shown below:

	2015	2014
Carrying amount of non-controlling interest acquired	\$ 5,720	\$ 208
Consideration paid to non-controlling interest	(5,097)	(208)
Capital surplus		
-difference between proceeds on acquisition of or disposal of equity interest in a subsidiary and its carrying amount	\$ 623	\$ -

B. The Group did not acquire share increase raised by a subsidiary proportionally to its interest to the second-tier subsidiary.

Grandson Altek Semiconductor (Cayman) Co., Ltd., a second-tier subsidiary of the Group, increased capital by issuing new shares on December 30, 2015. The Group did not acquire shares proportionally to its interest. As a result, the Group decreased its share interest to 28.57%. The transaction increased non-controlling interest by \$89,367 and decreased the equity attributable to owners of parent by \$11,261. The effect of changes in interests in Altek Semiconductor (Cayman) Co., Ltd. on the equity attributable to owners of the parent for the year ended December 31, 2015 is shown below:

	2015
Cash	\$ 81,668
Decrease in the carrying amount of non-controlling interest	(102,673)
Exchange differences on translation of foreign financial statements	(4,019)
Retained earnings	
-recognition of changes in ownership interest in subsidiaries	(\$ 25,024)

(26) Operating leases

The Group acquired a Taipei building for operating use. However, this building is still under a certain unexpired lease agreement. Contingent rents of \$11,471 and \$26,978 were recognized for these leases in profit or loss for the years ended December 31, 2015 and 2014, respectively. The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

December 31, 2015: None

	<u>December 31, 2014</u>
Not more than 1 year	\$ <u>12,045</u>

The Group leases office buildings for operational needs under non-cancellable operating lease agreements. These lease terms are between 2015 and 2027. Most of the lease agreements are renewable at the market price at the end of the lease period. The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Not more than 1 year	\$ 16,963	\$ 20,573
More than 1 year but not more than 5 years	22,285	27,083
Over 5 years	25,874	29,570
	<u>\$ 65,122</u>	<u>\$ 77,226</u>

(27) Non-cash transactions

Investing activities with partial cash payments

	<u>For the year ended December 31, 2015</u>	<u>For the year ended December 31, 2014</u>
Acquisitions of property, plant, and equipment	\$ 105,791	\$ 138,867
Add: property and equipment and construction billings payable at beginning of year	8,332	8,848
Less: property and equipment and construction billings payable at end of year	(61,027)	(8,332)
Cash paid	<u>\$ 53,096</u>	<u>\$ 139,383</u>

	For the year ended December 31, 2015	For the year ended December 31, 2014
Acquisitions of intangible assets	\$ 2,676	\$ 6,085
Add: Intangible billings payable at beginning of year	6,163	6,738
Less: intangible billings payable at end of year	-	(6,163)
Cash paid	<u>\$ 8,839</u>	<u>\$ 6,660</u>

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions and balances with related parties:

No significant related party transactions.

(2) Key management compensation

	For the year ended December 31, 2015	For the year ended December 31, 2014
Salaries and other short-term employee benefits	\$ 60,609	\$ 22,278
Post-employment benefits	864	504
Share-based payments	-	1,446
Total	<u>\$ 61,473</u>	<u>\$ 24,228</u>

8. PLEGDED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Contingencies

- 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 disputed 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, the 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.
- On December 22, 2015, the Company filed a civil complaint against the HTC Corporation at the Taiwan Taipei District Court, alleging HTC Corporation’s default in the agreed upon

Manufacturing and Supply Agreement and claiming for USD 11,126 thousand against HTC Corporation. As of March 18, 2016, the case is still under trial.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENT AFTER THE BALANCE SHEET DATE

On March 18, 2016, the Board of Directors of the Company has resolved to issue employee restricted shares of 1,560,000 shares for no consideration with a par value of NT\$10 per share, amounting to NT\$15,600,000.

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 information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

		December 31, 2015					
		Sensitivity Analysis					
		Foreign Currency		Book Value	Extent of	Effect on	
		Amount	Exchange			Profit or	Other
		(In thousands)	Rate	(NTD)	Variation	(Loss)	Comprehensive
							Income (Loss)
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:NTD	USD	100,781	32.825	\$3,308,136	1%	\$33,081	\$ -
USD:RMB	USD	80,924	6.4936	2,656,330	1%	26,563	-
<u>Non-monetary items</u>							
USD:NTD	USD	4,210	32.825	\$ 138,206	1%	\$ -	\$ 1,382
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:NTD	USD	92,778	32.825	\$3,045,438	1%	(\$30,454)	\$ -
USD:RMB	USD	67,843	6.4936	2,226,946	1%	(22,269)	-

December 31, 2014

						Sensitivity Analysis	
Foreign Currency						Effect on	Effect on
Amount	Exchange	Book Value	Extent of	Profit or	Other	Comprehensive	
(In thousands)	Rate	(NTD)	Variation	(Loss)	Income (Loss)		
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:NTD	USD	116,490	31.650	\$3,686,909	1%	\$36,869	\$ -
USD:RMB	USD	108,490	6.1190	3,433,709	1%	34,337	-
<u>Non-monetary items</u>							
USD:NTD	USD	5,672	31.650	\$ 179,520	1%	\$ -	\$ 1,795
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:NTD	USD	119,272	31.650	\$3,774,959	1%	(\$37,750)	\$ -
USD:RMB	USD	96,893	6.1190	3,066,663	1%	(30,667)	-

v.Total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2015 and 2014 amounted to \$21,297 and (\$2,510), respectively.

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 year ended December 31, 2015, 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 for the years ended December 31, 2015 and 2014.
- 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 or past due and not 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:

December 31, 2015	Less than 1 year	Over 1 year
Short-term borrowings	\$ 1,730,000	\$ -
Accounts payable	2,422,069	-
Other payables	510,923	-

Non-derivative financial liabilities:

December 31, 2014	Less than 1 year	Over 1 year
Short-term borrowings	\$ 1,410,000	\$ -
Accounts payable	2,933,033	-
Other payables	530,190	-
Guarantee deposits received	6,023	-

(3) Fair value estimation

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed beneficiary certificates, on-the-run derivative instruments with quoted market prices is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2015 and 2014 is as follows:

<u>December 31, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair				
value through profit or loss				
Beneficiary certificate	\$ 427,531	\$ -	\$ -	\$ 427,531

<u>December 31, 2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificate	\$ 362,155	\$ -	\$ -	\$ 362,155

C. The methods and assumptions the Group used to measure fair value are as follows:

(a)The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Open-end fund</u>
Market quoted price	Net asset value

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- 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) : Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: 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 NT\$100 million or 20% of paid-in capital or more: Please refer to table 2.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 3.
- I. Trading in derivative financial instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

A. The related information of investments in Mainland China: Please refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:

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 table 2 to 4.

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) Measurement of segment information

The chief operating decision-maker assesses the segment performance through the consolidated financial statements which are prepared in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC.

(3) Information about segment profit or loss, assets and liabilities

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.

(4) Reconciliation for segment income (loss), assets and liabilities : None.

(5) Information on product and service

Revenues from external customers are derived from the sale of digital image technology application and related export and import trade.

(6) Geographical information

Geographical information for the years ended December 31, 2015 and 2014 is as follows:

	For the years ended December 31,			
	2015		2014	
	Revenue	Non-current assets	Revenue	Non-current assets
Asia	\$ 9,235,699	\$ 3,085,704	\$ 9,850,869	\$ 3,455,509
Europe	1,191,005	-	1,377,807	-
America	29,719	-	2,525	-
Taiwan	2,035,606	2,219,152	4,199,880	2,251,630
Total	<u>\$ 12,492,029</u>	<u>\$ 5,304,856</u>	<u>\$ 15,431,081</u>	<u>\$ 5,707,139</u>

- (7) For the years ended December 31, 2015 and 2014, \$4,876,853 and \$8,769,693 out of the Group's total revenue was from sales of digital image technology application and others to certain customers, respectively.

(Blank below)

Altek Corporation and subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
December 31, 2015

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2015			
				Number of shares	Book value	Ownership (%)	Fair value
Altek Corporation	Gianta Co., Ltd. - Common stock	Director	Financial assets carried at cost - non-current	762,876	\$ 10,312	14.98%	\$ 10,312
"	Yung Li Investments Inc. - Common stock	None	"	1,999,355	13,947	4.84%	13,947
"	Hua-chuang Automobile Information Technical Center Co., Ltd. - Common stock	None	"	10,000,000	93,450	2.00%	93,450
Altek (Kunshan) Co., Ltd.	Guangdong Kingding Optical Machine Co., Ltd.	None	"	N/A	6,066	(Note 1)	6,066
"	CPEC Huachuang Private Equity (Kunshan) Enterprise (Limited Partnership)	None	"	N/A	20,220	(Note 2)	20,220
Altek Investment Co., Ltd.	Money Market Fund	None	Financial assets at fair value through profit or loss-current	434,074	6,916	N/A	6,916
Altek Autotronics Corporation	Money Market Fund	None	"	27,610,961	364,652	N/A	364,652
Altek Semiconductor Corporation	Money Market Fund	None	"	2,783,531	55,963	N/A	55,963

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

Note 2: 1% of Guangdong kingding Optical Machine Co.,Ltd.'s capital contribution.

Altek Corporation and subsidiaries
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
For the year ended December 31, 2015

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
			Purchases (sales)	Amount	Percentage 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	\$ 8,062,867	99%	Net 120 days	Approximately the same price with third parties	Note	(\$ 3,230,469)	100%	
Altek International Investment Co., Ltd.	Altek (Kunshan) Co., Ltd.	"	Purchases	8,412,801	100%	Net 75 days	"	"	(1,248,357)	96%	

Note: The payment term with third parties was net 60~120 days.

Altek Corporation and subsidiaries
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 December 31, 2015

Table 3

Expressed in thousands of NTD
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2015	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Altek International Investment Co., Ltd.	Altek Corporation	Parent company	\$ 3,230,469	2.22	\$ -	N/A	\$ 1,029,128	\$ -
Altek (Kunshan) Co., Ltd.	Altek International Investment Co., Ltd.	Parent company	1,248,357	8.61	-	N/A	1,047,697	-

Altek Corporation and subsidiaries
Significant inter-company transactions during the reporting periods
For the year ended December 31, 2015

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Company name	Counterparty	Relationship (Note 1)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 2)
			General ledger account	Amount	Transaction terms	
Altek Corporation	Altek International Investment Co., Ltd.	(1)	Purchases	\$ 8,062,867	Net 120 days	88%
"	"	(1)	Accounts payable	3,230,469	"	21%
Altek International Investment Co., Ltd.	Altek (Kunshan) Co., Ltd.	(3)	Purchases	8,412,801	Net 75 days	92%
"	"	(3)	Accounts payable	1,248,357	"	8%

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.

Note 3: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

Altek Corporation and subsidiaries
Information on investees
For the year ended December 31, 2015

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2015			Net profit (loss) of the investee for the year ended December 31, 2015	Investment income (loss) recognised by the Company for the year ended December 31, 2015	Footnote
				as at December 31, 2015	as at December 31, 2014	Number of shares	Ownership (%)	Book value			
Altek Corporation	Altek International Investment Co., Ltd.	British Virgin Islands	Investment and general business operations	\$ 3,033,618	\$ 3,086,363	92,726,249	100%	\$ 9,652,451	\$ 2,049	\$ 2,049	
"	Altek Japan Corporation	Japan	Sale and design of optical instruments	2,869	2,869	1,000	100%	11,711 (	201) (	201)	
"	Altek Investment Co., Ltd.	Republic of China	Investment	50,000	50,000	5,000,000	100%	26,275 (	65) (	65)	
"	Altek Autotronics Corporation	Republic of China	Research design, manufacture and sales of car electronic components	182,597	177,500	21,675,600	99.59%	336,639	31,787	31,050	Note 1
"	Altek Biotechnology Corporation	Republic of China	Research and development, manufacture and sales of biotechnology	1,000	1,000	100,000	100%	955 (	45) (	45)	
Altek International Investment Co., Ltd.	Altek Lab Inc.	U.S.A.	Design service	120,787	120,787	11,311,875	100%	62,218	2,473	2,473	Note 2
"	JinJing Optical Technology Co., Ltd.	Samoa	Investment and general business operations	114,888	114,888	3,500,000	23.33%	- (	68,251) (	15,175)	
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%	277,705	160,303	160,303	

Note 1: Ownership (%) on Altek Autotronics Corporation held by Altek Corporation and Altek Investment Co., Ltd. are 90.32% and 9.27%, respectively.

Note 2: Common stock of 9,311,875 shares and preferred stock of 2,000,000 shares.

Altek Corporation and subsidiaries
Information on investments in Mainland China
For the year ended December 31, 2015

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

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, 2015	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2015		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2015	Net profit (loss) of investee for the year ended December 31, 2015	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2015	Book value of investments in Mainland China as of December 31, 2015	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2015
					Remitted to Mainland China	Remitted back to Taiwan						
Altek (Kunshan) Co., Ltd. (Note 2)	Manufacture and sale of digital still cameras and its accessories	\$ 1,628,120	2	\$ 1,477,125	\$ -	\$ -	\$ 1,477,125	(\$ 29,593)	100%	(\$ 29,593)	\$ 4,201,778	\$ -
Altek EMS (Kunshan) Co., Ltd. (Note 3)	Manufacture and sale of related engineering services	164,125	2	298,149	-	-	298,149	25,308	100%	25,308	820,302	-
Altek Imaging Technology (Shanghai) Limited	Manufacture and sale of optical components	95,193	2	95,193	-	(52,745)	42,448	1,699	100%	1,699	-	-
Altek Trading (Shanghai) Limited	Wholesale, import and export of digital cameras, digital video cameras and their associated accessories	279,013	2	279,013	-	-	279,013	2,480	100%	2,480	319,751	-
Kinko Optical (Suzhou) Co., Ltd.	Manufacture and sale of optical components	492,375	2	114,888	-	-	114,888	(64,283)	23.33%	(14,997)	17,461	-
Phoenix Optical (Shanghai) Co., Ltd.	Manufacturing and marketing of digital cameras and its key components, photo sensor and optoelectronic equipment	519,390	2	290,975	-	-	290,975	(10,986)	40%	-	138,207	-
Beijing Altek Image Communication Technology Co., Ltd. (Note 4)	Sales of digital camera, cell phone and related accessories and supporting products	33,646	2	-	-	-	-	(2)	100%	(2)	-	-
Altek Precision (Kunshan) Co., Ltd.	Design, manufacture and sales of digital camera parts	452,985	2	452,985	-	-	452,985	(1,611)	100%	(1,611)	170,440	-
Altek Optical Technology (Kunshan) Co., Ltd.	Manufacture and sales of digital camera and its accessories and optical components	492,375	2	492,375	-	-	492,375	(68,918)	100%	(68,918)	152,021	-

Note 1: Investment methods are classified into the following three categories:

- (1)Directly invest in a company in Mainland China.
- (2)Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3)Others.

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).

Note 4: Altek Imaging Technology (Shanghai) Limited and Beijing Altek Image Communication Technology Co., Ltd. have completed the liquidation in the fourth quarter of 2015.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2015	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
Altek Corporation	\$ 3,447,958	\$ 4,692,465	\$ -

Note:According to "REGULATIONS COVERING THE APPROVAL OF INVESTMENT OR TECHNICAL 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.