

**ALTEK CORPORATION AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2016 AND 2015**

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR 16000168

(In Thousands of New Taiwan Dollars)

To the Board of Directors and Shareholders of Altek Corporation

Opinion

We have audited the accompanying consolidated balance sheets of Altek Corporation and its subsidiaries (the “Group”) as at December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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 (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the

context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Allowance for inventory valuation losses

Description

Please refer to Note 4(11) for description of accounting policy on inventory valuation. Please refer to Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation. Please refer to Note 6(4) for description of allowance for inventory valuation losses.

The Group is primarily engaged in manufacturing and sales of digital image application products. As the Group is in a rapidly changing industry and the short life cycle of electronic products and the highly competitive nature of the market, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Group measuring inventories sold at the lower of cost and net realisable value. For inventory that is over certain age and individually identified obsolete or ruined inventory, recognising losses at net realisable value. Aforementioned allowance for inventory valuation losses mainly arising from individually identified obsolete or ruined inventory, since the value of inventories is significant, inventory kinds is various, and the individual identification of inventory usually involves human judgment which belongs to the area that needs to be judged in the audit process. Thus, we identified valuation of allowance for inventory losses as one of key audit matters.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Understanding and assessing the provision policy on inventory valuation losses.
- B. Obtaining the statement of individually identified obsolete inventory prepared by management and checking the accuracy of stock age analysis report and relevant information.
- C. Checking the reasonableness of net realisable value of inventory to assess the consistency between valuation of market value decline and its provision policy, and assessing the reasonableness of allowance for valuation losses determined by the Group.

Timing of sales revenue recognition

Description

Please refer to Note 4(25) for accounting policies of revenue recognition. The Company and its subsidiaries' revenue mainly arises from export and the cash amounts are material. As the sales terms vary from customers who located around Mainland China, Europe and America, the terms in customer orders and contracts are essential to be judged. As it involves judgement and identification of ownership transfer timing of risk and compensation, we consider the timing of revenue recognition a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Assessing the appropriation of policies on sales revenue recognition.
- B. Assessing and testing the design of internal controls that are relevant to sales revenue recognition and the effectiveness of execution.
- C. Performing cutoff test on sales revenue in specific period around balance sheet date.
- D. Performing confirmation and substantive test on the balance of accounts receivable at the end of period to confirm accounts receivable and relevant sales revenue have been recorded in accurate period.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Altek Corporation as at and for the years ended December 31, 2016 and 2015.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the supervisors, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers, Taiwan

Hsinchu, Taiwan

Republic of China

March 27, 2017

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			2016		2015			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	4,849,989	32	\$	5,741,973	37
1110	Current financial assets at fair value through profit or loss	6(2)		693,709	5		427,531	3
1150	Notes receivable, net			349	-		17,264	-
1170	Accounts receivable, net	6(3)		2,783,145	18		2,251,748	15
1200	Other receivables			19,943	-		21,199	-
1220	Current income tax assets			3,628	-		2,061	-
130X	Inventories, net	6(4)		1,470,971	10		1,061,419	7
1410	Prepayments			210,016	1		115,452	1
1470	Other current assets			19,772	-		10,869	-
11XX	Current Assets			10,051,522	66		9,649,516	63
Non-current assets								
1543	Non-current financial assets at cost	6(5)		147,834	1		143,995	1
1550	Investments accounted for using equity method	6(6)		126,757	1		138,206	1
1600	Property, plant and equipment, net	6(7)		4,657,848	31		5,211,143	34
1780	Intangible assets, net	6(8)		92,917	1		93,713	1
1840	Deferred income tax assets	6(24)		69,782	-		71,834	-
1900	Other non-current assets	6(9)		80,472	-		91,771	-
15XX	Non-current assets			5,175,610	34		5,750,662	37
1XXX	Total assets		\$	15,227,132	100	\$	15,400,178	100

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

Liabilities and Equity			2016		2015	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(10)	\$ 2,415,000	16	\$ 1,730,000	11
2170	Accounts payable		2,417,239	16	2,422,069	16
2200	Other payables		445,206	3	510,923	3
2230	Current income tax liabilities		79,253	1	62,273	1
2250	Provisions for liabilities - current	6(13)	52,247	-	36,998	-
2300	Other current liabilities		204,924	1	355,698	2
21XX	Current Liabilities		5,613,869	37	5,117,961	33
Non-current liabilities						
2550	Provisions for liabilities - noncurrent	6(13)	121,819	1	98,880	1
2570	Deferred income tax liabilities	6(24)	442,112	3	528,141	3
2600	Other non-current liabilities	6(11)	16,339	-	26,344	-
25XX	Non-current liabilities		580,270	4	653,365	4
2XXX	Total Liabilities		6,194,139	41	5,771,326	37
Equity attributable to owners of parent						
Share capital						
3110	Common stock	6(14)	2,739,788	18	2,726,938	18
Capital surplus						
3200	Capital surplus	6(15)	1,862,914	12	1,975,772	13
Retained earnings						
3310	Legal reserve	6(16)	1,374,374	9	1,347,010	9
3320	Special reserve		142,456	1	142,456	1
3350	Unappropriated retained earnings		2,946,092	19	3,047,283	20
Other equity interest						
3400	Other equity interest	6(17)	(25,521)	-	414,647	2
3500	Treasury stocks	6(14)	(129,393)	(1)	(129,393)	(1)
31XX	Equity attributable to owners of the parent		8,910,710	58	9,524,713	62
36XX	Non-controlling interest		122,283	1	104,139	1
3XXX	Total equity		9,032,993	59	9,628,852	63
Significant contingent liabilities and unrecognised contract commitments						
3X2X	Total liabilities and equity		\$ 15,227,132	100	\$ 15,400,178	100

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 earnings per share amounts)

Items	Notes	2016		2015	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(18) and 7	\$ 11,577,046	100	\$ 12,492,029	100
5000 Operating costs	6(22)(23)	(10,021,302)	(87)	(10,923,243)	(87)
5900 Net operating margin		<u>1,555,744</u>	<u>13</u>	<u>1,568,786</u>	<u>13</u>
Operating expenses	6(22)(23)				
6100 Selling expenses		(93,892)	(1)	(65,012)	(1)
6200 General & administrative expenses		(383,011)	(3)	(230,592)	(2)
6300 Research and development expenses		(1,033,082)	(9)	(1,046,831)	(8)
6000 Total operating expenses		(1,509,985)	(13)	(1,342,435)	(11)
6900 Operating profit		<u>45,759</u>	<u>-</u>	<u>226,351</u>	<u>2</u>
Non-operating income and expenses					
7010 Other income	6(19)	98,970	1	90,192	-
7020 Other gains and losses	6(20)	71,965	1	1,602	-
7050 Finance costs	6(21)	(26,119)	-	(20,459)	-
7060 Share of loss of associates and joint ventures accounted for under equity method	6(6)	<u>-</u>	<u>-</u>	<u>(15,175)</u>	<u>-</u>
7000 Total non-operating income and expenses		<u>144,816</u>	<u>2</u>	<u>56,160</u>	<u>-</u>
7900 Profit before income tax		190,575	2	282,511	2
7950 Income tax expense	6(24)	(90,467)	(1)	(8,131)	-
8200 Profit for the year		<u>\$ 100,108</u>	<u>1</u>	<u>\$ 274,380</u>	<u>2</u>

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

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

Items		Notes	2016		2015		
			AMOUNT	%	AMOUNT	%	
Other comprehensive income							
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans		\$	7,847	-	(\$ 4,392)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(	1,334)	-	747	-
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	6(11)		6,513	-	(3,645)	-
8361	Currency translation differences of foreign operations		(	524,091)	(5)	(846)	-
8370	Share of other comprehensive loss of associates and joint ventures accounted for under equity method		(	11,547)	-	(8,112)	-
8399	Income tax relating to the components of other comprehensive income	6(24)		90,685	1	839	-
8360	Components of other comprehensive loss that will be reclassified to profit or loss		(	444,953)	(4)	(8,119)	-
8300	Total other comprehensive loss for the year		(\$	438,440)	(4)	(\$ 11,764)	-
8500	Total comprehensive (loss) income for the year		(\$	338,332)	(3)	\$ 262,616	2
Profit,attributable to:							
8610	Owners of the parent		\$	53,800	1	\$ 273,643	2
8620	Non-controlling interest			46,308	-	737	-
	Profit (loss) for the year		\$	100,108	1	\$ 274,380	2
Comprehensive (loss) income attributable to:							
8710	Owners of the parent		(\$	382,446)	(3)	\$ 265,898	2
8720	Non-controlling interest			44,114	-	(3,282)	-
	Total comprehensive income (loss) for the year		(\$	338,332)	(3)	\$ 262,616	2
9750	Basic earnings per share	6(25)	\$	0.20	\$	1.02	
9850	Diluted earnings per share	6(25)	\$	0.20	\$	1.01	

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
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent												
	Notes	Retained Earnings					Other equity interest			Total	Non-controlling interest	Total equity
		Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Currency translation differences of foreign operations	Other equity - others	Treasury stocks			
<u>2015</u>												
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												
Legal reserve	6(16)	-	-	27,533	-	(27,533)	-	-	-	-	-	-
Cash dividends and capital surplus used to issue cash to shareholders	6(15)(16)	-	(135,127)	-	-	(135,127)	-	-	-	(270,254)	-	(270,254)
Share-based payment transactions	6(12)(15)(17)	1,180	5,733	-	-	-	-	2,271	-	9,184	-	9,184
Restricted stock	6(12)(15)(17)	24,400	40,992	-	-	-	-	(65,392)	-	-	-	-
Purchase of treasury shares		-	-	-	-	-	-	-	(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(28)	-	623	-	-	-	-	-	-	623	(623)	-
Profit for the year		-	-	-	-	273,643	-	-	-	273,643	737	274,380
Other comprehensive loss for the year	6(17)	-	-	-	-	(3,645)	(4,100)	-	-	(7,745)	(4,019)	(11,764)
Non-controlling interests		-	-	-	-	-	-	-	-	-	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>

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

Equity attributable to owners of the parent												

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

ALTEK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

	Notes	2016	2015
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 190,575	\$ 282,511
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(22)	340,366	426,624
Amortisation	6(8)(22)	14,911	15,529
Provision for doubtful accounts	6(3)	9,093	502
Net gain on financial assets at fair value through profit or loss	6(2)(20)	(761)	(2,005)
Impairment loss on financial assets for using equity method	6(20)	-	20,442
Proceeds from disposal of financial assets at cost	6(5)(20)	-	(10,833)
Interest expense	6(21)	26,119	20,459
Interest income	6(19)	(52,135)	(50,299)
Cash dividends income	6(19)	(7,509)	(267)
Share-based payment compensation cost	6(12)	36,770	5,113
Share of loss of associates and joint ventures accounted for under equity method		-	15,175
Gain on disposal of property, plant and equipment	6(20)	(2,405)	(1,974)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		(265,417)	(63,124)
Notes receivable		16,962	55,710
Accounts receivable		(614,037)	106,201
Other receivables		(4,800)	814
Inventories		(509,643)	93,137
Prepayments		(102,393)	76,547
Other current assets		(189)	(6,875)
Changes in operating liabilities			
Accounts payable		175,121	(452,745)
Other payables		(8,234)	(61,409)
Provisions for liabilities		38,188	(48,626)
Other current liabilities		(149,947)	(76,208)
Other non-current liabilities		(5,676)	422
Cash (outflow) inflow generated from operations		(875,041)	344,821
Interest received		57,071	48,383
Cash dividends received		7,509	267
Interest paid		(25,839)	(20,364)
Income tax paid		(69,180)	(57,103)
Net cash flows (used in) from operating activities		(905,480)	316,004
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at cost		(14,583)	(20,389)
Proceeds from liquidation of financial assets at cost		-	32,480
Proceeds from capital reduction of financial assets at cost		7,998	5,806
Acquisition of property, plant and equipment	6(27)	(99,656)	(53,096)
Proceeds from disposal of property, plant and equipment		22,248	1,974
Increase in intangible assets	6(27)	(6,348)	(8,839)
Decrease (increase) in deposits received		7,376	(7,274)
Net cash flows used in investing activities		(82,965)	(49,338)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		685,000	320,000
Increase (decrease) in deposits-in		4,230	(6,103)
Employee stock options exercised		-	4,071
Payment to acquire treasury stocks	6(14)	-	(129,393)
Cash dividends from capital surplus		(268,280)	(270,254)
Changes in non-controlling interest	6(28)	(26,017)	76,571
Net cash flows from (used in) financing activities		394,933	(5,108)
Effect of exchange rate		(298,472)	38,565
Net (decrease) increase in cash and cash equivalents		(891,984)	300,123
Cash and cash equivalents at beginning of year	6(1)	5,741,973	5,441,850
Cash and cash equivalents at end of year	6(1)	\$ 4,849,989	\$ 5,741,973

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

ALTEK CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

(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 27, 2017.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

None.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date 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
Disclosure initiative (amendments to IAS 1)	January 1, 2016
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 19)	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

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and operating result based on the Group's assessment.

Amendments to IAS 36, 'Recoverable amount disclosures for non-financial assets'

The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill but there has been no impairment. When a material impairment loss has been recognised or reversed for an individual asset, including goodwill, or a CGU, it is required to disclose the recoverable amount of the asset or CGU. If the recoverable amount is fair value less costs of disposal, it is required to disclose the level of the fair value hierarchy, the valuation techniques(s) used and key assumptions.

(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 IFRSs endorsed by the FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9 'Financial instruments' with IFRS 4 'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
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
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of international financial reporting standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and operating result based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'

The amendment clarifies that the fair value of a cash-settled award is determined on a basis consistent with that used for equity-settled awards. The amendment also clarifies the accounting for modifications that change an award from cash-settled to equity-settled. Besides, the amendment introduces an exception that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

B. Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'

To address the concerns about the different effective dates of IFRS 9, 'Financial instruments', and the forthcoming new standard IFRS 4, 'Insurance contract', which may result in different bases

for measuring assets and liabilities, this amendment allows insurers who meet specific requirements as set out in IFRS 4, 'Insurance contract' to adopt temporary exemption from IFRS 9, 'Financial instruments', or to use overlay approach under IFRS 9, 'Financial instruments' alternatively.

C. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

D. IFRS 15, 'Revenue from contracts with customers'

IFRS 15, 'Revenue from contracts with customers' replaces IAS 11 'Construction contracts', IAS 18 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature,

amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Under IFRS 15, depending on the nature of licences, they are either (1) a promise to provide a right to access to an entity's intellectual property as it exists throughout the licence period, or (2) a promise to provide a right to use an entity's intellectual property as it exists at the point in time when the licence is granted.

Licences that meet all of the following criteria provide access to an entity's intellectual property, and revenue is recognised based on the performance obligation's progress towards completion:

1. the contract requires, or the customer reasonably expects, that the entity will undertake activities that significantly affect the intellectual property to which the customer has rights;
2. the rights granted by the licence directly expose the customer to any positive or negative effects of the entity's activities identified above; and
3. those activities do not result in the transfer of a good or service to the customer as those activities occur.

If licences cannot meet all criteria listed above, the entity provides a right to use the entity's intellectual property. Revenue shall be recognised at the point in time at which the licence is granted to the customer.

E. Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from Contracts with Customers'

The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

F. IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

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 judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement 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 and 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, 2016	December 31, 2015	
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	100%	99.59%	Note 1
"	Altek Biotechnology Corporation	Research and development, manufacture and sales of biotechnology	-	100%	Note 4
"	Altek International Holding (BVI) Co.,Ltd.	Investments and general business operations	100%	-	Note 4
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%	71.43%	
Note 2	Altek (Kunshan) Co., Ltd.	Manufacture and sales of digital still camera and its accessories	100%	100%	
Note 2	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	-	-	
Note 2	Altek Precision (Kunshan) Co., Ltd.	Manufacture and sales of digital camera parts	100%	100%	
Note 2	Altek Trading (Shanghai) Limited	Wholesale, import and export of related electronic and their associated accessories	100%	100%	
Note 3	Altek Biotechnology Corporation	Research and development, manufacture and sales of biotechnology	100%	-	Note 4
Altek Semiconductor (Cayman) Co., Ltd.	Altek Semiconductor Corporation	Research design and sales of ASIC	100%	100%	
Note 2	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 continuing repurchase of shares of Altek Autotronics Corporation.

Note 2: Invested by 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 are wholly owned by Altek International Investment Co., Ltd.

Note 3: Invested by Altek Biotechnology Holding (Cayman) Co., Ltd., which is wholly owned by Altek International Holding (BVI) Co., Ltd.

Note 5: Altek Imaging Technology (Shanghai) Limited and Beijing Altek Image Communication Technology Co., Ltd. have completed the liquidation in the fourth quarter of 2015.

Note 4: In June 2016, the Group's investment structure transfer the share holding of Altek Biotechnology Corporation to be owned by Altek Biotechnology Holding (Cayman) Co., Ltd. , which is a subsidiary of Altek International Holding (BVI) Co., Ltd.

- 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) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) 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.

(8) 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.

(9) 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.

(10) 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.

(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 which are 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 and structures	3 years ~ 40 years
Machinery	3 years ~ 10 years
Test equipment	3 years ~ 6 years
Other equipment	1 year ~ 11 years

(14) Operating leases (lessee)

Lease income from an operation lease (net of any incentives given to the lessor) is recognised in profit or loss on straight-line basis over the lease term.

(15) 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.

(16) 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.

(17) 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.

(18) 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.

(19) 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.

(20) 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.

iii. Past-service costs are recognised immediately in profit or loss.

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' compensation and directors' and supervisors' remuneration

Employees' compensation 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.

(21) 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.

(22) 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 (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.

(23) 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.

(24) Dividends

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

(25) Revenue recognition

A. Sales of goods

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 either 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.

B. Technical service revenue and royalty income

The Group provides and charges for technical service and royalty income. Revenue is recognised in accordance with the stage of completion of the transaction, and cost is recognised when incurred in the current period. The Group recognised losses immediately if any loss is expected to be incurred in the transaction. Revenue is recognised when the following conditions are met:

- (a) The amount of revenue can be measured reliably;
- (b) It is probable that the economic benefits associated with the transaction will flow to the entity;
- (c) The costs incurred or to be incurred in respect of the transaction can be measured reliably;
- and
- (d) The stage of completion of the transaction at the end of the reporting period can be measured reliably.

(26) 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, 2016, the carrying amount of inventories was \$1,470,971.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash on hand	\$ 1,319	\$ 1,139
Checking accounts and demand deposits	123,931	282,049
Time deposits	4,724,739	5,458,785
Total	<u>\$ 4,849,989</u>	<u>\$ 5,741,973</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

Items	December 31, 2016	December 31, 2015
Current items:		
Financial assets held for trading	\$ 690,449	\$ 425,032
Valuation adjustment	3,260	2,499
Total	<u>\$ 693,709</u>	<u>\$ 427,531</u>

The Group recognized net gain (loss) of \$2,325 and (\$11,190) for the years ended December 31, 2016 and 2015, respectively.

(3) Accounts receivable

	December 31, 2016	December 31, 2015
Accounts receivable	\$ 2,792,622	\$ 2,252,282
Less: allowance for bad debts	(9,477)	(534)
	<u>\$ 2,783,145</u>	<u>\$ 2,251,748</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:

	December 31, 2016	December 31, 2015
Group 1	\$ 2,734,047	\$ 2,156,195
Group 2	36,239	91,433
	<u>\$ 2,770,286</u>	<u>\$ 2,247,628</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:

	December 31, 2016	December 31, 2015
Up to 30 days	\$ 1,647	\$ 565
31 to 90 days	6,291	3,312
91 to 180 days	-	243
Over 181 days	4,921	-
	<u>\$ 12,859</u>	<u>\$ 4,120</u>

The above ageing analysis was based on past due date.

C.Movements in the provision for impairment of accounts receivable are as follows:

2016			
	Individual provision	Group provision	Total
At January 1	\$ -	\$ 534	\$ 534
Provision for impairment	9,627	(534)	9,093
Effects of foreign exchange	(150)	-	(150)
At December 31	<u>\$ 9,477</u>	<u>\$ -</u>	<u>\$ 9,477</u>

2015			
	Individual provision	Group provision	Total
At January 1	\$ -	\$ 37	\$ 37
Provision for impairment	-	502	502
Effects of foreign exchange	-	(5)	(5)
At December 31	<u>\$ -</u>	<u>\$ 534</u>	<u>\$ 534</u>

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

(4) Inventories

December 31, 2016			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 828,083	(\$ 59,076)	\$ 769,007
Work-in-process	203,734	(24,153)	179,581
Finished goods	559,346	(36,963)	522,383
Total	<u>\$ 1,591,163</u>	<u>(\$ 120,192)</u>	<u>\$ 1,470,971</u>

	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>

The cost of inventories recognised as expense for the periods:

	For th year ended December 31, 2016	For th year ended December 31, 2015
Cost of goods sold	\$ 9,957,845	\$ 10,819,363
Loss on decline in market value	63,457	103,880
Total	<u>\$ 10,021,302</u>	<u>\$ 10,923,243</u>

(5) Financial assets measured at cost

Items	December 31, 2016	December 31, 2015
Non-current items:		
Unlisted stocks	\$ 160,430	\$ 156,591
Less: Accumulated impairment	(12,596)	(12,596)
Total	<u>\$ 147,834</u>	<u>\$ 143,995</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. No impairment loss was recognized for the financial assets measured at cost for the years ended December 31, 2016 and 2015.
- D. As of December 31, 2016 and 2015, no financial assets measured at cost held by the Group were pledged to others.

(6) Investments accounted for under the equity method

	December 31, 2016	December 31, 2015
JinJing Optical Technology Co., Ltd.	\$ 44,028	\$ 44,028
Phoenix Optical (Shanghai) Co., Ltd.	139,971	151,420
	183,999	195,448
Less: accumulated impairment loss	(57,242)	(57,242)
	<u>\$ 126,757</u>	<u>\$ 138,206</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, 2016 and 2015, the carrying amount of the Group's individually immaterial associates amounted to \$126,757 and \$138,206, respectively.

	For the year ended December 31, 2016	For the year ended December 31, 2015
Loss for the period from continuing operations	(\$ 118,000)	(\$ 79,237)
Other comprehensive loss-net of tax	(5,056)	(12,930)
Total comprehensive loss	<u>(\$ 123,056)</u>	<u>(\$ 92,167)</u>

(Blank below)

(7) Property, plant and equipment

	Land	Buildings and structures	Machinery	Test equipment	Construction in progress and prepayment for equipment	Others	Total
At January 1, 2016							
Cost	\$ 1,042,216	\$ 3,717,659	\$ 1,868,136	\$ 201,217	\$ 15,343	\$ 740,695	\$ 7,585,266
Accumulated depreciation	-	(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>
2016							
Opening net book amount	\$ 1,042,216	\$ 3,133,341	\$ 804,447	\$ 23,988	\$ 15,343	\$ 191,808	\$ 5,211,143
Additions	-	131	375	12,173	26,592	6,206	45,477
Disposals	-	-	(15,929)	(2,142)	-	(1,772)	(19,843)
Reclassifications	-	-	-	3,006	(12,513)	-	(9,507)
Depreciation charge	-	(92,360)	(127,213)	(14,833)	-	(105,960)	(340,366)
Net exchange differences	-	(162,015)	(58,378)	(1,243)	(379)	(7,041)	(229,056)
Closing net book amount	<u>\$ 1,042,216</u>	<u>\$ 2,879,097</u>	<u>\$ 603,302</u>	<u>\$ 20,949</u>	<u>\$ 29,043</u>	<u>\$ 83,241</u>	<u>\$ 4,657,848</u>
At December 31, 2016							
Cost	\$ 1,042,216	\$ 3,522,603	\$ 1,443,305	\$ 199,899	\$ 29,043	\$ 678,217	\$ 6,915,283
Accumulated depreciation	-	(643,506)	(840,003)	(178,950)	-	(594,976)	(2,257,435)
	<u>\$ 1,042,216</u>	<u>\$ 2,879,097</u>	<u>\$ 603,302</u>	<u>\$ 20,949</u>	<u>\$ 29,043</u>	<u>\$ 83,241</u>	<u>\$ 4,657,848</u>

	Land	Buildings and structures	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	-	(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	-	(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>

For the years ended December 31, 2016 and 2015, 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

	2016	2015
At January 1		
Cost	\$ 130,369	\$ 138,662
Accumulated amortisation	(36,656)	(35,215)
	<u>\$ 93,713</u>	<u>\$ 103,447</u>
<u>For the years ended December 31</u>		
Opening net book amount	\$ 93,713	\$ 103,447
Additions	15,415	2,676
Amortisation charge	(13,926)	(14,497)
Net exchange differences	(2,285)	2,087
Closing net book amount	<u>\$ 92,917</u>	<u>\$ 93,713</u>
At December 31		
Cost	\$ 129,020	\$ 130,369
Accumulated amortisation	(36,103)	(36,656)
	<u>\$ 92,917</u>	<u>\$ 93,713</u>

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

	For the year ended December 31, 2016	For the year ended December 31, 2015
Operating costs	\$ 5,861	\$ 7,685
Operating expense	8,065	6,812
	<u>\$ 13,926</u>	<u>\$ 14,497</u>

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

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

	December 31, 2016	December 31, 2015
Land-use right	<u>\$ 34,929</u>	<u>\$ 39,003</u>

The Group recognized amortisation expenses for the years ended December 31, 2016 and 2015 amounting to \$985 and \$1,032, respectively.

(10) Short-term borrowings

Type of borrowings	December 31, 2016	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 2,415,000</u>	1.1%~1.2%	None
Type of borrowings	December 31, 2015	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 1,730,000</u>	1.14%~1.3%	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, 2016</u>	<u>December 31, 2015</u>
Present value of defined benefit obligations	(\$ 54,809)	(\$ 68,753)
Fair value of plan assets	<u>48,564</u>	<u>48,985</u>
Net defined benefit liability	<u>(\$ 6,245)</u>	<u>(\$ 19,768)</u>

(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, 2016			
Balance at January 1	(\$ 68,753)	\$ 48,985	(\$ 19,768)
Current service cost	(56)	-	(56)
Previous service cost	6,056	-	6,056
Interest (expense) income	(1,169)	833	(336)
	<u>(63,922)</u>	<u>49,818</u>	<u>(14,104)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(371)	(371)
Change in financial assumptions	(1,866)	-	(1,866)
Experience adjustments	<u>10,084</u>	<u>-</u>	<u>10,084</u>
	<u>8,218</u>	<u>(371)</u>	<u>7,847</u>
Pension fund contribution	-	12	12
Pension payments	<u>895</u>	<u>(895)</u>	<u>-</u>
Balance at December 31	<u>(\$ 54,809)</u>	<u>\$ 48,564</u>	<u>(\$ 6,245)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
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)	954	(301)
	(64,028)	48,640	(15,388)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	333	333
Change in financial assumptions	(2,284)	-	(2,284)
Experience adjustments	(2,441)	-	(2,441)
	(4,725)	333	(4,392)
Pension fund contribution	-	12	12
Balance at December 31	(\$ 68,753)	\$ 48,985	(\$ 19,768)

- (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 composition of fair value of plan assets as of December 31, 2016 and 2015 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	For the year ended December 31, 2016	For the year ended December 31, 2015
Discount rate	<u>1.40%</u>	<u>1.70%</u>
Future salary increases	<u>3.00%</u>	<u>3.00%</u>

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

Note: Using the age range as an assessment of classification.

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 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2016				
Effect on present value of defined benefit obligations	(\$ <u>1,561</u>)	\$ <u>1,624</u>	\$ <u>1,458</u>	(\$ <u>1,411</u>)
	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2015				
Effect on present value of defined benefit obligations	(\$ <u>1,804</u>)	\$ <u>2,112</u>	\$ <u>1,876</u>	(\$ <u>1,648</u>)

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 calculating 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 ending December 31, 2017 amounts to \$12.

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly and 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, 2016 and 2015, the Group had recognized pension costs of \$36,056 and \$35,926, 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 recognized pension costs of \$33,303 and \$49,915 for the years ended December 31, 2016 and 2015, respectively.

(12) Share-based payment

A.As of December 31, 2016 and 2015, 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
"	October 28, 2011	3,000	9.2 years	Note 1
"	March 21, 2012	3,000	8.9 yrsrs	Note 1
First time issuance of restricted shares to employees	November 13, 2015	2,440	3 years	Note 2 、 Note 3
"	March 18, 2016	1,190	3 years	Note 2 、 Note 3
"	May 5, 2016	370	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 years ended December 31, 2016 and 2015, the information on the share options and the weighted number of average exercise price of compensation plan employee stock options are as follows:

	For the year ended December 31, 2016		For the year ended December 31, 2015	
	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	5,155	\$ 32.80	6,561	\$ 33.60
Options expired	-	- (1,288)	-	-
Options exercised	-	- (118)	-	34.50
Options outstanding at end of the year	<u>5,155</u>	31.30	<u>5,155</u>	32.80
Options exercisable at end of the year	<u>5,155</u>	31.30	<u>4,417</u>	32.70
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) No stock options were exercised during the year ended December 31, 2016. The weighted-average stock price of stock options at exercise dates for the year ended December 31, 2015 amounted to \$37.48 (in dollars).
- c) The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

		December 31, 2016		December 31, 2015	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (in dollars) (Note)	No. of shares (in thousands)	Exercise price (in dollars) (Note)
June 13, 2008	December 31, 2017	1,400	\$ 30.60	1,400	\$ 32.00
October 31, 2008	December 31, 2017	30	25.60	30	26.80
October 28, 2011	December 31, 2020	2,320	31.70	2,320	33.20
March 21, 2012	December 31, 2020	1,405	31.50	1,405	33.00

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) (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	\$ 30.60	24.45%	6 years	1.5%	2.40%	10.56
"	October 31, 2008	32.60	25.60	22.11%	6 years	1.5%	1.88%	6.54
"	October 28, 2011	30.65	31.70	30.27%	5 years	1.4%	1.18%	7.42
"	March 21, 2012	27.85	31.50	33.54%	4.9 years	1.4%	1.08%	7.35

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

C.Restricted shares to employees:

(1)The information on restricted shares to employees is as follows:

	For the year ended December 31, 2016 (share in thousands)	For the year ended December 31, 2015 (share in thousands)
Outstanding beginning balance	2,440	-
Shares granted	1,560	2,440
Restricted shares forfeited-retired	(190)	-
Restricted shares forfeited-not retired	(85)	-
Outstanding ending balance	3,725	2,440

(2) As of December 31, 2016, the Company collected 275 thousand shares of restricted shares because certain employees did not meet the vesting condition. Among those collected back shares, 190 thousand shares were used for capital reduction. The capital reduction effective date was on August 12, 2016 as resolved by the Board of Directors, and the change of registration has been completed.

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

	For the year ended December 31, 2016	For the year ended December 31, 2015
Equity-settled	\$ 36,770	\$ 5,113

(13) Provisions

	Warranty
At January 1, 2016	\$ 135,878
Additional provisions	63,302
Used (reversed) during the period	(25,114)
At December 31, 2016	\$ 174,066

	December 31, 2016	December 31, 2015
Current	\$ 52,247	\$ 36,998
Non-current	\$ 121,819	\$ 98,880

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

As of December 31, 2016, the Company's authorized capital was \$5,000,000, consisting of 500,000 thousand shares of ordinary stock, and the paid-in capital was \$2,740,638 (Including redeemed but not yet retired amounted to \$850) with a par value of \$10 (in dollars) per share.

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

	(Expressed in thousands of shares)	
	2016	2015
At January 1	268,280	270,136
Employee stock options exercised	-	118
Issuance of restricted stocks	1,560	2,440
Retired restricted shares to employees that did not meet the vesting conditions	(190)	-
Redeemed restricted shares to employees that did not meet the vesting conditions	(85)	-
Purchase of treasury shares	-	(4,414)
At December 31	269,565	268,280

B. Treasury shares

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

		December 31, 2016 (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 186 and the Enterprises Mergers and Acquisitions Act section 12	981	\$ 33,255
Altek Corporation	To be reissued to employees	3,433	96,138
		4,414	\$ 129,393

		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 186 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>

- 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.
- C. For the year ended December 31, 2015, the Company issued 118 thousand shares for employee stock options exercised and the registration for issuance had been completed.
- D. 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 resolved to set the spin-off date as January 4, 2016. Below are assets of the segment spun off.

Asset	January 4, 2016
Cash	\$ 399,272
Other prepaid expenses	501
Property, plant and equipment	227
	<u>\$ 400,000</u>

E. The Board of Directors' meeting on April 20, 2015 and the stockholders' meeting on June 2, 2015 adopted a resolution to issue employee restricted ordinary shares amounting to 4,000 thousands shares to be issued once or by installments within one year from the receiving date of the effectiveness notification from the authorities. The shares are subscribed at no cost to employees. 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, 2016	\$ 1,880,706	\$ 52,493	\$ 1,581	\$ 40,992	\$ 1,975,772
Employee stock options expense	-	236	-	-	236
Cash dividends from capital surplus	(134,140)	-	-	-	(134,140)
Issuance of restricted shares to employees	-	-	-	25,713	25,713
Retirement of employee restricted shares	-	-	-	(4,620)	(4,620)
Acquisition of ownership interests in subsidiaries	-	-	(47)	-	(47)
At December 31, 2016	<u>\$ 1,746,566</u>	<u>\$ 52,729</u>	<u>\$ 1,534</u>	<u>\$ 62,085</u>	<u>\$ 1,862,914</u>

	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 expense	-	2,842	-	-	2,842
Employee stock options exercised	3,758	(867)	-	-	2,891
Cash dividends from capital surplus	(135,127)	-	-	-	(135,127)
Issuance of restricted shares to employees	-	-	-	40,992	40,992
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>

(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 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 2015 and 2014 earnings had been resolved at the stockholders' meeting on June 17, 2016 and June 2, 2015, respectively. Details are summarized below:

	2015		2014	
	Amount	Dividends per share (in NT dollars)	Amount	Dividends per share (in NT dollars)
Legal reserve	\$ 27,364		\$ 27,533	
Cash dividends	134,140	\$ 0.5	135,127	\$ 0.5
	<u>\$ 161,504</u>		<u>\$ 162,660</u>	

The additional paid-in capital was returned to stockholders as resolved at the stockholders' meeting on June 17, 2016 and on June 2, 2015, the shareholders resolved to return capital surplus amounting to \$134,140 (approximately \$0.5 per share) and \$135,127 (approximately \$0.5 per share) to shareholders in the nature of a capital contribution. The appropriation of 2015 and 2014 earnings were the same as that approved by the Board of Directors on March 18, 2016 and April 20, 2015 respectively.

F. The appropriation of 2016 earnings had been resolved at the Board of Directors meeting on March 27, 2017. Details are summarized below:

	2016	
	Amount	Dividends per share (in NT dollars)
Legal reserve	\$ 5,380	
Cash dividends	215,596	\$ 0.8
	<u>\$ 220,976</u>	

Above-mentioned appropriation of 2016 earnings is yet to be resolved by the shareholders.

G. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(23).

(17) Other equity items

	Foreign currency translation adjustment	Unearned compensation	Total
At January 1, 2016	\$ 477,768	(\$ 63,121)	\$ 414,647
Currency translation differences:			
Group	(433,174)	-	(433,174)
Associates	(9,585)	-	(9,585)
Issuance of restricted shares to employees	-	(41,313)	(41,313)
Retirement of restricted shares to employees	-	7,370	7,370
Share-based payment transactions	-	36,534	36,534
At December 31, 2016	<u>\$ 35,009</u>	<u>(\$ 60,530)</u>	<u>(\$ 25,521)</u>

	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>

(18) Operating Revenue

	For the year ended December 31, 2016	For the year ended December 31, 2015
Sales Revenue	\$ 10,995,263	\$ 12,334,184
Service Revenue	451,148	47,415
Other Revenue	130,635	110,430
Total	<u>\$ 11,577,046</u>	<u>\$ 12,492,029</u>

(19) Other income

	For the year ended December 31, 2016	For the year ended December 31, 2015
Rental revenue	\$ -	\$ 5,822
Dividend income	7,509	267
Interest income:		
Interest income from bank deposits	52,076	50,233
Others	59	66
Other income - others	39,326	33,804
Total	<u>\$ 98,970</u>	<u>\$ 90,192</u>

(20) Other gains and losses

	For the year ended December 31, 2016	For the year ended December 31, 2015
Net gain (losses) on financial assets at fair value through profit or loss	\$ 2,325	(\$ 11,190)
Net currency exchange gains	67,791	21,297
Gain on disposal of property, plant and equipment	2,405	1,974
Gain on disposal of financial assets at amortised cost	-	10,833
Impairment loss	-	(20,442)
Other expenses	(556)	(870)
Total	<u>\$ 71,965</u>	<u>\$ 1,602</u>

(21) Finance costs

	For the year ended December 31, 2016	For the year ended December 31, 2015
Interest expense:		
Bank borrowings	<u>\$ 26,119</u>	<u>\$ 20,459</u>

(22) Expenses by nature

	For the year ended December 31, 2016	For the year ended December 31, 2015
Employee benefit expenses	\$ 1,470,077	\$ 1,634,084
Depreciation charges on property, plant and equipment	340,366	426,624
Amortisation charges on intangible assets	13,926	14,497
Total	<u>\$ 1,824,369</u>	<u>\$ 2,075,205</u>

(23) Employee benefit expenses

	For the year ended December 31, 2016	For the year ended December 31, 2015
Wages and salaries	\$ 1,245,514	\$ 1,404,206
Employee stock options	36,770	5,113
Labor and health insurance fees	72,001	80,852
Pension costs	63,695	86,194
Other personnel expenses	52,097	57,719
Total	<u>\$ 1,470,077</u>	<u>\$ 1,634,084</u>

- A. According to the Articles of Incorporation of the Company, when distributing earnings, the Company shall distribute compensation to the employees and pay remuneration to the directors and supervisors that account for 10% to 20% and no higher than 2%, respectively, of distributable profit of the current period. If a company has accumulated deficit, earnings should be channeled to cover losses. Employees' compensation can be distributed in the form of shares or in cash. Employees of subsidiaries that the Company holds more than 50% shareholding are entitled to receive aforementioned stock or cash.

Abovementioned distributable profit of the current period refers to the pre-tax profit before deduction of employees' compensation and directors' and supervisors' remuneration. A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributed as employees' compensation and directors' and supervisors' remuneration; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

- B. For the years ended December 31, 2016 and 2015, employees' compensation was accrued at \$13,383 and \$45,124, respectively; directors' and supervisors' remuneration was accrued at \$1,784 and \$6,017, respectively. The aforementioned amounts were recognized in salary expenses.

Employees' compensation and directors' and supervisors' remuneration of 2015 as resolved by the meeting of Board of Directors were in agreement with those amounts recognised in the 2015 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.

(24) Income tax

A. Income tax expense

a) Components of income tax expense:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Current tax:		
Current tax on profits for the year	\$ 101,118	\$ 55,823
Adjustments in respect of prior years	(16,025)	(7,338)
Total current tax	<u>85,093</u>	<u>48,485</u>
Deferred tax:		
Origination and reversal of temporary differences	5,374	(40,354)
Total deferred tax	<u>5,374</u>	<u>(40,354)</u>
Income tax expense	<u>\$ 90,467</u>	<u>\$ 8,131</u>

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

	For the year ended December 31, 2016	For the year ended December 31, 2015
Remeasurement of defined benefit obligations	\$ 1,334	(\$ 747)
Translation differences of foreign operations	(90,685)	(839)
	<u>(\$ 89,351)</u>	<u>(\$ 1,586)</u>

B. Reconciliation between income tax expense and accounting profit:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Tax calculated based on profit before tax and statutory tax rate	\$ 57,996	\$ 74,552
Expense disallowed by tax regulation	11,400	(2,447)
Estimated 10% corporate income tax on unappropriated earnings	10,849	15,451
Changes in reassessment of deferred tax assets	21,277	(54,841)
Effect from tax credit of investment	(7,955)	(17,246)
Adjustment of income tax expense in prior years	(16,025)	(7,338)
Tax paid outside of the territory of the Republic of China	22,975	-
Tax exempted income by tax regulation	(17,723)	-
Effect from alternative minimum tax	7,673	-
Income tax expense	<u>\$ 90,467</u>	<u>\$ 8,131</u>

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

	For the year ended December 31, 2016			
		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	\$ 62,442	(\$ 8,771)	(\$ 354)	\$ 53,317
Tax losses	-	280	-	280
Tax credit of investment	9,392	6,793	-	16,185
Subtotal	<u>\$ 71,834</u>	<u>(\$ 1,698)</u>	<u>(\$ 354)</u>	<u>\$ 69,782</u>
-Deferred tax liabilities:				
Gain on foreign investment under the equity method	(\$ 399,995)	(\$ 4,474)	\$ -	(\$ 404,469)
Estimated warranty costs	-	-	(980)	(980)
Currency translation differences	(127,347)	-	90,685	(36,662)
Others	(799)	798	-	(1)
Subtotal	<u>(\$ 528,141)</u>	<u>(\$ 3,676)</u>	<u>\$ 89,705</u>	<u>(\$ 442,112)</u>
Total	<u>(\$ 456,307)</u>	<u>(\$ 5,374)</u>	<u>\$ 89,351</u>	<u>(\$ 372,330)</u>

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
Tax losses	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>

D. According to the Act for Industrial Innovation, details of the amount the Group is entitled as investment tax credit and unrecognised deferred tax assets amount are as follows:

December 31, 2016			
Qualifying items	Unused tax credits	Unrecognised deferred tax assets	Investment usable until
Research and development	\$ 8,230	\$ -	2017
Research and development	7,955	-	2018
	<u>\$ 16,185</u>	<u>\$ -</u>	
December 31, 2015			
Qualifying items	Unused tax credits	Unrecognised deferred tax assets	Investment usable until
Research and development	<u>\$ 9,392</u>	<u>\$ -</u>	2017

E. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2016				
Year incurred	Amount filed / assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
2016	<u>\$ 1,650</u>	<u>\$ 1,650</u>	<u>\$ -</u>	2026

December 31, 2015: None.

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

G. As of December 31, 2016, the Company's income tax returns through 2014 have been assessed and approved by the Tax Authority.

H. Unappropriated retained earnings:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Earnings generated in and after 1998	\$ <u>2,946,092</u>	\$ <u>3,047,283</u>

I. As of December 31, 2016 and 2015, the balance of the imputation tax credit account was \$279,388 and \$260,906, respectively. The creditable tax rate is estimated to be 9.48% for the year ended December 31, 2016 and was 9.04% for the year ended December 31, 2015.

(25) Earnings per share

	<u>For the year ended December 31, 2016</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ <u>53,800</u>	265,840	\$ <u>0.20</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 53,800		
Restricted shares to employees		1,019	
Employees' bonus		<u>958</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ <u>53,800</u>	<u>267,817</u>	\$ <u>0.20</u>

For the year ended December 31, 2015		
	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Amount after tax		
<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

(26) Operating leases

The Group leases office buildings for operational needs under non-cancellable operating lease agreements. These lease terms are between 2016 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:

	December 31, 2016	December 31, 2015
Not more than 1 year	\$ 7,289	\$ 16,963
More than 1 year but not more than 5 years	14,785	22,285
Over 5 years	22,178	25,874
	\$ 44,252	\$ 65,122

(27) Supplemental cash flow information

Investing activities with partial cash payments

	For the year ended December 31, 2016	For the year ended December 31, 2015
Acquisitions of property, plant, and equipment	\$ 45,477	\$ 105,791
Add: property and equipment and construction billings payable at beginning of year	61,027	8,332
Less: property and equipment and construction billings payable at end of year	(6,848)	(61,027)
Cash paid	<u>\$ 99,656</u>	<u>\$ 53,096</u>
	For the year ended December 31, 2016	For the year ended December 31, 2015
Acquisitions of intangible assets	\$ 15,415	\$ 2,676
Add: Payable at beginning of year	-	6,163
Less: Payable at end of year	(9,067)	-
Cash paid	<u>\$ 6,348</u>	<u>\$ 8,839</u>

(28) Transactions with non-controlling interest

A. Acquisition of additional equity interest in a subsidiary

For the years ended December 31, 2016 and 2015, the Group acquired an additional 0.41% and 1.57%, respectively, of shares of its subsidiary –Altek Autotronics Corporation for a total cash consideration of \$1,483 and \$5,097, respectively. This transaction resulted in a decrease in the non-controlling interest by \$1,436 and \$5,720 and a decrease in the equity attributable to owners of the parent by \$47 and increase by \$623, respectively. The effect of the change in ownership interests in Altek Autotronics Corporation on the equity attributable to owners of the parent for the years ended December 31, 2016 and 2015 is shown below:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Carrying amount of non-controlling interest acquired	\$ 1,436	\$ 5,720
Consideration paid to non-controlling interest	(1,483)	(5,097)
Capital surplus		
-Difference between proceeds on acquisition of or disposal of equity interest in a subsidiary and its carrying amount	<u>(\$ 47)</u>	<u>\$ 623</u>

- 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)

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, 2016	For the year ended December 31, 2015
Salaries and other short-term employee benefits	\$ 32,845	\$ 60,609
Post-employment benefits	647	864
Share-based payments	9,067	-
Total	\$ 42,559	\$ 61,473

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Contingencies

- a) 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. After discussion, the GUC agreed to withdraw its claim on August 24, 2016, so the suit was dismissed. The Company neither needs to refund nor to make any

payment to the GUC.

- b) On December 22, 2015, the Company filed a civil complaint against HTC Corporation with the Taiwan Taipei District Court, alleging HTC Corporation's default in relation to the agreed upon Manufacturing and Supply Agreement and claiming damage of USD 11,126 thousand against HTC Corporation. As of March 27, 2017, the case is still under trial.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENT AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital risk management

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

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of financial instruments (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, refundable deposits (shown as non-current assets), short-term borrowings, 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, 2016							
	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)	Income (Loss)	
(Foreign currency: functional currency)								
<u>Financial assets</u>								
<u>Monetary items</u>								
USD:NTD	USD	102,320	32.25	\$ 3,299,820	1%	\$ 32,998	\$	-
USD:RMB	USD	75,336	6.937	2,429,586	1%	24,296		-
<u>Non-monetary items</u>								
USD:NTD	USD	3,930	32.25	\$ 126,757	1%	\$ -	\$	1,268
<u>Financial liabilities</u>								
<u>Monetary items</u>								
USD:NTD	USD	94,101	32.25	\$ 3,034,757	1%	(\$ 30,348)	\$	-
USD:RMB	USD	61,696	6.937	1,989,696	1%	(19,897)		-

December 31, 2015

		Sensitivity Analysis					
		Foreign Currency		Book Value (NTD)	Extent of Variation	Effect on	Effect on
		Amount	Exchange			Profit or	Other
		(In thousands)	Rate			(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)	-

v.Total exchange gain, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2016 and 2015 amounted to \$67,791 and \$21,297, 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 years ended December 31, 2016 and 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, 2016 and 2015.
 - iii. The individual analysis of financial assets that had been impaired is provided in the statement for each type of financial asset 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(3).
- 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, 2016	Less than 1 year	Over 1 year
Short-term borrowings	\$ 2,415,000	\$ -
Accounts payable	2,417,239	-
Other payables	445,206	-
Guarantee deposits received	-	10,094

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	-
Guarantee deposits received	-	6,576

(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, 2016 and 2015 is as follows:

<u>December 31, 2016</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	\$ 693,709	\$ -	\$ -	\$ 693,709
Beneficiary certificate				
<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	\$ 427,531	\$ -	\$ -	\$ 427,531
Beneficiary certificate				

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

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 tables 2 and 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, 2016 and 2015 is as follows:

	For the years ended December 31,			
	2016		2015	
	Revenue	Non-current assets	Revenue	Non-current assets
Asia	\$ 9,950,667	\$ 2,577,653	\$ 9,235,699	\$ 3,085,704
Europe	1,118,838	-	1,191,005	-
America	67,611	-	29,719	-
Taiwan	439,930	2,173,112	2,035,606	2,219,152
Total	<u>\$ 11,577,046</u>	<u>\$ 4,750,765</u>	<u>\$ 12,492,029</u>	<u>\$ 5,304,856</u>

(7) For the years ended December 31, 2016 and 2015, \$5,987,938 and \$4,876,853 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, 2016

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, 2016			
				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	14.55%	\$ 10,312
"	Yung Li Investments Inc. - Common stock	None	"	1,999,613	5,950	4.84%	5,950
"	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 Technology Co., Ltd.	None	"	1,200,000	5,579	6.45%	5,579
"	CPEC Huachuang Private Equity (Kunshan) Enterprise (Limited Partnership)	None	"	N/A	32,543	(Note)	32,543
Altek Investment Co., Ltd.	Money Market Fund	None	Financial assets at fair value through profit or loss-current	987,466	15,782	N/A	15,782
Altek Autotronics Corporation	Money Market Fund	None	"	15,440,615	202,008	N/A	202,008
Altek Semiconductor Corporation	Money Market Fund	None	"	2,401,418	44,317	N/A	44,317
Altek Biotechnology Corporation	Money Market Fund	None	"	20,580,254	431,602	N/A	431,602

Note : 1% of CPEC Huachuang Private Equity (Kunshan) Enterprise (Limited Partnership)'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, 2016

Table 2 Expressed in thousands of NTD
(Except as otherwise indicated)

							Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
		Relationship with the counterparty	Transaction								
Purchaser/seller	Counterparty		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	\$ 2,949,019	92%	Net 120 days	Approximately the same price with third parties	Note	(\$ 1,990,972)	96%	
"	Altek Semiconductor Corporation	"	Purchases	251,758	8%	Net 75 days	"	"	(78,824)	4%	
Altek International Investment Co., Ltd.	Altek (Kunshan) Co., Ltd.	"	Purchases	4,428,756	100%	"	"	"	(1,354,238)	96%	
Altek Autotronics Corporation	Altek International Investment Co., Ltd.	The same ultimate parent company	Purchases	333,318	98%	"	"	"	(90,870)	100%	
Altek Semiconductor Corporation	"	Parent and affiliated company	Purchases	393,380	21%	"	"	"	(245,329)	41%	
Altek Biotechnology Corporation	"	The same ultimate parent company	Purchases	685,573	94%	"	"	"	(177,066)	79%	
Altek (Kunshan) Co., Ltd.	"	Parent and affiliated company	Purchases	217,766	3%	"	"	"	-	0%	
Altek Trading (Shanghai) Limited	Altek (Kunshan) Co., Ltd.	The same ultimate parent company	Purchases	1,037,567	89%	"	"	"	(151,175)	70%	
"	Altek Autotronics Corporation	"	Purchases	131,908	11%	"	"	"	(64,017)	30%	

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, 2016

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2016	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	\$ 1,990,972	1.33	\$ -	N/A	\$ 836,221	\$ -
"	Altek Semiconductor Corporation	Parent company	245,329	3.26	-	N/A	188,010	-
"	Altek Biotechnology Corporation	The same ultimate parent company	177,066	3.25	-	N/A	58,736	-
Altek (Kunshan) Co., Ltd.	Alteck International Investment Co., Ltd.	Parent company	1,354,238	5.10	-	N/A	1,073,911	-
"	Altek Trading (Shanghai) Limited	The same ultimate parent company	151,175	8.88	-	N/A	151,175	-

Altek Corporation and subsidiaries
Significant inter-company transactions during the reporting periods
For the year ended December 31, 2016

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

			Transaction			
Company name	Counterparty	Relationship (Note 1)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 2)
Altek Corporation	Altek International Investment Co., Ltd.	(1)	Purchases	\$ 2,949,019	Net 120 days	25%
"	"	(1)	Accounts payable	1,990,972	"	13%
"	Altek Semiconductor Corporation	(1)	Purchases	251,758	Net 75 days	2%
"	"	(1)	Accounts payable	78,824	"	1%
Altek International Investment Co., Ltd.	Altek (Kunshan) Co., Ltd.	(3)	Purchases	4,428,756	"	38%
"	"	(3)	Accounts payable	1,354,238	"	9%
Altek Autotronics Corporation	Altek International Investment Co., Ltd.	(3)	Purchases	333,318	"	3%
"	"	(3)	Accounts payable	90,870	"	1%
Altek Semiconductor Corporation	"	(3)	Purchases	393,380	"	3%
"	"	(3)	Accounts payable	245,329	"	2%
Altek Biotechnology Corporation	"	(3)	Purchases	685,573	"	6%
"	"	(3)	Accounts payable	177,066	"	1%
Altek (Kunshan) Co., Ltd.	"	(3)	Purchases	217,766	"	2%
"	"	(3)	Accounts payable	-	"	0%
Altek Trading (Shanghai) Limited	Altek (Kunshan) Co., Ltd.	(3)	Purchases	1,037,567	"	9%
"	"	(3)	Accounts payable	151,175	"	1%
"	Altek Autotronics Corporation	(3)	Purchases	131,908	"	1%
"	"	(3)	Accounts payable	64,017	"	0%

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, 2016

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, 2016			Net profit (loss) of the investee for the year ended December 31, 2016	Investment income(loss) recognised by the Company for the year ended December 31, 2016	Footnote
				Balance as at December 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value			
Altek Corporation	Altek International Investment Co., Ltd.	British Virgin Islands	Investment and general business operations	\$ 3,033,618	\$ 3,033,618	92,726,249	100%	\$ 9,124,874	\$ 10,903	\$ 10,903	
"	Altek Japan Corporation	Japan	Sale and design of optical instruments	2,869	2,869	1,000	100%	11,820	(17)	(17)	
"	Altek Investment Co., Ltd.	Republic of China	Investment	50,000	50,000	5,000,000	100%	35,143	8,868	(75)	
"	Altek Autotronics Corporation	Republic of China	Research design, manufacture and sales of car electronic components	184,080	182,597	21,775,200	100%	241,318	(306)	(276)	Note 1
"	Altek Biotechnology Corporation	Republic of China	Research and development, manufacture and sales of biotechnology	-	1,000	-	-	-	32,393	29,736	Note 3
"	Altek International Holding (BVI) Co, Ltd.	British Virgin Islands	Investment and general business operations	415,376	-	12,865,921	100%	433,348	2,657	2,657	Note 3
Altek International Investment Co., Ltd.	Altek Lab Inc.	U.S.A.	Design service	118,671	118,671	11,311,875	100%	63,035	1,112	1,908	Note 2
"	JinJing Optical Technology Co., ltd.	Samoa	Investment and general business operations	112,875	112,875	3,500,000	23.33%	-	(116,809)	-	
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%	377,737	169,369	120,980	
Altek Biotechnology Holding (Cayman) Co., Ltd.	Altek Biotechnology Corporation	Republic of China	Research and development, manufacture and sales of biotechnology	415,376	-	40,100,000	100%	433,348	32,393	2,657	Note 3

Note 1: Ownership (%) on Altek Autotronics Corporation held by Altek Corporation and Altek Investment Co., Ltd. are 90.73% and 9.27%, respectively.

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

Note 3: In June 2016, The share holding of Altek Biotechnology Corporation was changed to be owned by Altek Biotechnology Holding (Cayman) Co., Ltd. , which is a subsidiary of Altek International Holding (BVI) Co., Ltd.

Altek Corporation and subsidiaries
Information on investments in Mainland China
For the year ended December 31, 2016

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, 2016	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net profit (loss) of investee for the year ended December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016
					Remitted to Mainland China	Remitted back to Taiwan						
Altek (Kunshan) Co., Ltd. (Note 2)	Manufacture and sale of digital still cameras and its accessories	\$ 1,599,600	2	\$ 1,451,250	\$ -	\$ -	\$ 1,451,250	(\$ 3,403)	100%	(\$ 3,403)	\$ 3,861,055	\$ -
Altek EMS (Kunshan) Co., Ltd. (Note 3)	Manufacture and sale of related engineering services	161,250	2	292,927	-	-	292,927	22,792	100%	22,792	776,216	-
Altek Trading (Shanghai) Limited	Wholesale, import and export of digital cameras, digital video cameras and their associated accessories	274,125	2	274,125	-	-	274,125	(14,828)	100%	(14,828)	279,889	-
Kinko Optical (Suzhou) Co., Ltd.	Manufacture and sale of optical components	483,750	2	112,875	-	-	112,875	(113,246)	23.33%	-	-	-
Phoenix Optical (Shanghai) Co., Ltd.	Manufacturing and marketing of digital cameras and its key components, photo sensor and optoelectronic equipment	510,292	2	285,878	-	-	285,878	(1,191)	40%	-	126,757	-
Altek Precision (Kunshan) Co., Ltd.	Design, manufacture and sales of digital camera parts	445,050	2	445,050	-	-	445,050	(95)	100%	(95)	156,659	-
Altek Optical Technology (Kunshan) Co., Ltd.	Manufacture and sales of digital camera and its accessories and optical components	483,750	2	483,750	-	-	483,750	993	100%	993	140,762	-

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

(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).

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	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	\$ 3,387,535	\$ 4,610,267	-

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.