

**ALTEK CORPORATION AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
JUNE 30, 2017 AND 2016**

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR 17000022

(In Thousands of New Taiwan Dollars)

To Altek Corporation

We have reviewed the accompanying consolidated balance sheets of Altek Corporation and subsidiaries as of June 30, 2017 and 2016, and the related consolidated statements of comprehensive income for the three-month and six-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the six-month periods then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these financial statements based on our reviews.

Except as discussed in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 36 "Engagements to Review Financial Statements" in the Republic of China. A review consists primarily of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As explained in Note 4(3), we did not review the financial statements of certain insignificant consolidated subsidiaries, which statements reflect total assets of \$3,159,904 and \$3,728,862, constituting 21% and 25% of the consolidated total assets, and total liabilities of \$522,080 and \$691,675, constituting 9% and 12% of the consolidated total liabilities as of June 30, 2016 and 2017, respectively, and total comprehensive income (loss) of \$29,285, \$27,967, \$54,124, and \$13,645, constituting 12%, 38%, 7% and 18% of the absolute values of the consolidated total comprehensive income (loss) for the three-month and six-month periods ended June 30, 2017 and 2016, respectively. As described in Note 6(6) to the consolidated financial statements, the financial statements of investments accounted for under the equity method were not reviewed by independent accountants. Equity method investments in these investee companies had book values amounting to \$0 and \$132,947 as of June 30, 2017 and 2016,

respectively, and the related investment loss both amounted to \$0 for the three-month and six-month periods then ended. These amounts were based solely on their unreviewed financial statements.

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain subsidiaries and investee companies been reviewed by independent accountants as described in the preceding paragraph, we are not aware of any material modifications that should be made to the consolidated financial statements referred to in the first paragraph in order for them to be in conformity with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and International Accounting Standard 34 “Interim Financial Reporting”, as endorsed by the Financial Supervisory Commission.

Li, Tien-Yi

Lin, Yu-Kuan

For and on behalf of PricewaterhouseCoopers, Taiwan

August 11, 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

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of June 30, 2017 and 2016 are reviewed, not audited)

Assets	Notes	June 30, 2017		December 31, 2016		June 30, 2016		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 5,931,012	41	\$ 4,849,989	32	\$ 5,135,704	35
1110	Current financial assets at fair value through profit or loss	6(2)	610,425	4	693,709	5	811,789	5
1150	Notes receivable, net		-	-	349	-	3,056	-
1170	Accounts receivable, net	6(3)	1,930,717	13	2,783,145	18	1,917,943	13
1200	Other receivables		21,600	-	19,943	-	12,348	-
1220	Current income tax assets		4,223	-	3,628	-	1,353	-
130X	Inventories, net	6(4)	1,124,767	8	1,470,971	10	1,238,316	8
1410	Prepayments		187,838	1	210,016	1	230,798	2
1470	Other current assets		23,911	-	19,772	-	30,695	-
11XX	Current Assets		<u>9,834,493</u>	<u>67</u>	<u>10,051,522</u>	<u>66</u>	<u>9,382,002</u>	<u>63</u>
Non-current assets								
1543	Non-current financial assets at cost	6(5)	160,005	1	147,834	1	143,018	1
1550	Investments accounted for using equity method	6(6)	-	-	126,757	1	132,947	1
1600	Property, plant and equipment, net	6(7)	4,293,964	29	4,657,848	31	4,924,372	33
1760	Investment property, net	6(8)	198,246	1	-	-	-	-
1780	Intangible assets, net	6(9)	83,229	1	92,917	1	100,313	1
1840	Deferred income tax assets		104,216	1	69,782	-	62,283	-
1900	Other non-current assets	6(10)	67,286	-	80,472	-	84,021	1
15XX	Non-current assets		<u>4,906,946</u>	<u>33</u>	<u>5,175,610</u>	<u>34</u>	<u>5,446,954</u>	<u>37</u>
1XXX	Total assets		<u>\$ 14,741,439</u>	<u>100</u>	<u>\$ 15,227,132</u>	<u>100</u>	<u>\$ 14,828,956</u>	<u>100</u>

(Continued)

ALTEK CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of June 30, 2017 and 2016 are reviewed, not audited)

	Liabilities and Equity	Notes	June 30, 2017		December 31, 2016		June 30, 2016	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(11)	\$ 2,158,000	15	\$ 2,415,000	16	\$ 2,205,000	16
2170	Accounts payable		1,643,882	11	2,417,239	16	1,904,322	13
2200	Other payables		619,721	4	445,206	3	720,927	5
2230	Current income tax liabilities		44,995	-	79,253	1	43,915	-
2250	Provisions for liabilities - current	6(14)	46,028	-	52,247	-	34,578	-
2300	Other current liabilities		621,926	4	204,924	1	207,311	1
21XX	Current Liabilities		<u>5,134,552</u>	<u>34</u>	<u>5,613,869</u>	<u>37</u>	<u>5,116,053</u>	<u>35</u>
	Non-current liabilities							
2550	Provisions for liabilities - noncurrent	6(14)	84,230	1	121,819	1	112,301	1
2570	Deferred income tax liabilities		411,664	3	442,112	3	461,988	3
2600	Other non-current liabilities		29,445	-	16,339	-	26,979	-
25XX	Non-current liabilities		<u>525,339</u>	<u>4</u>	<u>580,270</u>	<u>4</u>	<u>601,268</u>	<u>4</u>
2XXX	Total Liabilities		<u>5,659,891</u>	<u>38</u>	<u>6,194,139</u>	<u>41</u>	<u>5,717,321</u>	<u>39</u>
	Equity attributable to owners of parent							
	Share capital	6(15)						
3110	Common stock		2,739,088	19	2,739,788	18	2,742,538	18
	Capital surplus	6(16)						
3200	Capital surplus		2,112,898	14	1,862,914	12	1,867,534	13
	Retained earnings	6(17)						
3310	Legal reserve		1,379,754	9	1,374,374	9	1,374,374	9
3320	Special reserve		142,456	1	142,456	1	142,456	1
3350	Unappropriated retained earnings		2,739,678	19	2,946,092	19	2,839,278	19
	Other equity interest	6(18)						
3400	Other equity interest		(315,186)	(2)	(25,521)	-	166,021	1
3500	Treasury stocks	6(15)	(129,393)	(1)	(129,393)	(1)	(129,393)	(1)
31XX	Equity attributable to owners of the parent		<u>8,669,295</u>	<u>59</u>	<u>8,910,710</u>	<u>58</u>	<u>9,002,808</u>	<u>60</u>
36XX	Non-controlling interest	6(27)	<u>412,253</u>	<u>3</u>	<u>122,283</u>	<u>1</u>	<u>108,827</u>	<u>1</u>
3XXX	Total equity		<u>9,081,548</u>	<u>62</u>	<u>9,032,993</u>	<u>59</u>	<u>9,111,635</u>	<u>61</u>
	Significant contingent liabilities and unrecognised contract commitments							
3X2X	Total liabilities and equity		<u>\$ 14,741,439</u>	<u>100</u>	<u>\$ 15,227,132</u>	<u>100</u>	<u>\$ 14,828,956</u>	<u>100</u>

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

ALTEK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings (loss) per share amount)
(UNAUDITED)

Items	Notes	Three months ended June 30				Six months ended June 30				
		2017		2016		2017		2016		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000		\$ 2,473,042	100	\$ 2,789,236	100	\$ 5,134,149	100	\$ 5,214,076	100	
5000		(2,132,324)	(86)	(2,460,414)	(88)	(4,392,165)	(86)	(4,633,871)	(89)	
5900		<u>340,718</u>	<u>14</u>	<u>328,822</u>	<u>12</u>	<u>741,984</u>	<u>14</u>	<u>580,205</u>	<u>11</u>	
		Operating expenses								
6100		(17,901)	(1)	(15,029)	(1)	(36,571)	(1)	(33,151)	(1)	
6200		(84,327)	(3)	(57,568)	(2)	(175,553)	(3)	(117,868)	(2)	
6300		(239,235)	(10)	(257,745)	(9)	(483,279)	(9)	(507,991)	(10)	
6000		<u>(341,463)</u>	<u>(14)</u>	<u>(330,342)</u>	<u>(12)</u>	<u>(695,403)</u>	<u>(13)</u>	<u>(659,010)</u>	<u>(13)</u>	
6900		<u>(745)</u>	<u>-</u>	<u>(1,520)</u>	<u>-</u>	<u>46,581</u>	<u>1</u>	<u>(78,805)</u>	<u>(2)</u>	
		Non-operating income and expenses								
7010		26,760	1	18,087	1	45,113	-	36,951	1	
7020		(24,554)	(1)	14,561	-	(51,843)	(1)	20,085	-	
7050		(6,656)	-	(6,440)	-	(13,550)	-	(12,880)	-	
7000		<u>(4,450)</u>	<u>-</u>	<u>26,208</u>	<u>1</u>	<u>(20,280)</u>	<u>(1)</u>	<u>44,156</u>	<u>1</u>	
7900		(5,195)	-	24,688	1	26,301	-	(34,649)	(1)	
7950		(9,740)	(1)	(10,466)	-	(16,106)	-	(5,337)	-	
8200		<u>(\$ 14,935)</u>	<u>(1)</u>	<u>\$ 14,222</u>	<u>1</u>	<u>\$ 10,195</u>	<u>-</u>	<u>(\$ 39,986)</u>	<u>(1)</u>	
		Other comprehensive income								
		Components of other comprehensive income that will be reclassified to profit or loss								
8361		\$ 122,316	5	(\$ 114,606)	(5)	(\$ 372,520)	(7)	(\$ 266,044)	(5)	
8370										
8399		8,676	-	(3,272)	-	1,520	-	(5,363)	-	
8360		<u>(21,500)</u>	<u>-</u>	<u>20,050</u>	<u>1</u>	<u>63,699</u>	<u>1</u>	<u>46,073</u>	<u>1</u>	
		<u>109,492</u>	<u>5</u>	<u>(97,828)</u>	<u>(4)</u>	<u>(307,301)</u>	<u>(6)</u>	<u>(225,334)</u>	<u>(4)</u>	
8300		<u>\$ 109,492</u>	<u>5</u>	<u>(\$ 97,828)</u>	<u>(4)</u>	<u>(\$ 307,301)</u>	<u>(6)</u>	<u>(\$ 225,334)</u>	<u>(4)</u>	
8500		<u>\$ 94,557</u>	<u>4</u>	<u>(\$ 83,606)</u>	<u>(3)</u>	<u>(\$ 297,106)</u>	<u>(6)</u>	<u>(\$ 265,320)</u>	<u>(5)</u>	
		Profit (loss), attributable to:								
8610		(\$ 16,575)	(1)	\$ 1,081	-	\$ 14,562	-	(\$ 46,501)	(1)	
8620		1,640	-	13,141	1	(4,367)	-	6,515	-	
		<u>(\$ 14,935)</u>	<u>(1)</u>	<u>\$ 14,222</u>	<u>1</u>	<u>\$ 10,195</u>	<u>-</u>	<u>(\$ 39,986)</u>	<u>(1)</u>	
		Comprehensive (loss) income attributable to:								
8710		\$ 88,399	4	(\$ 96,811)	(3)	(\$ 296,436)	(6)	(\$ 271,444)	(5)	
8720		6,158	-	13,205	-	(670)	-	6,124	-	
		<u>\$ 94,557</u>	<u>4</u>	<u>(\$ 83,606)</u>	<u>(3)</u>	<u>(\$ 297,106)</u>	<u>(6)</u>	<u>(\$ 265,320)</u>	<u>(5)</u>	
9750		<u>(\$ 0.06)</u>		<u>\$ 0.01</u>		<u>\$ 0.05</u>		<u>(\$ 0.17)</u>		
9850		<u>(\$ 0.06)</u>		<u>\$ 0.01</u>		<u>\$ 0.05</u>		<u>(\$ 0.17)</u>		

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

ALTEK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

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				
For the Six-month period ended June 30, 2016												
Balance at January 1, 2016	\$ 2,726,938	\$ 1,975,772	\$ 1,347,010	\$ 142,456	\$ 3,047,283	\$ 477,768	(\$ 63,121)	(\$ 129,393)	\$ 9,524,713	\$ 104,139	\$ 9,628,852	
Appropriation of 2015 earnings												
Legal reserve	6(17)	-	27,364	-	(27,364)	-	-	-	-	-	-	
Cash dividends and capital surplus used to issue cash to shareholders	6(16)(17)	-	-	-	(134,140)	-	-	-	(268,280)	-	(268,280)	
Share-based payment transactions	6(13)(16)(18)	-	236	-	-	-	17,630	-	17,866	-	17,866	
Restricted stock	6(13)(16)(18)	15,600	25,713	-	-	-	(41,313)	-	-	-	-	
Difference between consideration and carrying amount of subsidiaries acquired	6(27)	-	(47)	-	-	-	-	-	(47)	47	-	
Profit (loss) for the period	6(18)	-	-	-	(46,501)	-	-	-	(46,501)	6,515	(39,986)	
Other comprehensive loss for the period	6(18)	-	-	-	-	(224,943)	-	-	(224,943)	(391)	(225,334)	
Non-controlling interest		-	-	-	-	-	-	-	-	(1,483)	(1,483)	
Balance at June 30, 2016		<u>\$ 2,742,538</u>	<u>\$ 1,867,534</u>	<u>\$ 1,374,374</u>	<u>\$ 142,456</u>	<u>\$ 2,839,278</u>	<u>\$ 252,825</u>	<u>(\$ 86,804)</u>	<u>(\$ 129,393)</u>	<u>\$ 9,002,808</u>	<u>\$ 108,827</u>	<u>\$ 9,111,635</u>
For the Six-month period ended June 30, 2017												
Balance at January 1, 2017		\$ 2,739,788	\$ 1,862,914	\$ 1,374,374	\$ 142,456	\$ 2,946,092	\$ 35,009	(\$ 60,530)	(\$ 129,393)	\$ 8,910,710	\$ 122,283	\$ 9,032,993
Appropriation of 2016 earnings												
Legal reserve	6(17)	-	-	5,380	-	(5,380)	-	-	-	-	-	
Cash dividends	6(17)	-	-	-	-	(215,596)	-	-	(215,596)	-	(215,596)	
Share-based payment transactions	6(13)(16)(18)	-	-	-	-	-	-	19,457	19,457	-	19,457	
Retirement of employee restricted shares	6(13)(16)(18)	(700)	(1,176)	-	-	-	-	1,876	-	-	-	
Changes in ownership interests in subsidiaries	6(27)	-	251,160	-	-	-	-	-	251,160	(251,160)	-	
Profit (loss) for the period	6(18)	-	-	-	-	14,562	-	-	14,562	(4,367)	10,195	
Other comprehensive income (loss) for the period	6(18)	-	-	-	-	-	(310,998)	-	(310,998)	3,697	(307,301)	
Non-controlling interest		-	-	-	-	-	-	-	-	541,800	541,800	
Balance at June 30, 2017		<u>\$ 2,739,088</u>	<u>\$ 2,112,898</u>	<u>\$ 1,379,754</u>	<u>\$ 142,456</u>	<u>\$ 2,739,678</u>	<u>(\$ 275,989)</u>	<u>(\$ 39,197)</u>	<u>(\$ 129,393)</u>	<u>\$ 8,669,295</u>	<u>\$ 412,253</u>	<u>\$ 9,081,548</u>

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

ALTEK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Six-month period ended June 30	
		2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		\$ 26,301	(\$ 34,649)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(8)(23)	143,901	179,470
Amortisation	6(9)(10)(23)	7,255	7,632
Provision for doubtful accounts	6(3)	(538)	1,980
Net gain on financial assets at fair value through profit or loss		1,137	(914)
Interest expense	6(22)	13,550	12,880
Interest income	6(20)	(33,032)	(29,069)
Share-based payment compensation cost	6(13)(24)	19,457	17,866
Loss on disposal of investment	6(21)	4,226	-
Gain on disposal of property, plant and equipment	6(21)	(39)	(3,245)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		82,147	(383,344)
Notes receivable		346	14,773
Accounts receivable		810,224	307,975
Other receivables		1,173	4,815
Inventories		296,199	(220,841)
Prepayments		18,515	(118,395)
Other current assets		(4,606)	(20,050)
Changes in operating liabilities			
Accounts payable		(700,770)	(456,643)
Other payables		(29,552)	(4,209)
Provisions for liabilities		(43,808)	11,001
Other current liabilities		415,770	(148,860)
Other non-current liabilities		146	392
Cash inflow (outflow) generated from operations		1,028,002	(861,435)
Interest received		29,766	32,663
Interest paid		(13,782)	(12,930)
Income tax paid		(51,854)	(33,350)
Net cash flows from (used in) operating activities		992,132	(875,052)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at cost		(13,399)	-
Loss on disposal of accounted for under the equity method		123,572	-
Acquisition of property, plant and equipment	6(29)	(72,974)	(74,945)
Proceeds from disposal of property, plant and equipment		7,698	20,679
Increase in intangible assets	6(29)	(6,016)	(6,366)
Decrease in deposits-out		11,347	6,517
Net cash flows from (used in) investing activities		50,228	(54,115)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in short-term borrowings	6(11)	(257,000)	475,000
Increase in guarantee deposits received		13,268	502
Changes in non-controlling interest	6(27)	541,800	(1,483)
Net cash flows from financing activities		298,068	474,019
Effect of exchange rate		(259,405)	(151,121)
Net increase (decrease) in cash and cash equivalents		1,081,023	(606,269)
Cash and cash equivalents at beginning of period	6(1)	4,849,989	5,741,973
Cash and cash equivalents at end of period	6(1)	\$ 5,931,012	\$ 5,135,704

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

ALTEK CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

(Unaudited)

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 August 11, 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”)

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(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 2018 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
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
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 financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. 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 that 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.

B. 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.

C. 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.

(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 are as follows:

New Standards, Interpretations and Amendments	International Accounting Standards Board
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
IFRS 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019

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

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

- A. The consolidated financial statements of the Group have been prepared in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and IAS 34, ‘Interim Financial Reporting’ as endorsed by the FSC.
- B. The consolidated financial statements should be read together with the 2016 consolidated financial statements.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FCS (collectively referred herein as the “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:

Basis for preparation of consolidated financial statements is consistent with the 2016 consolidated financial statements.
- B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiaries	Main Business Activities	Ownership (%)			Note
			June 30, 2017	December 31, 2016	June 30, 2016	
Altek Corporation	Altek International Investment Co., Ltd.	Investments and general business operations	100	100	100	-
"	Altek Japan Corporation	Sales and design of optical instruments	100	100	100	Note 7
"	Altek Investment Co., Ltd.	Investments	100	100	100	Note 7
"	Altek Autotronics Corporation	Research design, manufacture and sales of car electronic components	-	100	100	Note 6 Note 7
"	Altek International Holding (BVI) Co.,Ltd.	Investments and general business operations	100	100	100	Note 4 Note 7
Altek International Investment Co., Ltd.	Altek Lab Inc.	Design service	100	100	100	Note 7
"	Altek Optical (Cayman) Co., Ltd.	Investments and general business operations	100	100	100	Note 7
"	Altek Semiconductor (Cayman) Co., Ltd.	Investments and general business operations	56.82	71.43	71.43	Note 1 Note 7
Note 2	Altek (Kunshan) Co., Ltd.	Manufacture and sales of digital still camera and its accessories	100	100	100	-
Note 2	Altek EMS (Kunshan) Co., Ltd.	Manufacture and sales of related engineering services	100	100	100	Note 7
Note 2	Altek Precision (Kunshan) Co., Ltd.	Manufacture and sales of digital camera parts	100	100	100	Note 7
Note 2	Altek Trading (Shanghai) Limited	Wholesale, import and export of related electronic and their associated accessories	100	100	100	Note 7
Note 3	Altek Biotechnology Corporation	Research and development, manufacture and sales of biotechnology	100	100	100	Note 4 Note 7
Altek Semiconductor (Cayman) Co., Ltd.	Altek Semiconductor Corporation	Research design and sales of ASIC	100	100	100	Note 7
"	Altek Semiconductor (Shanghai) Co., Ltd.	Imaging technologies, electronic software and hardware development, IC design and development, technology service, and wholesale, import and export of related products.	100	-	-	Note 5 Note 7
Note 2	Altek Optical Technology (Kunshan) Co., Ltd.	Manufacture and sales of related electronic services and its accessories and optical components	100	100	100	Note 7

Note 1: The Group did not participate in the subsidiary's capital increase, thus, the share ownership was decreased.

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 4: In June 2016, the Group's investment restructuring transferred the share holding of Altek Biotechnology Corporation to Altek Biotechnology Holding (Cayman) Co., Ltd., which is a subsidiary of Altek International Holding (BVI) Co., Ltd.

Note 5: It was invested by Altek Semiconductor (Cayman) Co., Ltd. and was incorporated in January 2017.

Note 6: On June 30, 2017, Altek Corporation consummated a short-form merger with Altek Autotronics Corporation and the former is the surviving company.

Note 7: As the subsidiaries do not meet the definition of significant subsidiaries, their financial statements as of June 30, 2017 and 2016 were not reviewed by independent accountants.

Only Altek Autotronics Corporation and Altek Biotechnology Corporation's financial statements as of June 30, 2017 were reviewed by independent accountants.

- 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) Employee benefits

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

(5) Income tax

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

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

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

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

(2) Critical accounting estimates and assumptions:

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 June 30, 2017, the carrying amount of inventories was \$1,124,767.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Cash on hand	\$ 1,140	\$ 1,319	\$ 1,436
Checking accounts and demand	168,048	123,931	293,793
Time deposits	5,761,824	4,724,739	4,840,475
Total	<u>\$ 5,931,012</u>	<u>\$ 4,849,989</u>	<u>\$ 5,135,704</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	June 30, 2017	December 31, 2016	June 30, 2016
Current items:			
Financial assets held for trading	\$ 608,302	\$ 690,449	\$ 808,376
Valuation adjustment	<u>2,123</u>	<u>3,260</u>	<u>3,413</u>
Total	<u>\$ 610,425</u>	<u>\$ 693,709</u>	<u>\$ 811,789</u>

The Group recognized net gain of \$633 and \$588 for the three-month periods ended June 30, 2017 and 2016, respectively, and net gain of \$1,168 and \$1,286 for the six-month periods ended June 30, 2017 and 2016, respectively.

(3) Accounts receivable

	June 30, 2017	December 31, 2016	June 30, 2016
Accounts receivable	\$ 1,939,559	\$ 2,792,622	\$ 1,920,389
Less: allowance for bad debts	(8,842)	(9,477)	(2,446)
	<u>\$ 1,930,717</u>	<u>\$ 2,783,145</u>	<u>\$ 1,917,943</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:

	June 30, 2017	December 31, 2016	June 30, 2016
Group 1	\$ 1,854,539	\$ 2,734,047	\$ 1,888,100
Group 2	<u>65,762</u>	<u>36,239</u>	<u>16,604</u>
	<u>\$ 1,920,301</u>	<u>\$ 2,770,286</u>	<u>\$ 1,904,704</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:

	June 30, 2017	December 31, 2016	June 30, 2016
Up to 30 days	\$ 2,245	\$ 1,647	\$ 6,813
31 to 90 days	174	6,291	6,094
91 to 180 days	2,044	-	332
Over 181 days	<u>5,953</u>	<u>4,921</u>	<u>-</u>
	<u>\$ 10,416</u>	<u>\$ 12,859</u>	<u>\$ 13,239</u>

The above ageing analysis was based on past due date.

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

	2017		
	Individual provision	Group provision	Total
At January 1	\$ 9,477	\$ -	\$ 9,477
Reversal for impairment	(538)	-	(538)
Effects of foreign exchange	(97)	-	(97)
At June 30	<u>\$ 8,842</u>	<u>\$ -</u>	<u>\$ 8,842</u>

	2016		
	Individual provision	Group provision	Total
At January 1	\$ -	\$ 534	\$ 534
Provision for (reversal of) impairment	2,514	(534)	1,980
Effects of foreign exchange	(68)	-	(68)
At June 30	<u>\$ 2,446</u>	<u>\$ -</u>	<u>\$ 2,446</u>

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

(4) Inventories

	June 30, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 762,352	(\$ 51,487)	\$ 710,865
Work-in-process	173,101	(17,103)	155,998
Finished goods	273,873	(15,969)	257,904
Total	<u>\$ 1,209,326</u>	<u>(\$ 84,559)</u>	<u>\$ 1,124,767</u>

	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>

	June 30, 2016		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 660,522	(\$ 88,324)	\$ 572,198
Work-in-process	207,709	(22,988)	184,721
Finished goods	541,734	(60,337)	481,397
Total	<u>\$ 1,409,965</u>	<u>(\$ 171,649)</u>	<u>\$ 1,238,316</u>

The cost of inventories recognised as expense for the periods:

	<u>For the three-month period ended June 30, 2017</u>	<u>For the three-month period ended June 30, 2016</u>
Cost of goods sold	\$ 2,145,577	\$ 2,417,031
(Reversal of) loss on decline in market value	(13,253)	43,383
Total	<u>\$ 2,132,324</u>	<u>\$ 2,460,414</u>
	<u>For the six-month period ended June 30, 2017</u>	<u>For the six-month period ended June 30, 2016</u>
Cost of goods sold	\$ 4,444,724	\$ 4,496,166
(Reversal of) loss on decline in market value	(52,559)	137,705
Total	<u>\$ 4,392,165</u>	<u>\$ 4,633,871</u>

(5) Financial assets measured at cost

<u>Items</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Non-current items:			
Unlisted stocks	\$ 172,601	\$ 160,430	\$ 155,614
Less: Accumulated impairment	(12,596)	(12,596)	(12,596)
Total	<u>\$ 160,005</u>	<u>\$ 147,834</u>	<u>\$ 143,018</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. No impairment loss was recognized for the financial assets measured at cost for the three-month and six-month periods ended June 30, 2017 and 2016.
- C. As of June 30, 2017, December 31, 2016 and June 30, 2016, no financial assets measured at cost held by the Group were pledged to others.

(6) Investments accounted for under the equity method

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
JinJing Optical Technology Co., Ltd.	\$ 44,028	\$ 44,028	\$ 44,028
Phoenix Optical (Shanghai) Co., Ltd.	-	139,971	146,161
	44,028	183,999	190,189
Less: accumulated impairment loss	(44,028)	(57,242)	(57,242)
	<u>\$ -</u>	<u>\$ 126,757</u>	<u>\$ 132,947</u>

- A. On May 8, 2017, Phoenix Optical (Shanghai) Co., Ltd. has completed its liquidation.

B. 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 June 30, 2017, December 31, 2016 and June 30, 2016, the carrying amount of the Group's individually immaterial associates amounted to \$0, \$126,757 and \$132,947, respectively.

	<u>For the six-month period ended June 30, 2017</u>	<u>For the six-month period ended June 30, 2016</u>
Loss for the period from continuing operations	(\$ 15,909)	(\$ 53,722)
Other comprehensive income (loss) -net of tax	<u>1,676</u>	<u>(298)</u>
Total comprehensive loss	<u><u>(\$ 14,233)</u></u>	<u><u>(\$ 54,020)</u></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, 2017							
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>
For the six-month period ended June 30, 2017							
Opening net book amount	\$ 1,042,216	\$ 2,879,097	\$ 603,302	\$ 20,949	\$ 29,043	\$ 83,241	\$ 4,657,848
Additions	-	300	57	347	63,743	7,396	71,843
Disposals	-	-	(6,846)	(184)	-	(629)	(7,659)
Reclassifications	-	(199,062)	-	-	-	-	(199,062)
Depreciation charge	-	(43,205)	(55,881)	(5,723)	-	(38,276)	(143,085)
Net exchange differences	-	(62,581)	(20,912)	(362)	1	(2,067)	(85,921)
Closing net book amount	<u>\$ 1,042,216</u>	<u>\$ 2,574,549</u>	<u>\$ 519,720</u>	<u>\$ 15,027</u>	<u>\$ 92,787</u>	<u>\$ 49,665</u>	<u>\$ 4,293,964</u>
At June 30, 2017							
Cost	\$ 1,042,216	\$ 3,209,968	\$ 1,370,225	\$ 178,565	\$ 92,787	\$ 584,351	\$ 6,478,112
Accumulated depreciation	-	(635,419)	(850,505)	(163,538)	-	(534,686)	(2,184,148)
	<u>\$ 1,042,216</u>	<u>\$ 2,574,549</u>	<u>\$ 519,720</u>	<u>\$ 15,027</u>	<u>\$ 92,787</u>	<u>\$ 49,665</u>	<u>\$ 4,293,964</u>

	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>
For the six-month period ended June 30, 2016							
Opening net book amount	\$ 1,042,216	\$ 3,133,341	\$ 804,447	\$ 23,988	\$ 15,343	\$ 191,808	\$ 5,211,143
Additions	-	131	308	8,633	3,133	4,879	17,084
Disposals	-	-	(16,453)	-	-	(981)	(17,434)
Reclassifications	-	-	-	3,006	(3,006)	-	-
Depreciation charge	-	(47,086)	(69,441)	(7,949)	-	(54,994)	(179,470)
Net exchange differences	-	(75,186)	(27,311)	(704)	(368)	(3,382)	(106,951)
Closing net book amount	<u>\$ 1,042,216</u>	<u>\$ 3,011,200</u>	<u>\$ 691,550</u>	<u>\$ 26,974</u>	<u>\$ 15,102</u>	<u>\$ 137,330</u>	<u>\$ 4,924,372</u>
At June 30, 2016							
Cost	\$ 1,042,216	\$ 3,627,486	\$ 1,500,762	\$ 206,885	\$ 15,102	\$ 701,898	\$ 7,094,349
Accumulated depreciation	-	(616,286)	(809,212)	(179,911)	-	(564,568)	(2,169,977)
	<u>\$ 1,042,216</u>	<u>\$ 3,011,200</u>	<u>\$ 691,550</u>	<u>\$ 26,974</u>	<u>\$ 15,102</u>	<u>\$ 137,330</u>	<u>\$ 4,924,372</u>

For the six-month periods ended June 30, 2017 and 2016, 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) Investment property-Buildings and structures

	<u>For the six-month period ended June 30, 2017</u>	<u>For the six-month period ended June 30, 2016</u>
At January 1		
Cost	\$ -	\$ -
Accumulated depreciation	-	-
	<u>\$ -</u>	<u>\$ -</u>
For the six-month period ended June 30		
Opening net book amount	\$ -	\$ -
Reclassifications	199,062	-
Depreciation charge	(816)	-
Closing net book amount	<u>\$ 198,246</u>	<u>\$ -</u>
At June 30		
Cost	\$ 236,711	\$ -
Accumulated depreciation	(38,465)	-
	<u>\$ 198,246</u>	<u>\$ -</u>

- A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	<u>For the six-month period ended June 30, 2017</u>	<u>For the six-month period ended June 30, 2016</u>
Rental income from investment property	<u>\$ 4,241</u>	<u>\$ -</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 950</u>	<u>\$ -</u>
Direct operating expenses arising from the investment property that did not generate rental income during the period	<u>\$ -</u>	<u>\$ -</u>

- B. As at June 30, 2017, the fair value of investment property held by the Group amounted to \$886,343. The fair value was valued with the technique that is widely adopted by market participants by referring to substantiating evidence such as transaction price of similar property.
- C. There was no capitalisation of borrowing interests attributable to investment property.
- D. The Group did not pledge any investment property as collateral

(9) Intangible assets

	<u>For the six-month period ended June 30, 2017</u>	<u>For the six-month period ended June 30, 2016</u>
At January 1		
Cost	\$ 129,020	\$ 130,369
Accumulated amortisation	(36,103)	(36,656)
	<u>\$ 92,917</u>	<u>\$ 93,713</u>
<u>For the six-month periods ended June 30</u>		
Opening net book amount	\$ 92,917	\$ 93,713
Additions	1,444	15,433
Amortisation charge	(6,802)	(7,124)
Net exchange differences	(4,330)	(1,709)
Closing net book amount	<u>\$ 83,229</u>	<u>\$ 100,313</u>
At June 30		
Cost	\$ 125,258	\$ 130,723
Accumulated amortisation	(42,029)	(30,410)
	<u>\$ 83,229</u>	<u>\$ 100,313</u>

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

	<u>For the three-month period ended June 30, 2017</u>	<u>For the three-month period ended June 30, 2016</u>
Operating costs	\$ 1,298	\$ 1,653
Operating expense	2,093	1,867
	<u>\$ 3,391</u>	<u>\$ 3,520</u>
	<u>For the six-month period ended June 30, 2017</u>	<u>For the six-month period ended June 30, 2016</u>
Operating costs	\$ 2,636	\$ 3,101
Operating expense	4,166	4,023
	<u>\$ 6,802</u>	<u>\$ 7,124</u>

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

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Land-use right	<u>\$ 33,283</u>	<u>\$ 34,929</u>	<u>\$ 37,061</u>

The Group recognized amortisation expenses for the three-month periods ended June 30, 2017 and 2016 amounting to \$224 and \$250, and for the six-month periods ended June 30, 2017 and 2016 amounting to \$453 and \$508, respectively.

(11) Short-term borrowings

<u>Type of borrowings</u>	<u>June 30, 2017</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	<u>\$ 2,158,000</u>	1% ~ 1.19%	None
<u>Type of borrowings</u>	<u>December 31, 2016</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	<u>\$ 2,415,000</u>	1.1%~1.2%	None
<u>Type of borrowings</u>	<u>June 30, 2016</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	<u>\$ 2,205,000</u>	1.04%~1.25%	None

(12) Pensions

- A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.
- (b) For the aforementioned pension plan, the Group recognized pension costs of \$145 and \$3 for the three-month periods ended June 30, 2017 and 2016, and of \$148 and \$398 for the six-month periods ended June 30, 2017 and 2016, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2018 amounts to \$0.
- 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 three-month periods ended June 30, 2017 and 2016, the Group had recognized pension costs of \$8,334 and \$9,349, and for the six-month periods ended June 30, 2017 and 2016, the Group had recognized pension costs of \$16,714 and \$18,802, 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 \$6,828 and \$9,175 for the three-month periods ended June 30, 2017 and 2016, respectively, and of \$13,825 and \$20,645 and for the six-month periods ended June 30, 2017 and 2016, respectively.

(13) Share-based payment

A. As of June 30, 2017 and 2016, the Company's share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
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 six-month periods ended June 30, 2017 and 2016, 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 six-month period ended June 30, 2017		For the six-month period ended June 30, 2016	
	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 period	5,155	\$ 31.30	5,155	\$ 32.80
Options expired	(1,512)	-	-	-
Options exercised	-	-	-	-
Options outstanding at end of the period	<u>3,643</u>	31.30	<u>5,155</u>	32.80
Options exercisable at end of the period	<u>3,643</u>	31.30	<u>5,155</u>	32.80
Approved and not yet issued options at the end of the period	<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 three-month periods ended June 30, 2017 and 2016 and six-month periods ended June 30, 2017 and 2016.
- c) The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

Issue date approved	Expiry date	June 30, 2017		December 31, 2016		June 30, 2016	
		No. of shares (in thousands)	Exercise price (in dollars) (Note)	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	1,100	\$ 30.6	1,400	\$ 30.6	1,400	\$ 32.0
October 31, 2008	December 31, 2017	30	25.6	30	25.6	30	26.8
October 28, 2011	December 31, 2020	1,420	31.7	2,320	31.7	2,320	33.2
March 21, 2012	December 31, 2020	1,093	31.5	1,405	31.5	1,405	33.0

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	\$ 30.6	24.45%	6 years	1.5%	2.40%	10.56
"	October 31, 2008	32.60	25.6	22.11%	6 years	1.5%	1.88%	6.54
"	October 28, 2011	30.65	31.7	30.27%	5 years	1.4%	1.18%	7.42
"	March 21, 2012	27.85	31.5	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:

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

	For the six-month period ended June 30, 2017 (share in thousands)	For the six-month period ended June 30, 2016 (share in thousands)
Outstanding beginning balance	3,725	2,440
Shares granted	-	1,560
Restricted shares forfeited-retired	(70)	-
Outstanding ending balance	<u>3,655</u>	<u>4,000</u>

(b) As of June 30, 2017, the Company collected 70 thousand shares of restricted shares because certain employees did not meet the vesting condition. The capital reduction effective date was on March 27, 2017 as resolved by the Board of Directors.

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

	For the three-month period ended June 30, 2017	For the three-month period ended June 30, 2016
Equity-settled	<u>\$ 10,152</u>	<u>\$ 10,819</u>
	For the six-month period ended June 30, 2017	For the six-month period ended June 30, 2016
Equity-settled	<u>\$ 19,457</u>	<u>\$ 17,866</u>

(14) Provisions

	<u>Warranty</u>		
At January 1, 2017	\$		174,066
Additional provisions			23,269
Used (reversed) during the period	(		67,077)
At June 30, 2017	\$		<u>130,258</u>

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Current	\$ 46,028	\$ 52,247	\$ 34,578
Non-current	<u>\$ 84,230</u>	<u>\$ 121,819</u>	<u>\$ 112,301</u>

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

(15) Share capital

As of June 30, 2017, the Company's authorized capital was \$5,000,000, consisting of 500,000 thousand shares of ordinary stock, and the paid-in capital was \$2,739,088 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)

	<u>2017</u>	<u>2016</u>
At January 1	269,565	268,280
Issuance of restricted stocks	-	1,560
Retired restricted shares to employees that did not meet the vesting conditions	(70)	-
At June 30	<u>269,495</u>	<u>269,840</u>

B. Treasury shares

a) As of June 30, 2017, December 31, 2016 and June 30, 2016, the reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

(Expressed in thousands of shares)

<u>Shares held by</u>	<u>Reason for reacquisition</u>	<u>Number of shares</u>	<u>Book value</u>
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. 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.

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

(16) 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	Changes in ownership interests in subsidiaries	Restricted shares to employees	Total
At January 1, 2017	\$ 1,746,566	\$ 52,729	\$ 1,534	\$ -	\$ 62,085	\$ 1,862,914
Subsidiaries' capital increase not participated proportionately to the original shareholding ratio	-	-	-	251,160	-	251,160
Retirement of employee restricted	-	-	-	-	(1,176)	(1,176)
At June 30, 2017	<u>\$ 1,746,566</u>	<u>\$ 52,729</u>	<u>\$ 1,534</u>	<u>\$ 251,160</u>	<u>\$ 60,909</u>	<u>\$ 2,112,898</u>

	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	(134,140)	-	-	-	(134,140)
Issuance of restricted shares to employees	-	-	-	25,713	25,713
Acquisition of ownership interests in subsidiaries	-	-	(47)	-	(47)
At June 30, 2016	<u>\$ 1,746,566</u>	<u>\$ 52,729</u>	<u>\$ 1,534</u>	<u>\$ 66,705</u>	<u>\$ 1,867,534</u>

(17) 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 2016 and 2015 earnings had been resolved at the stockholders' meeting on June 16, 2017 and June 17, 2016, respectively. Details are summarized below:

	2016		2015	
	Amount	Dividends per share (in NT dollars)	Amount	Dividends per share (in NT dollars)
Legal reserve	\$ 5,380		\$ 27,364	
Cash dividends	215,596	\$ 0.8	134,140	\$ 0.5
	<u>\$ 220,976</u>		<u>\$ 161,504</u>	

The additional paid-in capital was returned to stockholders as resolved at the stockholders' meeting on June 17, 2016, the shareholders resolved to return capital surplus amounting to \$134,140 (approximately \$0.5 per share) to shareholders in the nature of a capital contribution. The appropriation of 2016 and 2015 earnings were the same as that approved by the Board of Directors on March 27, 2017 and March 18, 2016, respectively.

- F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(24).

(18) Other equity items

	<u>Foreign currency translation adjustment</u>	<u>Unearned compensation</u>	<u>Total</u>
At January 1, 2017	\$ 35,009	(\$ 60,530)	(\$ 25,521)
Currency translation differences:			
Group	(312,260)	-	(312,260)
Associates	1,262	-	1,262
Retirement of restricted shares to employees	-	1,876	1,876
Share-based payment	-	19,457	19,457
At June 30, 2017	<u>(\$ 275,989)</u>	<u>(\$ 39,197)</u>	<u>(\$ 315,186)</u>

	<u>Foreign currency translation adjustment</u>	<u>Unearned compensation</u>	<u>Total</u>
At January 1, 2016	\$ 477,768	(\$ 63,121)	\$ 414,647
Currency translation differences:			
Group	(220,491)	-	(220,491)
Associates	(4,452)	-	(4,452)
Issuance of restricted shares to employees	-	(41,313)	(41,313)
Share-based payment	-	17,630	17,630
At June 30, 2016	<u>\$ 252,825</u>	<u>(\$ 86,804)</u>	<u>\$ 166,021</u>

(19) Operating revenue

	<u>For the three-month period ended June 30, 2017</u>	<u>For the three-month period ended June 30, 2016</u>
Sales revenue	\$ 2,403,302	\$ 2,702,686
Service revenue	11,686	76,602
Other revenue	58,054	9,948
Total	<u>\$ 2,473,042</u>	<u>\$ 2,789,236</u>
	<u>For the six-month period ended June 30, 2017</u>	<u>For the six-month period ended June 30, 2016</u>
Sales revenue	\$ 4,980,872	\$ 4,961,436
Service revenue	59,468	234,562
Other revenue	93,809	18,078
Total	<u>\$ 5,134,149</u>	<u>\$ 5,214,076</u>

(20) Other income

	<u>For the three-month period ended June 30, 2017</u>	<u>For the three-month period ended June 30, 2016</u>
Interest income:		
Interest income from bank deposits	\$ 16,856	\$ 15,932
Others	15	14
Rental revenue	4,241	-
Other income - others	5,648	2,141
Total	<u>\$ 26,760</u>	<u>\$ 18,087</u>
	<u>For the six-month period ended June 30, 2017</u>	<u>For the six-month period ended June 30, 2016</u>
Interest income:		
Interest income from bank deposits	\$ 33,004	\$ 29,040
Others	28	29
Rental revenue	4,241	-
Other income - others	7,840	7,882
Total	<u>\$ 45,113</u>	<u>\$ 36,951</u>

(21) Other gains and losses

	<u>For the three-month period ended June 30, 2017</u>	<u>For the three-month period ended June 30, 2016</u>
Net gain on financial assets at fair value through profit or loss	\$ 633	\$ 588
Net currency exchange (losses) gains	(19,654)	10,728
Gain (losses) on disposal of property, plant and equipment	(357)	3,245
Loss on disposal of investment	(4,226)	-
Other expenses	(950)	-
Total	<u>(\$ 24,554)</u>	<u>\$ 14,561</u>
	<u>For the six-month period ended June 30, 2017</u>	<u>For the six-month period ended June 30, 2016</u>
Net gain on financial assets at fair value through profit or loss	\$ 1,168	\$ 1,286
Net currency exchange (losses) gains	(47,848)	15,554
Gain on disposal of property, plant and equipment	39	3,245
Loss on disposal of investment	(4,226)	-
Other expenses	(976)	-
Total	<u>(\$ 51,843)</u>	<u>\$ 20,085</u>

(22) Finance costs

	<u>For the three-month period ended June 30, 2017</u>	<u>For the three-month period ended June 30, 2016</u>
Interest expense:		
Bank borrowings	\$ <u>6,656</u>	\$ <u>6,440</u>
	<u>For the six-month period ended June 30, 2017</u>	<u>For the six-month period ended June 30, 2016</u>
Interest expense:		
Bank borrowings	\$ <u>13,550</u>	\$ <u>12,880</u>

(23) Expenses by nature

	<u>For the three-month period ended June 30, 2017</u>	<u>For the three-month period ended June 30, 2016</u>
Employee benefit expenses	\$ 320,698	\$ 372,427
Depreciation	69,851	88,186
Amortisation charges on intangible assets	<u>3,391</u>	<u>3,520</u>
Total	<u>\$ 393,940</u>	<u>\$ 464,133</u>
	<u>For the six-month period ended June 30, 2017</u>	<u>For the six-month period ended June 30, 2016</u>
Employee benefit expenses	\$ 648,695	\$ 757,403
Depreciation	143,901	179,470
Amortisation charges on intangible assets	<u>6,802</u>	<u>7,124</u>
Total	<u>\$ 799,398</u>	<u>\$ 943,997</u>

(24) Employee benefit expenses

	<u>For the three-month period ended June 30, 2017</u>	<u>For the three-month period ended June 30, 2016</u>
Wages and salaries	\$ 269,422	\$ 311,850
Employee stock options	10,152	10,819
Labor and health insurance fees	15,277	18,113
Pension costs	15,307	18,527
Other personnel expenses	<u>10,540</u>	<u>13,118</u>
Total	<u>\$ 320,698</u>	<u>\$ 372,427</u>

	For the six-month period ended June 30, 2017	For the six-month period ended June 30, 2016
Wages and salaries	\$ 546,148	\$ 635,362
Employee stock options	19,457	17,866
Labor and health insurance fees	31,103	37,728
Pension costs	30,687	39,845
Other personnel expenses	21,300	26,602
Total	<u>\$ 648,695</u>	<u>\$ 757,403</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 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' 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' remuneration; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Before the establishment of the Audit Committee of the Company, the remuneration of the supervisors and the directors shall be pay no higher than 2% of distributable profit of the current period.

B. For the three-month and six-month periods ended June 30, 2017 and 2016, employees' compensation was accrued (reversed) at \$(3,046), \$0, \$3,649 and \$0, respectively; directors' and supervisors' remuneration was accrued (reversed) at \$(407), \$0, \$486 and \$0, respectively. The aforementioned amounts were recognized in salary expenses.

C. The 2016 employees' cash bonus and directors' and supervisors' remuneration as appropriated during the stockholders' meeting on June 16, 2017 were \$13,383 and \$1,784, respectively.

Employees' bonus and directors' and supervisors' remuneration for 2016 as resolved by the stockholders were in agreement with those amounts recognized in the 2016 financial statements.

(25) Income tax

A. Income tax expense

a) Components of income tax expense:

	<u>For the three-month period ended June 30, 2017</u>	<u>For the three-month period ended June 30, 2016</u>
Current tax:		
Current tax on profits for the period	\$ 13,562	\$ 18,296
Adjustments in respect of prior years	(3,150)	(16,180)
Total current tax	<u>10,412</u>	<u>2,116</u>
Deferred tax:		
Origination and reversal of temporary differences	(672)	8,350
Total deferred tax	<u>(672)</u>	<u>8,350</u>
Income tax expense	<u>\$ 9,740</u>	<u>\$ 10,466</u>
	<u>For the six-month period ended June 30, 2017</u>	<u>For the six-month period ended June 30, 2016</u>
Current tax:		
Current tax on profits for the period	\$ 20,529	\$ 31,889
Adjustments in respect of prior years	(3,239)	(16,022)
Total current tax	<u>17,290</u>	<u>15,867</u>
Deferred tax:		
Origination and reversal of temporary differences	(1,184)	(10,530)
Total deferred tax	<u>(1,184)</u>	<u>(10,530)</u>
Income tax expense	<u>\$ 16,106</u>	<u>\$ 5,337</u>

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

	<u>For the three-month period ended June 30, 2017</u>	<u>For the three-month period ended June 30, 2016</u>
Translation differences of foreign operations	<u>\$ 21,500</u>	<u>(\$ 20,050)</u>
	<u>For the six-month period ended June 30, 2017</u>	<u>For the six-month period ended June 30, 2016</u>
Translation differences of foreign operations	<u>(\$ 63,699)</u>	<u>(\$ 46,073)</u>

B. As of June 30, 2017, the Company's income tax returns through 2014 have been assessed and approved by the Tax Authority.

C. Unappropriated retained earnings:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Earnings generated in and after 1998	\$ 2,739,678	\$ 2,946,092	\$ 2,839,278

D. As of June 30, 2017, December 31, 2016 and June 30, 2016, the balance of the imputation tax credit account was \$290,614, \$279,476 and \$275,445, respectively. The creditable tax rate is estimated to be 9.81% for the year ended December 31, 2017 and was estimated to be 9.86% for the year ended December 31, 2016.

(26) Earnings (losses) per share

	<u>For the three-month period ended June 30, 2017</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Losses per share (in dollars)</u>
<u>Basic losses per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 16,575)	265,840	(\$ 0.06)

For the three-month period ended June 30, 2017, the Group's stock options, restricted the right of new employee shares and reward employees have anti-dilution effect. Thus, no diluted losses per share is calculated.

	<u>For the three-month period ended June 30, 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	\$ 1,081	265,840	\$ 0.01
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,081		
Assumed conversion of all dilutive potential ordinary shares			
Restricted stock		264	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,081	266,104	\$ 0.01

For the six-month period ended June 30, 2017			
	<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	\$ 14,562	265,840	\$ 0.05
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 14,562		
Restricted shares to employees		2,060	
Employees' bonus		400	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 14,562	268,300	\$ 0.05

For the six-month period ended June 30, 2016			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic losses per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 46,501)	265,840	(\$ 0.17)

For the six-month period ended June 30, 2016, the Group's stock options, restricted the right of new employee shares and reward employees have anti-dilution effect. Thus, no diluted losses per share is calculated.

(27) Transactions with non-controlling interest

A. Acquisition of additional equity interest in a subsidiary

During the six-month period ended June 30, 2016, the Group acquired an additional 0.41% shares of its subsidiary –Altek Autotronics Corporation at the amount of \$1,483. This transaction resulted in a decrease of \$1,436 in the non-controlling interest and a decrease of \$47 in the equity attributable to owners of the parent. The effect of the change in ownership interests on the equity attributable to owners of the parent for the six-month period ended June 30, 2016 is shown below:

	<u>For the six-month period ended June 30, 2016</u>
Carrying amount of non-controlling interest acquired	\$ 1,436
Consideration paid to non-controlling interest	<u>(1,483)</u>
Capital surplus	
-Difference between proceeds on acquisition of or disposal of equity interest in a subsidiary and its carrying amount	<u>(\$ 47)</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 June 9, 2017. The Group did not acquire shares proportionally to its interest. As a result, the Group decreased its share interest to 14.61%. The transaction increased non-controlling interest by \$541,800 and decreased the equity attributable to owners of parent by \$290,640. The effect of changes in interests in Altek Semiconductor (Cayman) Co., Ltd. on the equity attributable to owners of the parent as of 2017 is shown below:

	<u>For the six-month period ended June 30, 2017</u>
Cash	\$ 541,800
Carrying amount of non-controlling interest decrease	<u>(290,640)</u>
Capital surplus-Changes in ownership interests in subsidiaries	<u>\$ 251,160</u>

(28) Operating leases

The Group leased part of the Taipei office building with operating leases. Contingent rents of \$4,241 and \$4,241 were recognized for these leases in profit or loss for the three-month and six-month periods ended June 30, 2017, respectively. The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Not more than 1 year	\$ 28,921	\$ -	\$ -
More than 1 year but not more than 5 years	<u>53,021</u>	<u>-</u>	<u>-</u>
	<u>\$ 81,942</u>	<u>\$ -</u>	<u>\$ -</u>

The Group leases office buildings for operational needs under non-cancellable operating lease agreements. These lease terms are between 2017 and 2027. Most of the lease agreements are renewable at the market price at the end of the lease period. The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Not more than 1 year	\$ 3,696	\$ 7,289	\$ 12,850
More than 1 year but not more than 5 years	14,785	14,785	20,436
Over 5 years	<u>20,330</u>	<u>22,178</u>	<u>24,026</u>
	<u>\$ 38,811</u>	<u>\$ 44,252</u>	<u>\$ 57,312</u>

(29) Supplemental cash flow information

A. Investing activities with partial cash payments

	<u>For the six-month period ended June 30, 2017</u>	<u>For the six-month period ended June 30, 2016</u>
Acquisitions of property, plant, and equipment	\$ 71,843	\$ 17,084
Add: property and equipment and construction billings payable at beginning of period	6,848	61,027
Less: property and equipment and construction billings payable at end of period	(5,717)	(3,166)
Cash paid	<u>\$ 72,974</u>	<u>\$ 74,945</u>

	<u>For the six-month period ended June 30, 2017</u>	<u>For the six-month period ended June 30, 2016</u>
Acquisitions of intangible assets	\$ 1,444	\$ 15,433
Add: Payable at beginning of period	9,067	-
Less: Payable at end of period	(4,495)	(9,067)
Cash paid	<u>\$ 6,016</u>	<u>\$ 6,366</u>

B. Financing activities with no cash flow effects

	<u>For the six-month period ended June 30, 2017</u>	<u>For the six-month period ended June 30, 2016</u>
Declare cash dividends	\$ 215,596	\$ 134,140
Capital surplus used to issue cash to shareholders	<u>-</u>	<u>134,140</u>
	<u>\$ 215,596</u>	<u>\$ 268,280</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship: None.

(2) Significant transactions and balances with related parties:

No significant related party transactions.

(3) Key management compensation

	<u>For the three-month period ended June 30, 2017</u>	<u>For the three-month period ended June 30, 2016</u>
Salaries and other short-term employee benefits	\$ 6,455	\$ 7,520
Post-employment benefits	190	162
Share-based payments	2,440	3,040
Total	<u>\$ 9,085</u>	<u>\$ 10,722</u>
	<u>For the six-month period ended June 30, 2017</u>	<u>For the six-month period ended June 30, 2016</u>
Salaries and other short-term employee benefits	\$ 13,279	\$ 18,829
Post-employment benefits	298	350
Share-based payments	5,204	3,040
Total	<u>\$ 18,781</u>	<u>\$ 22,219</u>

8. PLEGGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Contingencies

(1) 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.

(2) 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 August 11, 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:

		June 30, 2017						
		Sensitivity Analysis						
		Foreign Currency		Book Value	Extent of	Effect on	Effect on	
		Amount	Exchange	(NTD)	Variation	Profit or	Other	
		(In thousands)	Rate	(NTD)	Variation	(Loss)	Comprehensive	
								Income (Loss)
(Foreign currency: functional currency)								
<u>Financial assets</u>								
<u>Monetary items</u>								
USD:NTD	USD	72,364	30.420	\$2,201,313	1%	\$22,013	\$ -	
USD:RMB	USD	67,573	6.7744	2,055,571	1%	20,556	-	
<u>Financial liabilities</u>								
<u>Monetary items</u>								
USD:NTD	USD	66,363	30.420	\$2,018,762	1%	(\$20,188)	\$ -	
USD:RMB	USD	45,914	6.7744	1,396,704	1%	(13,967)	-	

December 31, 2016

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

June 30, 2016

	Sensitivity Analysis						
	Foreign Currency			Extent of Variation	Effect on		Other Comprehensive Income (Loss)
	Amount (In thousands)	Exchange Rate	Book Value (NTD)		Profit or (Loss)	Effect on	
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:NTD	USD	86,462	32.275	\$2,790,561	1%	\$27,906	\$ -
USD:RMB	USD	53,767	6.6312	1,735,330	1%	17,353	-
<u>Non-monetary items</u>							
USD:NTD	USD	4,119	32.275	\$ 132,947	1%	\$ -	\$ 1,329
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:NTD	USD	82,444	32.275	\$2,660,880	1%	(\$26,609)	\$ -
USD:RMB	USD	46,567	6.6312	1,502,950	1%	(15,030)	-

v.Total exchange gain, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and six-month periods ended June 30, 2017 and 2016 amounted to (\$19,654), \$10,728, (\$47,848) and \$15,554, 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 six-month periods ended June 30, 2017 and 2016, 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 its 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 six-month periods ended June 30, 2017 and 2016.
- 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:

June 30, 2017	<u>Less than 1 year</u>	<u>Over 1 year</u>
Short-term borrowings	\$ 2,158,000	\$ -
Accounts payable	1,643,882	-
Other payables	619,721	-
Guarantee deposits received	-	23,054

Non-derivative financial liabilities:

December 31, 2016	<u>Less than 1 year</u>	<u>Over 1 year</u>
Short-term borrowings	\$ 2,415,000	\$ -
Accounts payable	2,417,239	-
Other payables	445,206	-
Guarantee deposits received	-	10,094

Non-derivative financial liabilities:

June 30, 2016	<u>Less than 1 year</u>	<u>Over 1 year</u>
Short-term borrowings	\$ 2,205,000	\$ -
Accounts payable	1,904,322	-
Other payables	720,927	-
Guarantee deposits received	-	6,818

(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 June 30, 2017, December 31, 2016 and June 30, 2016 is as follows:

<u>June 30, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificate	<u>\$ 610,425</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 610,425</u>
<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 measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificate	<u>\$ 693,709</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 693,709</u>
<u>June 30, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificate	<u>\$ 811,789</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 811,789</u>

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

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

None.

Altek Corporation and subsidiaries

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

June 30, 2017

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 June 30, 2017			
				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	"	1,199,613	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	5,389	6.45%	5,389
"	CPEC Huachuang Private Equity (Kunshan) Enterprise (Limited Partnership)	None	"	N/A	44,904	(Note)	44,904
Altek Investment Co., Ltd.	Money Market Fund	None	Financial assets at fair value through profit or loss-current	2,487,654	39,823	N/A	39,823
Altek Semiconductor Corporation	Money Market Fund	None	"	6,302,032	99,256	N/A	99,256
Altek Biotechnology Corporation	Money Market Fund	None	"	24,165,693	471,346	N/A	471,346

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 six-month period ended June 30, 2017

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

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)
Altek Corporation	Altek International Investment Co., Ltd.	Parent and affiliated company	Purchases	\$ 1,892,974	97%	Net 120 days	Approximately the same price with third parties	Note	(\$ 1,351,343)	96%
Altek International Investment Co., Ltd.	Altek (Kunshan) Co., Ltd.	"	Purchases	3,529,860	100%	Net 75 days	"	"	(1,524,190)	98%
Altek Semiconductor Corporation	Altek International Investment Co., Ltd.	"	Purchases	441,129	67%	"	"	"	(333,562)	92%
Altek Biotechnology Corporation	"	The same ultimate parent company	Purchases	267,952	100%	"	"	"	(222,211)	100%
Altek (Kunshan) Co., Ltd.	"	Parent and affiliated company	Purchases	112,211	3%	"	"	"	-	0%
Altek Trading (Shanghai) Limited	"	"	Purchases	373,390	59%	"	"	"	(77,032)	59%
"	Altek (Kunshan) Co., Ltd.	The same ultimate parent company	Purchases	169,918	27%	"	"	"	(13,429)	10%

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

June 30, 2017

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2017	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	\$ 1,351,343	1.96	\$ -	N/A	\$ 395,057	\$ -
"	Altek Semiconductor Corporation	Parent company	333,562	3.56	-	N/A	116,322	-
"	Altek Biotechnology Corporation	The same ultimate parent company	222,211	2.73	-	N/A	63,683	-
Altek (Kunshan) Co., Ltd.	Alteck International Investment Co., Ltd.	Parent company	1,524,190	4.65	-	N/A	817,010	-

Altek Corporation and subsidiaries
Significant inter-company transactions during the reporting periods
For the six-month period ended June 30, 2017

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Company name	Counterparty	Relationship (Note 1)	Transaction		Percentage of consolidated total operating revenues or total assets (Note 2)
			General ledger account	Amount	
Altek Corporation	Altek International Investment Co., Ltd.	(1)	Purchases	\$ 1,892,974	37%
"	"	(1)	Accounts payable	1,351,343	9%
Altek International Investment Co., Ltd.	Altek (Kunshan) Co., Ltd.	(3)	Purchases	3,529,860	69%
"	"	(3)	Accounts payable	1,524,190	10%
Altek Semiconductor Corporation	Altek International Investment Co., Ltd.	(3)	Purchases	441,129	9%
"	"	(3)	Accounts payable	333,562	2%
Altek Biotechnology Corporation	"	(3)	Purchases	267,952	5%
"	"	(3)	Accounts payable	222,211	2%
Altek (Kunshan) Co., Ltd.	"	(3)	Purchases	112,211	2%
"	"	(3)	Accounts payable	-	0%
Altek Trading (Shanghai) Limited	"	(3)	Purchases	373,390	7%
"	"	(3)	Accounts payable	77,032	1%
"	Altek (Kunshan) Co., Ltd.	(3)	Purchases	169,918	3%
"	"	(3)	Accounts payable	13,429	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 six-month period ended June 30, 2017

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2017			Net profit (loss) of the investee for the six-month period ended June 30, 2017	Investment income(loss) recognised by the Company for the six-month period ended June 30, 2017	Footnote
				Balance as at June 30, 2017	Balance as at December 31, 2016	Number of shares	Ownership (%)	Book value			
Altek Corporation	Altek International Investment Co., Ltd.	British Virgin Islands	Investment and general business operations	\$ 2,910,046	\$ 3,033,618	88,662,059	100%	\$ 8,916,048	\$ 37,247	\$ 37,247	
"	Altek Japan Corporation	Japan	Sale and design of optical instruments	2,869	2,869	1,000	100%	11,222 (	429) (	429)	
"	Altek Investment Co., Ltd.	Republic of China	Investment	50,000	50,000	5,000,000	100%	39,865	4,722 (	82)	
"	Altek Autotronics Corporation	Republic of China	Research design, manufacture and sales of car electronic components	-	184,080	-	-	- (	92) (	92)	Note 1
"	Altek International Holding (BVI) Co, Ltd.	British Virgin Islands	Investment and general business operations	415,376	415,376	12,865,921	100%	447,100	13,751	13,751	Note 3
Altek International Investment Co., Ltd.	Altek Lab Inc.	U.S.A.	Design service	111,938	111,938	11,311,875	100%	59,514	979	56	Note 2
"	JinJing Optical Technology Co., Ltd.	Samoa	Investment and general business operations	106,470	106,470	3,500,000	23.33%	- (	15,909)	-	
"	Altek Semiconductor (Cayman) Co., Ltd.	Cayman Islands	Investment and general business operations	186,999	186,999	20,000,000	56.82%	539,041 (	18,297) (	13,930)	
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%	359,960 (	17,776) (	13,761)	
Altek Biotechnology Holding (Cayman) Co., Ltd.	Altek Biotechnology Corporation	Republic of China	Research and development, manufacture and sales of biotechnology	415,376	415,376	40,100,000	100%	447,100	13,751	13,751	Note 3

Note 1: On June 30, 2017, Altek Corporation consummated a short-form merger with Altek Autotronics Corporation and the former is the surviving company.

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.

Atek Corporation and subsidiaries
Information on investments in Mainland China
For the six-month period ended June 30, 2017

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, 2017	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the six-month period ended June 30, 2017		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2017	Net profit (loss) of investee for the six-month period ended June 30, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2017	Book value of investments in Mainland China as of June 30, 2017	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2017
					Remitted to Mainland China	Remitted back to Taiwan						
Altek (Kunshan) Co., Ltd. (Note 2)	Manufacture and sale of digital still cameras and its accessories	\$ 1,508,832	2	\$ 1,368,900	\$ -	\$ -	\$ 1,368,900	\$ 42,835	100%	\$ 42,835	\$ 3,772,443	\$ -
Altek EMS (Kunshan) Co., Ltd. (Note 3)	Manufacture and sale of related engineering services	152,100	2	276,305	-	-	276,305	1,424	100%	1,424	751,176	-
Altek Trading (Shanghai) Limited	Wholesale, import and export of digital cameras, digital video cameras and their associated accessories	258,570	2	258,570	-	-	258,570	24,264	100%	24,264	294,737	-
Kinko Optical (Suzhou) Co., Ltd.	Manufacture and sale of optical components	456,300	2	106,470	-	-	106,470	(13,851)	23.33%	-	-	-
Phoenix Optical (Shanghai) Co., Ltd.	Manufacturing and marketing of digital cameras and its key components, photo sensor and optoelectronic equipment	481,336	2	269,656	(123,572)	-	146,084	-	-	-	-	-
Altek Precision (Kunshan) Co., Ltd.	Design, manufacture and sales of digital camera parts	419,796	2	419,796	-	-	419,796	(2,410)	100%	(2,410)	148,893	-
Altek Optical Technology (Kunshan) Co., Ltd.	Manufacture and sales of digital camera and its accessories and optical components	456,300	2	456,300	-	-	456,300	(5,208)	100%	(5,208)	130,725	-
Altek Semiconductor (Shanghai) Co., Ltd.	Imaging technologies, electronic software and hardware development, IC design and development, technology service, and wholesale, import and export of related products.	15,210	2	-	-	-	(2,149)	56.82%	(1,123)	13,384	-	-

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).

Note 4: On May 8, 2017, Phoenix Optical (Shanghai) Co., Ltd. has completed liquidation.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2017	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	\$ 3,032,425	\$ 3,095,052	\$ -

Note: According to "REGULATIONS GOVERNING 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.