

PATEC PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2014 AND 2013

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. This English translation does not include additional disclosures that are required for Chinese-language reports under the Guidelines for Securities Issuers' Financial Reporting promulgated by the Securities and Futures Commission of the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Patec Precision Industry Co., Ltd.

We have audited the accompanying consolidated balance sheets of Patec Precision Industry Co., Ltd. and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, of changes in shareholders' equity and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Patec Precision Industry Co., Ltd. and subsidiaries as of December 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC.

*Price waterhouse Coopers, Taiwan*

PricewaterhouseCoopers, Taiwan

March 30, 2015

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 consolidated financial statements may differ from those generally accepted in countries and jurisdictions other than 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

**PATEC PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2014 AND 2013**  
(Expressed in thousands of New Taiwan Dollars)

		2014		2013		
Assets		Notes	Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 160,327	8	\$ 226,092	15
1170	Accounts receivable, net	6(2) and 8	659,189	34	472,028	31
1200	Other receivables		22,305	1	3,464	-
1210	Other receivables —related parties	7	-	-	5,243	1
130X	Inventories	6(3) and 8	326,723	17	277,982	19
1410	Prepayments		55,132	3	33,171	2
1476	Other financial assets —current	8	182,702	10	108,343	7
11XX	Total current assets		1,406,378	73	1,126,323	75
Non-current assets						
1550	Investments accounted for using equity method	6(4)	-	-	4,277	-
1600	Property, plant and equipment	6(5) and 8	402,014	21	287,774	19
1780	Intangible assets		5,333	-	3,104	-
1840	Deferred tax assets	6(19)	17,380	1	16,347	1
1990	Other non-current assets	6(6) and 8	87,773	5	71,364	5
15XX	Total non-current assets		512,500	27	382,866	25
1XXX	Total assets		\$ 1,918,878	100	\$ 1,509,189	100

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**PATEC PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2014 AND 2013**  
(Expressed in thousands of New Taiwan Dollars)

	Liabilities and equity	Notes	2014		2013	
			Amount	%	Amount	%
	<b>Current liabilities</b>					
2100	Short-term borrowings	6(7)	\$ 229,076	12	\$ 138,425	9
2120	Financial liabilities at fair value through profit or loss - current	6(9)	171	-	1,842	-
2170	Accounts payable		304,231	16	206,152	14
2180	Accounts payable—related parties	7	-	-	1,998	-
2200	Other payables		61,029	3	39,838	3
2220	Other payables—related parties	7	12,691	1	9,932	1
2230	Current income tax liabilities		11,116	1	19,532	1
2310	Advance receipts from customers		15,097	1	30,743	2
2320	Current portion of long-term liabilities	6(8)	9,090	-	8,272	-
2355	Lease payable—current	6(10)	8,857	-	11,417	1
2399	Other current liabilities		58,142	3	41,908	3
21XX	<b>Total current liabilities</b>		<u>709,500</u>	<u>37</u>	<u>510,059</u>	<u>34</u>
	<b>Non-current liabilities</b>					
2540	Long-term borrowings	6(8)	7,655	-	13,323	1
2570	Deferred tax liabilities	6(19)	13,263	1	19,591	1
2610	Long-term notes and payables	6(10)	8,345	1	10,207	1
2670	Other non-current liabilities	6(11)	2,945	-	2,005	-
25XX	<b>Total non-current liabilities</b>		<u>32,208</u>	<u>2</u>	<u>45,126</u>	<u>3</u>
2XXX	<b>Total liabilities</b>		<u>741,708</u>	<u>39</u>	<u>555,185</u>	<u>37</u>
	<b>Equity</b>					
	<b>Equity attributable to owners of the parent</b>					
	<b>Share capital</b>					
3110	Common stock	6(13)	300,670	16	285,670	19
	<b>Capital surplus</b>					
3200	Capital surplus	6(14)	246,484	13	192,731	13
	<b>Retained earnings</b>					
3350	Unappropriated retained earnings	6(15)	334,235	17	262,596	17
	<b>Other equity interest</b>					
3400	Other equity interest		94,070	5	47,411	3
31XX	<b>Total equity attributable to owners of the parent</b>		<u>975,459</u>	<u>51</u>	<u>788,408</u>	<u>52</u>
36XX	<b>Non-controlling interest</b>		<u>201,711</u>	<u>10</u>	<u>165,596</u>	<u>11</u>
3XXX	<b>Total equity</b>		<u>1,177,170</u>	<u>61</u>	<u>954,004</u>	<u>63</u>
	<b>Significant contingent liabilities and unrecognised contract commitments</b>	9				
	<b>Significant events after the balance sheet date</b>	11				
	<b>Total liabilities and equity</b>		<u>\$ 1,918,878</u>	<u>100</u>	<u>\$ 1,509,189</u>	<u>100</u>

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

**PATEC PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

(Expressed in thousands of New Taiwan Dollars, except Earnings Per Share amounts)

		2014		2013	
	Notes	Amount	%	Amount	%
4000	<b>Operating revenue</b>	\$ 1,655,756	100	\$ 1,314,895	100
5000	<b>Operating costs</b>	( 1,155,854)	( 70)	( 902,377)	( 69)
5900	<b>Gross profit</b>	<u>499,902</u>	<u>30</u>	<u>412,518</u>	<u>31</u>
	<b>Operating expenses</b>				
6100	Selling expenses	( 61,279)	( 3)	( 46,373)	( 3)
6200	General and administrative expenses	( 177,339)	( 11)	( 139,912)	( 11)
6300	Research and development expense	( 69,803)	( 4)	( 51,441)	( 4)
6000	<b>Total operating expenses</b>	<u>( 308,421)</u>	<u>( 18)</u>	<u>( 237,726)</u>	<u>( 18)</u>
6900	<b>Operating profit</b>	<u>191,481</u>	<u>12</u>	<u>174,792</u>	<u>13</u>
	<b>Non-operating income and expenses</b>				
7010	Other income	11,864	1	6,536	-
7020	Other gains and losses	( 23,391)	( 2)	144,670	11
7050	Finance costs	( 21,658)	( 1)	( 17,463)	( 1)
7000	<b>Total non-operating income and expenses</b>	<u>( 33,185)</u>	<u>( 2)</u>	<u>133,743</u>	<u>10</u>
7900	<b>Profit before income tax</b>	<u>158,296</u>	<u>10</u>	<u>308,535</u>	<u>23</u>
7950	Income tax expense	( 33,252)	( 2)	( 43,401)	( 3)
8200	<b>Profit for the year</b>	<u>\$ 125,044</u>	<u>8</u>	<u>\$ 265,134</u>	<u>20</u>
	<b>Other comprehensive income</b>				
8310	Currency translation differences of foreign operations	\$ 57,356	3	\$ 43,499	3
8360	Actuarial (loss) gain on defined benefit plan	( 577)	-	459	-
8399	Income tax related to components of other comprehensive income	( 114)	-	( 622)	-
8300	<b>Other comprehensive income</b>	<u>\$ 56,665</u>	<u>3</u>	<u>\$ 43,336</u>	<u>3</u>
8500	<b>Total comprehensive income</b>	<u>\$ 181,709</u>	<u>11</u>	<u>\$ 308,470</u>	<u>23</u>
	<b>Profit attributable to:</b>				
8610	Owners of parent	<u>\$ 102,009</u>	<u>7</u>	<u>\$ 240,765</u>	<u>18</u>
8620	Non-controlling interest	<u>\$ 23,035</u>	<u>1</u>	<u>\$ 24,369</u>	<u>2</u>
	<b>Comprehensive income attributable to:</b>				
8710	Owners of parent	<u>\$ 148,365</u>	<u>9</u>	<u>\$ 272,774</u>	<u>20</u>
8720	Non-controlling interest	<u>\$ 33,344</u>	<u>2</u>	<u>\$ 35,696</u>	<u>3</u>
	<b>Earnings per share</b>				
9750	<b>Basic earnings per share</b>	<u>\$ 3.46</u>	<u>3.46</u>	<u>\$ 8.43</u>	<u>8.43</u>
9850	<b>Diluted earnings per share</b>	<u>\$ 3.44</u>	<u>3.44</u>	<u>\$ 8.43</u>	<u>8.43</u>

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

**PATEC PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**  
(Expressed in thousands of New Taiwan Dollars)

	Equity attributable to owners of parent							Non-controlling interest	Total equity
	Capital surplus				Retained earnings	Currency translation differences of foreign operations	Total		
	Common stocks	Capital surplus – Premium issued	Capital surplus – Employee stock options						
Notes									
2013									
Balance at January 1, 2013	\$ 285,670	\$ 192,731	\$ -	\$ 21,859	\$ 15,644	\$ 515,634	\$ 129,900	\$ 645,534	
Net income for 2013	-	-	-	240,765	-	240,765	24,369	265,134	
Other comprehensive income for 2013	-	-	-	242	31,767	32,009	11,327	43,336	
Balance at December 31, 2013	<u>\$ 285,670</u>	<u>\$ 192,731</u>	<u>\$ -</u>	<u>\$ 262,596</u>	<u>\$ 47,411</u>	<u>\$ 788,408</u>	<u>\$ 165,596</u>	<u>\$ 954,004</u>	
2014									
Balance at January 1, 2014	\$ 285,670	\$ 192,731	\$ -	\$ 262,596	\$ 47,411	\$ 788,408	\$ 165,596	\$ 954,004	
Capital increase in cash	15,000	45,123	-	-	-	60,123	-	60,123	
Appropriation of 2013 earnings:									
Cash dividends to shareholders	-	-	-	( 30,067)	-	( 30,067)	-	( 30,067)	
Net income for 2014	-	-	-	102,009	-	102,009	23,035	125,004	
Other comprehensive income for 2014	-	-	-	( 303)	46,659	46,356	10,309	56,665	
Issuance of employee stock options	-	-	8,630	-	-	8,630	-	8,630	
Changes in non-controlling interest	-	-	-	-	-	-	2,771	2,771	
Balance at December 31, 2014	<u>\$ 300,670</u>	<u>\$ 237,854</u>	<u>\$ 8,630</u>	<u>\$ 334,235</u>	<u>\$ 94,070</u>	<u>\$ 975,459</u>	<u>\$ 201,711</u>	<u>\$ 1,177,170</u>	

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

**PATEC PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**  
(Expressed in thousands of New Taiwan Dollars)

	<u>2014</u>	<u>2013</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Profit before income tax	\$ 158,296	\$ 308,535
Adjustments		
Income and expenses having no effect on cash flows		
Gain on disposal of property, plant and equipment 6(16)	( 759 )	( 142,247 )
(Gain) loss on investments accounted for using equity method 6(4)(5)	( 92 )	1,318
(Reversal of allowance) provision for bad debts expense 6(2)	( 445 )	918
Depreciation 6(6)	57,602	37,799
Interest expense	21,658	17,463
Net loss on financial liabilities at fair value through profit or loss 6(9)	2,370	1,842
Share-based payments	8,753	-
Changes in assets/ liabilities relating to operating activities		
Net changes in assets related to operating activities		
Accounts receivable	( 180,651 )	( 200,559 )
Other receivables	( 18,315 )	7,835
Other receivables — related parties	210	59
Inventories	( 44,843 )	( 46,193 )
Prepayments	( 16,090 )	4,976
Net changes in liabilities related to operating activities		
Financial liability at fair value through profit or loss	( 4,041 )	-
Accounts payable	89,597	63,799
Accounts payable — related parties	( 1,998 )	1,335
Other payables	7,647	( 8,950 )
Other payables— related parties	2,759	4,129
Advance receipts from customers	( 15,646 )	21,890
Other non-current liabilities	940	( 1,031 )
Other current liabilities	16,234	14,873
Cash generated from operations	83,186	87,791
Interest paid	( 21,582 )	( 15,774 )
Income taxes paid	( 41,667 )	( 29,537 )
Net cash provided by operating activities	19,937	42,480
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Decrease (increase) in other receivables— related parties	5,033	( 5,033 )
Increase in other financial assets— current	( 74,359 )	( 26,485 )
Net cash inflows from business combination 6(4)	3,040	-
Acquisition of property, plant and equipment	( 115,120 )	( 95,286 )
Proceeds from disposal of property, plant and equipment	4,511	236,191
Increase in other non-current assets	( 16,409 )	( 1,066 )
Net cash (used in) provided by investing activities	( 193,304 )	108,321

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**PATEC PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**  
(Expressed in thousands of New Taiwan Dollars)

	<u>2014</u>	<u>2013</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Increase (decrease) in short-term borrowings	\$ 89,356	( \$ 43,071 )
Decrease in other payables— related parties	-	( 13,377 )
Payment of lease payable	( 12,694 )	( 30,292 )
Proceeds from long-term borrowings	16,745	-
Repayment of long-term borrowings	( 51,176 )	( 33,459 )
Capital increase by cash	60,000	-
Cash dividends paid	( <u>20,069</u> )	<u>-</u>
Net cash provided by (used in) financing activities	<u>82,162</u>	( <u>120,199</u> )
Effect of foreign exchange rate changes	<u>25,440</u>	<u>45,173</u>
(Decrease) increase in cash and cash equivalents	( 65,765 )	75,775
Cash and cash equivalents at beginning of year	<u>226,092</u>	<u>150,317</u>
Cash and cash equivalents at end of year	<u>\$ 160,327</u>	<u>\$ 226,092</u>

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



**PATEC PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

(Expressed in thousands of New Taiwan Dollars,  
Except as otherwise indicated)

**1. HISTORY AND ORGANIZATION**

Patec Precision Industry Co., Ltd. (the “Company”), incorporated at Cayman Islands on June 29, 2011, is a reorganized holding company which has submitted an application for listing on the Taiwan Stock Exchange. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in investment holdings, production and sale of press machines and parts for automobiles and motorcycles.

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

These consolidated financial statements were authorized by the Board of Directors on March 27, 2015.

**3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS**

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

None.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	July 1, 2010
Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	July 1, 2011
Government loans (amendment to IFRS 1)	January 1, 2013
Disclosures — Transfers of financial assets (amendment to IFRS 7)	July 1, 2011
Disclosures — Offsetting financial assets and financial Liabilities (amendment to IFRS 7)	January 1, 2013

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
IFRS 10, 'Consolidated financial statements'	January 1, 2013 (Investment entities: January 1, 2014)
IFRS 11, 'Joint arrangements'	January 1, 2013
IFRS 12, 'Disclosure of interests in other entities'	January 1, 2013
IFRS 13, 'Fair value measurement'	January 1, 2013
Presentation of items of other comprehensive income (amendment to IAS 1)	July 1, 2012
Deferred tax: recovery of underlying assets (amendment to IAS 12)	January 1, 2012
IAS 19 (revised), 'Employee benefits'	January 1, 2013
IAS 27, 'Separate financial statements' (as amended in 2011)	January 1, 2013
IAS 28, 'Investments in associates and joint ventures' (as amended in 2011)	January 1, 2013
Offsetting financial assets and financial liabilities (amendment to IAS 32)	January 1, 2014
IFRIC 20, 'Stripping costs in the production phase of a surface mine'	January 1, 2013
Improvements to IFRSs 2010	January 1, 2011
Improvements to IFRSs 2009 – 2011	January 1, 2013

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

A. IAS 1, 'Presentation of financial statements'

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

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

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	January 1, 2016
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts with customers'	January 1, 2017
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 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### (1) Compliance statement

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

##### (2) Basis of preparation

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

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. The areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

##### (3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies. In general, control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible have been considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference

between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2014	December 31, 2013	
The Company	PATEC PTE. LTD. (PATEC)	Holding company	100%	100%	
PATEC	Press Automation Technology Pte. Ltd. (PAT)	Production and sale of punch machines	100%	100%	
PATEC	Wuxi Jingxin Precision Machining Co. Ltd. (Wuxi Jingxin)	Production and sale of products for automobiles	85%	85%	
PATEC	Patec Precision Kft (KFT)	Production and sale of products for automobiles	100%	100%	
PAT	PT. PATEC PRESISI ENGINEERING (PT. Patec)	Production and sale of products for automobiles and motorcycles	70%	70%	
Wuxi Jingxin	Wuxi Baida Precision Molding Co., Ltd. (Wuxi Baida)	Production and sale of punch machines	100%	100%	
Wuxi Jingxin	Yancheng Jingxin Precision Machining Co. Ltd. (Yancheng Jingxin)	Production and sale of products for automobiles	100%	100%	
PT. Patec	PT. PDF PRESISI ENGINEERING (PT. PDF)	Production and sale of products for automobiles and motorcycles	70%	70%	
PT. Patec	PT. API PRECISION (PT. API)	Production and sale of products for automobiles and motorcycles	75%	40%	Note

Note: The Group has acquired 437,500 shares (representing 35% of joint interest) of PT. API from Asia Precision Company Limited at US\$0.45 per share, totaling US\$197 thousand. As of June 30, 2014, the change has been registered. The Group's ownership over PT. API has increased from 40% to 75% and the Group obtained control over PT. API. Thus, PT. API is included in the consolidated financial statements.

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

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

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

B. Translation of foreign operations

The operating results and financial position of all the group entities, associates and jointly controlled entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;

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

(6) Cash equivalents

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

(7) Accounts receivable

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

(8) Impairment of financial assets

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



C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

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

(9) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(10) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(11) Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(12) Joint ventures — Jointly controlled entities

The Group's interest in jointly controlled entities is accounted for in the consolidated financial statements using the equity method. Unrealised profits and losses arising from the transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. In the case that a jointly controlled entity issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. In addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

(13) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss

during the financial period in which they are incurred.

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	27 years
Machinery and equipment	5 ~ 10 years
Transportation equipment	5 ~ 10 years
Office equipment	3 ~ 10 years
Other equipment	5 ~ 10 years
Leasehold assets	5 ~ 10 years

(14) Leased assets/ leases (lessee)

- A. Based on the terms of a lease contract, a lease is classified as a finance lease if the Group assumes substantially all the risks and rewards incidental to ownership of the leased asset.
- (a) A finance lease is recognised as an asset and a liability at the lease's commencement at the lower of the fair value of the leased asset or the present value of the minimum lease payments.
- (b) The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are allocated to each period over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.
- (c) Property, plant and equipment held under finance leases are depreciated over their estimated useful lives. If there is no reasonable certainty that the Group will obtain ownership at the end of the lease, the asset shall be depreciated over the shorter of the lease term and its useful life.
- B. Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(15) Long-term prepaid rent

Long-term prepaid rent is the agreed upon fee for land use paid by the Group's subsidiary in Indonesia to Republic of Indonesia. Long-term prepaid rent is stated initially at its cost and amortised on a straight-line basis over its lease period.

(16) Intangible assets — goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

(17) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amounts of goodwill shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(18) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(19) Accounts payable

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

(20) Financial liabilities at fair value through profit or loss

- A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition.
- B. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(21) Derecognition of financial liabilities

Financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(22) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected

to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

## B. Pensions

### (a) Defined contribution plans

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

### (b) Defined benefit plans

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

ii. Actuarial gains and losses arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise.

## C. Employees' bonus and directors' and supervisors' remuneration

Employees' bonus and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences should be recognised based on the accounting for changes in estimates. The Group calculates the number of shares of employees' stock bonus based on the fair value per share at the previous day of the stockholders' meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

### (23) Employee share-based payment

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

(24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(25) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(26) Dividends

Shareholders' dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's Board of Directors. Cash dividends are recorded as liabilities.

(27) Revenue recognition

A. Sales of goods

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

acceptance provisions have been satisfied.

#### B. Subcontracting revenue

The Group renders subcontracting services for products of automobiles. The Group renders services and recognises revenue under percentage-of-completion according to contracts.

#### (28) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

### 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. Critical judgements, estimates and assumptions concerning uncertainties are addressed below:

#### (1) Critical judgements in applying the Group's accounting policies

Revenue recognition on a net/gross basis

The determination of whether the Group is acting as principal or agent in a transaction is based on an evaluation of Group's exposure to the significant risks and rewards associated with the sale of goods or the rendering of service in accordance with the business model and substance of the transaction. Where the Group acts as a principal, the amount received or receivable from customer is recognised as revenue on a gross basis. Where the Group acts as an agent, net revenue is recognised. The following characteristics of a principal are used as indicators to determine whether the Group shall recognise revenue on a gross basis:

- a. The Group has primary responsibilities for the goods or services it provides;
- b. The Group bears inventory risk;
- c. The Group has the latitude in establishing prices for the goods or services, either directly or indirectly.
- d. The Group bears credit risk of customers.

#### (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. The Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.



## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	December 31,	
	2014	2013
Cash on hand and revolving funds	\$ 600	\$ 519
Demand deposits	<u>159,727</u>	<u>225,573</u>
	<u>\$ 160,327</u>	<u>\$ 226,092</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. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.
- B. As of December 31, 2014 and 2013, cash and cash equivalents amounting to \$167,033 and \$108,343 were pledged to others as collateral and were classified to other financial assets. Details are provided in Note 8.
- C. The Group's deposits with maturity over three months amounted to \$15,669 and \$0, and the effective interest rate was 3.25% and 0% in 2014 and 2013, respectively. As the time deposits are not high-liquidity investments, they were classified to other financial assets.

### (2) Accounts receivable

	December 31,	
	2014	2013
Accounts receivable	\$ 669,390	\$ 483,821
Less: allowance for bad debts	( <u>10,201</u> )	( <u>11,793</u> )
	<u>\$ 659,189</u>	<u>\$ 472,028</u>

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

	December 31,	
	2014	2013
Group 1	\$ 358,540	\$ 283,759
Group 2	<u>208,206</u>	<u>111,603</u>
	<u>\$ 566,746</u>	<u>\$ 395,362</u>

Group 1: Well-known international companies or listed company with no critical bad debt record.

Group 2: Customers other than Group 1.



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

	December 31,	
	2014	2013
Up to 90 days	\$ 27,235	\$ 30,979
91 to 180 days	50,729	27,905
Over 180 days	14,479	17,782
	<u>\$ 92,443</u>	<u>\$ 76,666</u>

The above ageing analysis was based on invoice date.

C.Movement analysis of financial assets that were impaired is as follows:

(a)As of December 31, 2014 and 2013, the Group's accounts receivable that were impaired amounted to \$10,201 and \$11,793, respectively.

(b)Movements on the Group's provision for impairment of accounts receivable are as follows:

Individual provision	2014	2013
At January 1	\$ 11,793	\$ 10,875
Reversal for impairment	( 445)	-
Provision for impairment	-	506
Effect of foreign exchange	( 1,147)	412
At December 31	<u>\$ 10,201</u>	<u>\$ 11,793</u>

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

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

F.Details of accounts receivable pledged as collateral are provided in Note 8.

### (3) Inventories

	December 31, 2014		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 158,136	(\$ 1,458)	\$ 156,678
Work in process	69,188	( 75)	69,113
Finished goods	106,552	( 5,620)	100,932
	<u>\$ 333,876</u>	<u>(\$ 7,153)</u>	<u>\$ 326,723</u>

	December 31, 2013		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 137,667	(\$ 1,377)	\$ 136,290
Work in process	73,073	( 71)	73,002
Finished goods	74,140	( 5,450)	68,690
	<u>\$ 284,880</u>	<u>(\$ 6,898)</u>	<u>\$ 277,982</u>

A. The cost of inventories recognised as expense for the years ended December 31, 2014 and 2013 was \$1,155,854 and \$902,377, respectively, including the amounts of \$255 and \$3,534, respectively, that the Group wrote down from cost to net realisable value accounted for as cost of goods sold.

B. Details of inventories pledged as collateral are provided in Note 8.

(4) Investments accounted for using equity method

A. PT. API Precision (PT. API) is the joint venture of the Group's subsidiary in Indonesia, PT. Patec, and Asia Precision Company Limited. The original investment amount for both companies was \$14,913 which represents 50% of the ownership of the joint venture. In February, 2012, Asia Precision Company Limited's loans to PT. API were converted to ownership in PT. API in accordance with the borrowing contract rights. The Group's joint equity was subsequently reduced to 40%.

B. On June 26, 2014, the Group has acquired 437,500 shares (representing 35% of joint interest) of PT. API from Asia Precision Company Limited at US\$0.45 per share, totaling US\$197 thousand. As of June 30, 2014, the change has been registered. The Group's ownership over PT. API has increased from 40% to 75% and the Group obtained control over PT. API. Thus, PT. API is included in the consolidated financial statements.

C. The share of the Group's assets and liabilities of PT. API and investment loss recognised under equity method are as follows:

	December 31, 2013
Assets:	
Current assets	\$ 11,358
Long-term assets	12,647
	<u>\$ 24,005</u>
Liabilities:	
Current liabilities	\$ 17,798
Long-term liabilities	1,930
	<u>19,728</u>
Net assets	<u>\$ 4,277</u>

	Year ended December 31,	
	2014 (January 1 to June 30)	2013
Revenue/income	\$ 11,553	\$ 12,340
Expenses/losses	( 11,461)	( 13,658)
Net income (loss) after tax	<u>\$ 92</u>	<u>(\$ 1,318)</u>
Original proportionate interest in joint venture's commitments	40%	40%

(5) Property, plant and equipment

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Leasehold assets</u>	<u>Others</u>	<u>Unfinished construction</u>	<u>Total</u>
<u>At January 1, 2014</u>								
Cost	\$ 35,405	\$ 381,345	\$ 23,581	\$ 13,542	\$ 8,065	\$ 17,793	\$ -	\$ 479,731
Accumulated depreciation	( 9,447)	( 153,772)	( 10,213)	( 9,316)	( 2,092)	( 7,117)	-	( 191,957)
<u>2014</u>	<u>\$ 25,958</u>	<u>\$ 227,573</u>	<u>\$ 13,368</u>	<u>\$ 4,226</u>	<u>\$ 5,973</u>	<u>\$ 10,676</u>	<u>\$ -</u>	<u>\$ 287,774</u>
Opening net book amount	\$ 25,958	\$ 227,573	\$ 13,368	\$ 4,226	\$ 5,973	\$ 10,676	\$ -	\$ 287,774
Additions	9,423	89,286	8,432	3,239	-	3,732	9,280	123,392
Acquired from business combinations	-	36,153	475	69	369	778	-	37,844
Disposals	-	( 2,049)	( 902)	( 413)	-	( 388)	-	( 3,752)
Depreciation charge	( 1,605)	( 47,408)	( 4,023)	( 1,400)	( 765)	( 2,401)	-	( 57,602)
Net exchange differences	1,932	10,930	1,383	( 1,034)	282	372	493	14,358
Closing net book amount	<u>\$ 35,708</u>	<u>\$ 314,485</u>	<u>\$ 18,733</u>	<u>\$ 4,687</u>	<u>\$ 5,859</u>	<u>\$ 12,769</u>	<u>\$ 9,773</u>	<u>\$ 402,014</u>
<u>At December 31, 2014</u>								
Cost	\$ 47,458	\$ 582,149	\$ 32,837	\$ 15,184	\$ 8,814	\$ 21,954	\$ 9,773	\$ 718,169
Accumulated depreciation	( 11,750)	( 267,664)	( 14,104)	( 10,497)	( 2,955)	( 9,185)	-	( 316,155)
	<u>\$ 35,708</u>	<u>\$ 314,485</u>	<u>\$ 18,733</u>	<u>\$ 4,687</u>	<u>\$ 5,859</u>	<u>\$ 12,769</u>	<u>\$ 9,773</u>	<u>\$ 402,014</u>

	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Leasehold assets	Others	Total
<u>At January 1, 2013</u>							
Cost	\$ 25,336	\$ 308,511	\$ 20,782	\$ 12,385	\$ 8,914	\$ 35,104	\$ 411,032
Accumulated depreciation	( 8,020)	( 122,660)	( 8,859)	( 8,786)	( 3,421)	( 24,655)	( 176,401)
	<u>\$ 17,316</u>	<u>\$ 185,851</u>	<u>\$ 11,923</u>	<u>\$ 3,599</u>	<u>\$ 5,493</u>	<u>\$ 10,449</u>	<u>\$ 234,631</u>
<u>2013</u>							
Opening net book amount	\$ 17,316	\$ 185,851	\$ 11,923	\$ 3,599	\$ 5,493	\$ 10,449	\$ 234,631
Additions	9,693	81,199	4,365	2,308	1,556	2,555	101,676
Disposals	-	( 10,496)	( 102)	( 139)	( 766)	( 948)	( 12,451)
Depreciation charge	( 1,082)	( 29,561)	( 3,033)	( 1,653)	( 626)	( 1,844)	( 37,799)
Net exchange differences	31	580	215	111	316	464	1,717
Closing net book amount	<u>\$ 25,958</u>	<u>\$ 227,573</u>	<u>\$ 13,368</u>	<u>\$ 4,226</u>	<u>\$ 5,973</u>	<u>\$ 10,676</u>	<u>\$ 287,774</u>
<u>At December 31, 2013</u>							
Cost	\$ 35,405	\$ 381,345	\$ 23,581	\$ 13,542	\$ 8,065	\$ 17,793	\$ 479,731
Accumulated depreciation	( 9,447)	( 153,772)	( 10,213)	( 9,316)	( 2,092)	( 7,117)	( 191,957)
	<u>\$ 25,958</u>	<u>\$ 227,573</u>	<u>\$ 13,368</u>	<u>\$ 4,226</u>	<u>\$ 5,973</u>	<u>\$ 10,676</u>	<u>\$ 287,774</u>

A. The Group leases certain machinery and automobiles, classified as machinery and transportation equipment, under finance lease. As of December 31, 2014 and 2013, the carrying value of the leased assets was \$64,051 and \$53,882, respectively.

B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(6) Long-term prepaid rent

Long-term prepaid rent pertains to the land use right contract with a term of 50 years signed by the Group with Republic of Indonesia. All rentals had been paid on the contract date. As of December 31, 2014 and 2013, the carrying amount of long-term prepaid rent was \$56,922 and \$57,804, respectively. For the years ended December 31, 2014 and 2013, the rental expense recognised was \$1,491 and \$1,482, respectively. The information of long-term prepaid rent pledged as collateral is provided in Note 8.

(7) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Bank borrowings		
Secured borrowings	\$ <u>229,076</u>	\$ <u>138,425</u>
Interest rate range	1.51%~13.00%	2.86%~13.00%

Details of assets pledged as collateral for borrowings is provided in Note 8.

(8) Long-term borrowings

		<u>December 31,</u>	
		<u>2014</u>	<u>2013</u>
<u>Type of Borrowings</u>	<u>Borrowing period</u>		
Long-term bank borrowings -secured			
2 years	Oct. 2014 to Sep. 2016	\$ 14,555	\$ -
3 years	Oct. 2014 to Sep. 2017	2,190	-
4 years	Aug. 2012 to Jul. 2016	-	21,595
		16,745	21,595
Less: current portion		( 9,090)	( 8,272)
		\$ <u>7,655</u>	\$ <u>13,323</u>
Interest rate range		12.00%	10.50%

Details of assets pledged as collateral for borrowings is provided in Note 8.

(9) Financial liabilities at fair value through profit or loss - current

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Current items:		
Non-hedging derivatives	\$ <u>171</u>	\$ <u>1,842</u>

A.The Group recognised net loss of \$2,370 and \$1,842 on financial liabilities at fair value through profit or loss for the years ended December 31, 2014 and 2013, respectively.

B.The non-hedging derivative instruments transaction and contract information are as follows:

Financial Instruments	December 31,			
	2014		2013	
	Contract Amount (Notional Principal)	Contract Period	Contract Amount (Notional Principal)	Contract Period
Forward foreign exchange	USD 200,000	Jan. 20, 2015~ Feb. 18, 2015	EUR 1,900,000	Jan. 27, 2014~ June 23, 2014

C.The Group entered into forward exchange transactions for presale of forward foreign exchange transactions to hedge exchange risks of export proceeds. However, these interest rate swap contracts are not accounted for under hedge accounting.

(10) Finance lease liabilities

The Group leases machinery and automobiles, classified as machinery and transportation equipment, under finance lease. The lease will expire in December 2019. Under the lease contract, future minimum lease payments and their present value are as follows:

	December 31, 2014		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
<u>Current</u>			
Not later than one year	\$ 10,172	\$ 1,315	\$ 8,857
<u>Non-current</u>			
(shown as 'long-term notes and payables')			
Later than one year but not later than five years	9,154	809	8,345
	<u>\$ 19,326</u>	<u>\$ 2,124</u>	<u>\$ 17,202</u>
	December 31, 2013		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
<u>Current</u>			
Not later than one year	\$ 12,977	\$ 1,560	\$ 11,417
<u>Non-current</u>			
(shown as 'long-term notes and payables')			
Later than one year but not later than five years	10,146	843	9,303
Over five years	923	19	904
	<u>11,069</u>	<u>862</u>	<u>10,207</u>
	<u>\$ 24,046</u>	<u>\$ 2,422</u>	<u>\$ 21,624</u>



(11) Pensions

A.Consolidated entity PT. Patec has a defined benefit pension plan in accordance with regulations of Republic of Indonesia. As of December 31, 2014 and 2013, the net amount of liabilities recognised in the balance sheet was \$2,945and \$2,005, respectively.

B.Other consolidated entities make monthly contributions to pension and post-retirement funds administered by the government in accordance with local benefit regulations.

(12) Share-based payments

A.On February 28, 2014, the Board of Directors has resolved to issue employee stock options of 1,500 units and has set the date as the grant date. Each employee stock option allows employees to purchase 1,000 ordinary shares.

B.The Group's share-based payment agreement is as follows:

<u>Type of agreement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting condition</u>
Employee stock options	2014.2.28	1,500 thousand shares	4 years	2-3 years service

C.Details of the share-based agreement are as follows:

	<u>2014</u>	
	<u>Number of options (in shares)</u>	<u>Weighted-average exercise price (in dollars)</u>
Options outstanding at beginning of the year	-	\$ -
Options granted	1,500,000	28
Options forfeited	-	-
Options exercised	-	-
Options outstanding at end of the year	<u>1,500,000</u>	<u>28</u>
Options exercisable at end of the year	<u>-</u>	<u>-</u>

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

<u>Issue date approved</u>	<u>Expiry date</u>	<u>December 31, 2014</u>	
		<u>No. of shares (in thousands)</u>	<u>Exercise price (in dollars)</u>
2014.2.28	2018.2.28	1,500	\$ 28

E. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Fair value at grant date (in dollars)	Exercise price (in dollars)	Expected price volatility
Employee stock options	2014.2.28	\$45	\$28	36.90%~37.31% (Note)
	Expected option life	Expected dividend rate	Risk-free dividend rate	Fair value per unit (in dollars)
	3~3.5 years	0%	0.83%~0.94%	\$20.39~\$21.12

Note: Expected price volatility rate was estimated by using the stock prices of the most recent period with length of this period approximate to the length of the stock options' expected life, and the standard deviation of return on the stock during this period.

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

	2014
Equity-settled	\$ 8,630

(13) Share capital

A. On April 17, 2014, the Board of Directors has resolved to increase capital by issuing ordinary shares of 1,500 thousand shares with a par value of NT\$10 (in dollars) per share, totaling \$60,000. All proceeds have been collected and change has been registered. 10% of shares is retained for employees and is recognised as costs for employees' stock option and capital surplus – issued at a premium of \$123.

B. As of December 31, 2014, the Company's authorized capital was \$300,670, consisting of 30,067 thousand shares of ordinary stock.

C. Movements in the number of the Company's ordinary shares (in thousands) outstanding are as follows:

	2014	2013
January 1	28,567	28,567
Cash capital increase	1,500	-
December 31	30,067	28,567

D. Events after balance sheet date: On March 27, 2015, the Board of Directors resolved to increase capital by issuing new shares of 3,800 thousand shares.

(14) Capital surplus

The Company's capital surplus arose from the paid-in capital in excess of par. Subject to the Cayman Company Rules, so long as the shares are listed on any securities exchange, the Company may use capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations to issue new shares to stockholders, provided that the Company has no accumulated deficit, as approved by the shareholders by way of a special resolution, in accordance with the Company's Articles of Incorporation.

(15) Retained earnings

A. The Company shall appropriate profit in accordance with the profit appropriation plan that is proposed by the Board of Directors and resolved by the shareholders at the stockholders' meeting.

B. Current year's earnings shall be used to offset prior years' operating losses. In accordance with the regulations, the Company shall set aside special reserve and appropriate no more than 3% of the remainder as remuneration to directors and supervisors and as bonus to employees. The remaining net income is appropriated in accordance with regulations after considering financial, business and operating plans. At least 10% of the Company's distributable earnings as of the end of the year shall be appropriated as dividends, and cash dividends shall account for at least 10% of total dividend distribution.

C.(a) For the years ended December 31, 2014 and 2013, employees' bonus was accrued at both \$0; while directors' and supervisors' remuneration was accrued at \$2,040 and \$0, respectively. Employees' bonus and directors' and supervisors' remuneration as resolved by the stockholders were in agreement with those amounts recognised in the financial statements for the same reporting period.

(b) Information about the appropriation of employees' bonus and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

D. On June 13, 2014, the shareholders resolved the distribution of earnings for 2013 as follows:

	2013	
	Amount	Dividend per share (in dollars)
Cash dividends	\$ 30,067	\$ 1.0

E. On March 27, 2015, the Board of Directors proposed the distribution of earnings for 2014 is as follows:

	2014	
	Amount	Dividend per share (in dollars)
Cash dividends	\$ 45,101	\$ 1.5

As of March 30, 2015, the distribution of earnings has not been resolved by the shareholders.

(16) Other gains and losses

	Year ended December 31,	
	2014	2013
Net currency exchange (losses) gains	(\$ 25,110)	\$ 7,143
Gains on disposal of property, plant and equipment	759	142,247
Share of profit (loss) of joint ventures accounted for using equity method	92	( 1,318)
Miscellaneous income (expenses)	868	( 3,402)
	<u>(\$ 23,391)</u>	<u>\$ 144,670</u>

(17) Expenses by nature

	Year ended December 31,	
	2014	2013
Employee benefit expense	\$ 326,171	\$ 242,729
Depreciation charges on property, plant and equipment	57,602	37,799

(18) Employee benefit expense

	Year ended December 31,	
	2014	2013
Wages and salaries	\$ 254,694	\$ 191,337
Employees' stock options	8,753	-
Labour and health insurance fees	14,517	18,085
Pension costs	33,071	21,583
Other personnel expenses	15,136	11,724
	<u>\$ 326,171</u>	<u>\$ 242,729</u>

(19) Income tax

A. Income tax expense

	Year ended December 31,	
	2014	2013
Current tax:		
Current tax on profits for the year	\$ 40,424	\$ 39,828
Adjustments in respect of prior years	302	-
Total current tax	<u>40,726</u>	<u>39,828</u>
Deferred tax:		
Origination of temporary differences	( 905)	3,573
Impact of change in tax rate	( 6,569)	-
Total deferred tax	<u>( 7,474)</u>	<u>3,573</u>
Income tax expense	<u>\$ 33,252</u>	<u>\$ 43,401</u>

- B. The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Year ended December 31,	
	2014	2013
Currency translation differences	(\$ 257)	(\$ 507)
Actuarial gains/losses on defined benefit obligations	144	( 115)
	<u>(\$ 113)</u>	<u>(\$ 622)</u>

- C. Reconciliation between income tax expense and accounting profit:

	Year ended December 31,	
	2014	2013
Tax calculated based on profit before tax and statutory tax rate	\$ 34,767	\$ 55,496
Prior year income tax overestimation	302	-
Effect from items disallowed by tax regulation	3,653	9,044
Effect from Alternative Minimum Tax	1,099	863
Effect of tax-exempt income	-	( 22,002)
Impact of change in tax rate	<u>( 6,569)</u>	<u>-</u>
Income tax expense	<u>\$ 33,252</u>	<u>\$ 43,401</u>

D. Amounts of deferred tax as a result of temporary differences are as follows:

Temporary differences:	Year ended December 31, 2014			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Unrealised gain on disposal of property, plant and equipment	\$ 14,005	\$ 413	\$ -	\$ 14,418
Others	<u>2,342</u>	<u>476</u>	<u>144</u>	<u>2,962</u>
	<u>\$ 16,347</u>	<u>\$ 889</u>	<u>\$ 144</u>	<u>\$ 17,380</u>
Deferred tax liabilities:				
Book-tax difference in the basis of property, plant and equipment	(\$ 1,461)	(\$ 360)	\$ -	(\$ 1,821)
Book-tax difference in the basis of finance lease	( 4,639)	( 1,824)	-	( 6,463)
Investment income of long-term equity investments	( <u>13,491</u> )	<u>8,769</u>	( <u>257</u> )	( <u>4,979</u> )
	<u>(\$ 19,591)</u>	<u>\$ 6,585</u>	<u>(\$ 257)</u>	<u>(\$ 13,263)</u>
Temporary differences:	Year ended December 31, 2013			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Unrealised gain on disposal of property, plant and equipment	\$ 15,472	(\$ 1,467)	\$ -	\$ 14,005
Others	<u>1,361</u>	<u>1,096</u>	( <u>115</u> )	<u>2,342</u>
	<u>\$ 16,833</u>	<u>(\$ 371)</u>	<u>(\$ 115)</u>	<u>\$ 16,347</u>
Deferred tax liabilities:				
Book-tax difference in the basis of property, plant and equipment	(\$ 7,710)	\$ 6,249	\$ -	(\$ 1,461)
Book-tax difference in the basis of finance lease	( 3,018)	( 1,621)	-	( 4,639)
Investment gain of long-term equity investments	( <u>5,154</u> )	( <u>7,830</u> )	( <u>507</u> )	( <u>13,491</u> )
Others	<u>(\$ 15,882)</u>	<u>(\$ 3,202)</u>	<u>(\$ 507)</u>	<u>(\$ 19,591)</u>

- E. The Company considers its environment, growing stage to fulfill future capital needs, long-term financial planning and meeting shareholders' needs for dividend distribution from cash inflow. In accordance with local government regulations of Wuxi Jingxin and PT. Patec Presisi Engineering, a 5~10% and 10~20% tax imposed on the remittance of cash dividends, respectively.
- F. On May 3, 2013, the Board of Directors of Wuxi Jingxin has resolved that the company's net income shall first be used to offset accumulated deficit from prior years and to set aside 10% of the remainder, if any, as reserve. Special reserve shall be set aside in accordance with the regulations or the authorities. Dividend or bonus is distributed after taking financial, business and operating factors into consideration. In principle, dividend distribution is 70% of the earnings for the year, however, actual operating needs are considered for maintaining funds.

(20) Earnings per share

Year ended December 31, 2014			
		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>	<u>Amount after tax</u>		
Profit attributable to ordinary shareholders of the parent	\$ 102,009	29,488	\$ 3.46
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	102,009	29,488	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	205	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 102,009	29,693	\$ 3.44



Year ended December 31, 2013			
		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>	<u>Amount after tax</u>		
Profit attributable to ordinary shareholders of the parent	\$ 240,765	28,567	\$ 8.43
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	240,765	28,567	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 240,765	28,567	\$ 8.43

(21) Operating leases

The Group leases land and buildings to others under non-cancellable operating lease agreements. The leases will expire in July 2024. The Group has recognised \$25,686 and \$26,375 as rental expenses for the years ended December 31, 2014 and 2013, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31,	
	2014	2013
Not later than one year	\$ 18,341	\$ 14,971
Later than one year but not later than five years	37,702	36,401
Later than five years	41,485	44,325
	<u>\$ 97,528</u>	<u>\$ 95,697</u>

(22) Non-cash transaction

	Year ended December 31,	
	2014	2013
Assets acquired through finance leasing	<u>\$ 8,272</u>	<u>\$ 6,390</u>

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions and balances

A. Processing expense

	Year ended December 31,	
	2014	2013
Associates	<u>\$ 3,761</u>	<u>\$ 8,108</u>

The processing charges by related party are determined in accordance with mutual agreement and the payment term is 30 days from the first day of the month following the purchase.

## B. Other receivables

- (a) The Group's subsidiary, PT. Patec, has leased certain plants to the Group's joint venture. The rent is calculated based on the actual area used under the local market rental rates. The rental income from the Group's joint venture was \$286 and \$472 for the years ended December 31, 2014 and 2013, respectively.
- (b) As of December 31, 2014 and 2013, the other receivables collectible from joint venture was \$0 and \$210, respectively, which includes the operating expense (electricity bill, communication and maintenance expense) amortised under aforementioned lease agreements to joint venture.

## C. Payables

- (a) Accounts payable

	December 31,	
	2014	2013
Associates	\$ -	\$ 1,998

The payables to associates arise mainly from purchase transactions. The payables bear no interest.

- (b) Others - management and consulting expenses

For the years ended December 31, 2014 and 2013, the management and consulting expenses paid to other related party - PT. PRESISI CIKARANG MAKMUR was \$1,826 and \$5,910, respectively. As of December 31, 2014 and 2013, the remaining other payables amounted to \$12,691 and \$9,932, respectively.

## D. Loans to/from related parties:

- (a) Loans to related parties

- i. Outstanding balance:

	December 31,	
	2014	2013
Associates	\$ -	\$ 5,033

- ii. Interest income

	Year ended December 31,	
	2014	2013
Associates	\$ 152	\$ -

The loans carry interest at 6% per annum for the year ended December 31, 2014.

- (b) Loans from related parties

- Interest expense

	Year ended December 31,	
	2014	2013
Key management	\$ 318	\$ 427
Other related parties	-	1,042
	\$ 318	\$ 1,469

The Group has repaid all loans from key management in 2014. The loans carry interest at 0%~10% for the years ended December 31, 2014 and 2013.

(2) Key management compensation

	Year ended December 31,	
	2014	2013
Salary and benefits	\$ 34,807	\$ 32,549
Employees' stock options	3,336	-
	<u>\$ 38,143</u>	<u>\$ 32,549</u>

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

	Book value		
	December 31,		
<u>Pledged asset</u>	<u>2014</u>	<u>2013</u>	<u>Purpose</u>
Property, plant and equipment	\$ 99,840	\$ 74,735	Short-term and long-term borrowings and finance lease liabilities
Accounts receivable	-	12,346	Short-term and long-term borrowings
Inventories	-	30,032	"
Long-term prepaid rent	57,494	57,804	"
Other financial assets			
-current			
-time deposits	167,032	108,343	Short-term borrowings
	<u>\$ 324,366</u>	<u>\$ 283,260</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

As of December 31, 2014, except for Notes 6(10) and (21), there was no other significant commitments and contingencies.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A. For significant events after balance sheet date, please refer to Notes 6(13) and (15).

B. On March 5, 2015, the Group's subsidiary, PATEC, has received a notice from the lawyer of its distributor, CW CONTINENTAL CORP. ("CW"), claiming that PATEC did not deliver goods at the agreed upon date and resulted in CW's clients terminating contracts. CW claims for the following compensation for the business dispute: (1) compensation of SGD\$1,182 thousand; (2) possible compensation of SGD\$2,486 thousand that CW might pay to the ultimate clients; and (3) litigation fees that CW will pay for the dispute. In accordance with Lawyer ChelvaRetnam Rajah, SC of the Singapore firm Tan Rajah & Cheah, the Group shall pay SGD\$2,000 thousand (approximately NT\$44,500) at most to CW for compensation and litigation fees. A hearing must be held in Singapore during legal proceedings, cases will be registered when the court deems

necessary after hearing claims from the plaintiff and defendant. Furthermore, as CW is considered a foreign company in Singapore, the Group requires CW to deposit security for litigation costs at the Singapore Court before holding a hearing. As of the report date, the Group has not received any notification for court hearing.

Furthermore, in accordance with the abovementioned lawyer's assessment, the case is still at its early stage and the burden of proof lies with CW. If the Group can prove that there is no problem arising from delivery process and product quality, CW is likely to lose.

## 12. OTHERS

### (1) Capital 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 paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Relevant liability and capital ratios are provided in balance sheets for each period end.

#### A. Fair value information of financial instruments

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, accounts receivable, other receivables, short-term loans, accounts payable, other payables and long-term borrowings on a floating interest rate basis) are approximate to their fair values. 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 cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written 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

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

B. Management has set up a policy to require group companies to manage their foreign

exchange risk against their functional currency. 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.

C.The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

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

December 31, 2014			
(Foreign currency: functional currency)	Foreign Currency		Book Value
	Amount	Exchange Rate	
	(In Thousands)		
<u>Financial assets</u>			
<u>Monetary items</u>			
EUR: RMB	\$ 2,625	7.33	\$ 100,510
USD: RMB	1,527	6.14	48,946
IDR: USD	29,881,997	0.00008	76,781
USD: SGD	4,028	1.33	129,077
<u>Financial liabilities</u>			
<u>Monetary items</u>			
IDR: USD	35,767,288	0.00008	91,903
USD: SGD	5,831	1.33	186,888
December 31, 2013			
(Foreign currency: functional currency)	Foreign Currency		Book Value
	Amount	Exchange Rate	
	(In Thousands)		
<u>Financial assets</u>			
<u>Monetary items</u>			
EUR: RMB	\$ 2,041	8.30	\$ 83,547
USD: RMB	1,220	6.10	36,710
IDR: USD	21,360,148	0.00008	53,291
USD: SGD	2,210	1.27	66,508
<u>Financial liabilities</u>			
<u>Monetary items</u>			
IDR: USD	31,923,220	0.00008	79,645
SGD: HUF	3,074	173.46	73,049

E. Analysis of foreign currency market risk arising from significant foreign exchange variation:

(Foreign currency: functional currency)	Year ended December 31, 2014		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
EUR: RMB	1%	\$ 1,005	\$ -
USD: RMB	1%	489	-
IDR: USD	1%	768	-
USD: SGD	1%	1,291	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
IDR: USD	1%	919	-
USD: SGD	1%	1,869	-
(Foreign currency: functional currency)	Year ended December 31, 2013		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
EUR: RMB	1%	\$ 835	\$ -
USD: RMB	1%	367	-
IDR: USD	1%	533	-
USD: SGD	1%	665	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
IDR: USD	1%	796	-
USD: SGD	1%	730	-

Interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the simulations performed, the impact on post-tax profit of a 0.1% shift would be a maximum increase of \$203 and \$175 or decrease of \$203 and \$175 for the years ended December 31, 2014 and 2013, respectively. The simulation is done on a quarterly

basis to verify that the maximum loss potential is within the limit given by the management.

(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 analysing 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. 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.
- ii. Management does not expect any significant losses from non-performance by these counterparties.
- iii. The credit quality information of financial assets that are neither past due nor impaired and the ageing analysis of financial assets that were past due but not impaired are provided in Note 6(2).
- iv. The analysis of financial assets that had been impaired is provided in Note 6(2).

(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 at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are invested in time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.
- iii. As of December 31, 2014 and 2013, except for non-current liabilities, the Group's short-term borrowings, accounts payable and other payables are all due within one year. The balance of cash flow within one year is undiscounted and agrees with each account's balance under the balance sheets.

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

Non-derivative  
financial liabilities:

December 31, 2014	Less than <u>3 months</u>	Between 3 months <u>and 1 year</u>	Between 1 and 2 <u>years</u>	Between 2 and 5 <u>years</u>	Over 5 <u>years</u>
Long-term borrowings (including current portion)	\$ 1,754	\$ 5,721	\$ 6,514	\$ 647	\$ -
Finance lease liabilities	4,415	5,256	4,782	4,873	-
December 31, 2013	Less than <u>3 months</u>	Between 3 months <u>and 1 year</u>	Between 1 and 2 <u>years</u>	Between 2 and 5 <u>years</u>	Over 5 <u>years</u>
Long-term borrowings (including current portion)	\$ 2,129	\$ 6,757	\$ 9,256	\$ 5,502	\$ -
Finance lease liabilities	3,711	9,266	6,267	3,879	923

- v. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(2) Fair value estimation

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

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

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

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

As of December 31, 2014, the Group's financial liabilities that are measured at fair value were categorised as level 2. Details are provided in Note 6(9).

B. Specific valuation techniques used to value financial liabilities that are measured at fair value and are categorised at level 2 include:

(a) Quoted market prices or dealer quotes for similar instruments.

(b) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.



### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

Year ended December 31, 2014

A. Loans to others:

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Maximum outstanding balance during the year ended December 31, 2014 (Note 3)	Balance at December 31, 2014	Actual amount drawn	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
												Item	Value			
0	PATEC PRECISION INDUSTRY CO., LTD.	PATEC PTE. LTD.	Other receivables	\$ 64,096	\$ 64,096	\$ 33,953	5%	2	\$ -	Capital needs	\$ -	-	\$ -	\$ 97,546	\$ 390,184	Note 8
1		Patec Precision Kft	Other receivables	95,758	-	-	5%	2	-	Capital needs	-	-	-	954,422	954,422	Note 8
1		PT. PATEC PRESISI ENGINEERING	Other receivables	44,867	44,867	30,445	3%	1,2	4,807	Capital needs & purchase of equipment	-	-	-	95,442	381,769	Note 8
1		PT. API Precision	Other receivables	20,832	20,832	20,832	3%	2	-	Capital needs	-	-	-	95,442	381,769	Note 8
1		PT. PDF PRESISI ENGINEERING	Other receivables	14,582	14,582	14,582	3%	1	14,582	Purchase of equipment	-	-	-	95,442	381,769	Note 8
2	Press Automation Technology Pte. Ltd.	PATEC PTE. LTD.	Other receivables	120,068	24,014	24,014	5%	2	-	Capital needs	-	-	-	220,390	220,390	Note 8
2	Press Automation Technology Pte. Ltd.	PT. PATEC PRESISI ENGINEERING	Other receivables	32,048	-	-	3%	2	-	Capital needs	-	-	-	22,039	88,156	Note 8
3	Wuxi Jingxin Precision Machining Co. Ltd.	Wuxi Baida Precision Molding Co., Ltd.	Other receivables	31,338	-	-	0%	2	-	Capital needs	-	-	-	78,173	312,691	Note 8

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Maximum outstanding balance during the year ended December 31, 2014 (Note 3)	Balance at December 31, 2014	Actual amount drawn	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
												Item	Value			
4	PT. PATEC PRESISI ENGINEERING	PT. API Precision	Other receivables	\$ 35,790	\$ 30,446	\$ 22,434	6%	2	\$ -	Capital needs	\$ -	-	\$ -	28,526	114,104	Note 8
4	PT. PATEC PRESISI ENGINEERING	PT.PDF PRESISI ENGINEERING	Other receivables	36,433	22,434	21,368	3,5~10%	2	-	Capital needs	-	-	-	28,526	114,104	Note 8

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Fill in the name of account in which the loans are recognised, such as receivables-related parties, current account with stockholders, prepayments, temporary payments, etc.

Note 3: Fill in the maximum outstanding balance of loans to others for the year ended December 31, 2014.

Note 4: The column of 'Nature of loan' shall fill in 'Business transaction' or 'Short-term financing'.

(1) Business transaction shall fill in 1.

(2) Short-term financing shall fill in 2.

Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6: Fill in purpose of loan when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7: Fill in limit on loans granted to a single party and ceiling on total loans granted as prescribed in the creditor company's "Procedures for Provision of Loans", and state each individual party to which the loans have been provided and the calculation for ceiling on total loans granted in the footnote.

Note 8: The limit on total financing and financing to individuals shall not be more than 40% and 10% the Company's net asset, respectively.

If the borrowing is in between foreign subsidiaries whose voting rights are directly and indirectly wholly owned by the Company and the short-term borrowing is necessary, the limit is 100% of the lender company's net asset and the financing period shall not be no longer than 5 years.

B.Provision of endorsements and guarantees to others:

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement /guarantee amount as of December 31, 2014	Outstanding endorsement /guarantee amount at December 31, 2014 (Note 5)	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Foot note
		Company name	Relations hip with the endorser/ guarantor (Note 2)											
0	PATEC PRECISION INDUSTRY CO., LTD.	PATEC PTE. LTD.	2	\$ 195,092	\$ 192,289	\$ 192,289	\$ 44,867	\$ -	20%	\$ 390,184	\$ -	\$ -	\$ -	Note 4
1	PATEC PTE. LTD.	Patec Precision Kft	3	190,884	18,422	17,228	-	-	2%	381,769	-	-	-	Note 4
1	PATEC PTE. LTD.	PT. PATEC PRESISI ENGINEERING	3	190,884	48,072	48,072	-	14,422	5%	381,769	-	-	-	Notes 4 and 7
2	Wuxi Jingxin Precision Machining Co. Ltd.	PATEC PTE. LTD.	4	234,518	83,897	62,676	62,676	62,676	8%	781,728	-	-	-	Notes 3 and 6
3	PT. PATEC PRESISI ENGINEERING	PT.PDF PRESISI ENGINEERING	2	57,052	15,104	12,847	77	-	10%	114,104	-	-	-	Note 4
3	PT PATEC PRESISI ENGINEERING	PT. API Precision	2	57,052	16,445	16,445	-	-	10%	114,104	-	-	-	Note 4

Note 1:The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2:Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories:

(1)Having business relationship.

(2)The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3)The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

(4)The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.

(5) Mutual guarantee of the trade as required by the construction contract.

(6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: The endorsement amount guaranteed by the Company shall not exceed the Company's net assets for the period, and the endorsement for any individual company shall not exceed 30% of the Company's net assets for the period. If the endorsement is for business relationship, the limit shall not exceed the total transaction amount for the latest year (purchases or sales, whichever is higher). The net assets are based on the latest financial statements audited or reviewed by independent accountants.

Note 4: The endorsement amount guaranteed by the Company shall not exceed 40% of the Company's net assets for the period, and the endorsement for any individual company shall not exceed 20% of the Company's net assets for the period. If the endorsement is for business relationship, the limit shall not exceed the total transaction amount for the latest year (purchases or sales, whichever is higher). The net assets are based on the latest financial statements audited or reviewed by independent accountants.

Note 5: Once endorsement/guarantee contracts or promissory notes are signed/issued by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities. All other events involving endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

Note 6: Wuxi Jingxin Precision Machining Co. Ltd. pledged certificate of deposit amounting to RMB\$12,000,000 as collaterals for PATEC PTE. LTD.

Note 7: PATEC PTE. LTD. pledged certificate of deposit amounting to USD\$450,000 as collateral for PT. PATEC PRESISI ENGINEERING.

Note 8: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital:

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2014		Addition (Note 3)		Disposal (Note 3)				Balance as at December 31, 2014	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
PATEC PTE. LTD.	Patec Precision Kft	Long-term equity accounted for using equity method	Patec Precision Kft	Subsidiary	-	\$ 88,597	-	\$ 122,046	-	\$ -	\$ -	\$ -	-	\$ 210,643

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach \$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

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

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

G.Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more:

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Press Automation Technology Pte Ltd.	PATEC PTE. LTD.	Affiliate company	Sales	\$ 131,731	76	90~150 days after monthly billings	In accordance with mutual agreement	Terms cannot be compared to third party transactions because terms are based on customers' industry characteristics	\$ 25,499	45	-
PATEC PTE. LTD.	Press Automation Technology Pte Ltd.	Affiliate company	Purchase	131,731	93	90~150 days after monthly billings	In accordance with mutual agreement	Terms cannot be compared to third party transactions because terms are based on customers' industry characteristics	( 25,499)	94	-

H.Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.

I.Derivative financial instruments undertaken during the year ended December 31, 2014: Please refer to Note 6(9).

J. Significant inter-company transactions during the year ended December 31, 2014:

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Patec Precision Industry Co., Ltd.	PATEC PTE. LTD.	1	Other receivables	\$ 33,953	Lending of capital	3%
1	PATEC PTE. LTD.	PT. PATEC PRESISI ENGINEERING	3	Other receivables	30,445	Lending of capital	1%
1	PATEC PTE. LTD.	PT. API PRECISION	3	Other receivables	20,832	Lending of capital	1%
2	Press Automation Technology Pte. Ltd.	PATEC PTE. LTD.	3	Other receivables	24,014	Lending of capital	1%
2	Press Automation Technology Pte. Ltd.	PT. PATEC PRESISI ENGINEERING	3	Other receivables	28,275	90~150 days after monthly billings	1%
2	Press Automation Technology Pte. Ltd.	PATEC PTE. LTD.	3	Sales revenue	131,731	90~150 days after monthly billings	8%
2	Press Automation Technology Pte. Ltd.	PATEC PTE. LTD.	3	Accounts receivable	25,499	90~150 days after monthly billings	1%
3	Wuxi Baida Precision Molding Co., Ltd.	Press Automation Technology Pte. Ltd.	3	Sales revenue	41,157	90~150 days after monthly billings	2%
4	PT. PATEC PRESISI ENGINEERING	PT. API PRECISION	3	Other receivables	22,434	Lending of capital	1%
4	PT. PATEC PRESISI ENGINEERING	PT. PDF PRESISI ENGINEERING	3	Other receivables	21,368	Lending of capital	1%
5	Yancheng Jingxin Precision Machining Co., Ltd.	Wuxi Jinxin Precision Molding Co., Ltd.	3	Processing revenue	25,370	60 days after monthly billings	2%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

(2) Information on investees (Not including investments in Mainland China)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2014			Net profit (loss) of the investee for the year ended December 31, 2014	Investment income (loss) recognised by the Company for the year ended December 31, 2014	Footnote
				Balance as at December 31, 2014	Balance as at December 31, 2013	Number of shares (in thousand shares)	Ownership (%)	Book value			
Patec Precision Industry Co., Ltd.	PATEC PTE. LTD.	Singapore	Investment holding and trading of press machines	\$ 280,812	\$ 280,812	16,422	100%	\$ 954,422	\$ 116,656	\$ 116,656	-
PATEC PTE. LTD.	Press Automation Technology Pte. Ltd.	Singapore	Assembly and sale of machinery and equipment	258,508	258,508	2,047	100%	240,452	11,476	14,603	-
PATEC PTE. LTD.	Patec Precision Kft	Hungary	Manufacturing and sale of elements of automobiles	210,643	88,597	-	100%	76,472	( 22,150)	( 23,728)	-
Press Automation Technology Pte. Ltd.	PT. PATEC PRESISI ENGINEERING	Indonesia	Manufacturing and sale of elements of motorcycles	121,681	89,696	3,780	70%	171,420	12,352	13,111	-
PT. PATEC PRESISI ENGINEERING	PT. PDF PRESISI ENGINEERING	Indonesia	Manufacturing and sale of elements of automobiles and motorcycles	10,440	10,440	350	70%	3,742	641	314	-
PT. PATEC PRESISI ENGINEERING	PT. API PRECISION	Indonesia	Manufacturing and sale of elements of automobiles and motorcycles	20,796	14,914	938	75%	5,600	( 3,397)	( 2,628)	-

(3)Information on investments in Mainland China

A.Basic information

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2014	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2014		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2014	Net income of investee for the year ended December 31, 2014	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2014 (Note 2 )	Book value of investments in Mainland China as of December 31, 2014	Accumulated Amount of investment income remitted back to Taiwan as of December 31, 2014	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Wuxi Jingxin Precision Machining Co., Ltd.	Manufacturing and sale of elements of automobiles	\$ 201,723	(2)	\$ -	\$ -	\$ -	\$ -	\$ 134,922	85%	\$ 113,450	\$ 663,393	\$ 80,171	-
Wuxi Baida Precision Molding Co., Ltd.	Assembly and sale of machinery and equipment	52,230	(2)	-	-	-	-	16,155	85%	12,759	63,705	-	-
Yancheng Jingxin Precision Machining Co., Ltd.	Manufacturing and sale of elements of automobiles	26,115	(2)	-	-	-	-	8,334	85%	7,098	28,923	-	-

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2014	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Not applicable			

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

- (1)Directly invest in a company in Mainland China.
- (2)Through investing in PATEC PTE. LTD. in the third area
- (3)Others

Note 2:In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2014' column, basis for investment income (loss) recognition is the financial statements that are audited and attested by R.O.C. parent company's CPA.

Note 3:The numbers in this table are expressed in New Taiwan Dollars.

B. Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas: Please refer to Note 13(1) J.



## 14. SEGMENT INFORMATION

### (1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group manufactures and sells customized machinery and equipment and elements of automobiles and motorcycles from a geographic perspective and provides information for the chief operating decision-maker to review. The areas of sales and order receiving are separated into four major areas which are Singapore, China, Indonesia and Europe. The Company's chief operating decision-maker also separates into these four areas when managing finance and reviewing operating performance, therefore, Singapore, China, Indonesia and Europe shall be reportable segments.

### (2) Measurement of segment information

The chief operating decision-maker assesses the performance of operating segments based on segment revenues and profit or loss after tax.

### (3) Information about segments and their profit or loss

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	Year ended December 31, 2014					
	<u>Singapore</u>	<u>Indonesia</u>	<u>China</u>	<u>Europe</u>	<u>Reconciliation</u>	<u>Total</u>
Revenue from external customers						
Machinery and equipment	\$ 187,058	\$ -	\$ 31,177	\$ -	\$ -	\$ 218,235
Elements of motorcycles	-	274,352	-	-	-	274,352
Elements of automobiles	-	115,779	929,742	73,648	-	1,119,169
Processing income	-	-	44,000	-	-	44,000
	187,058	390,131	1,004,919	73,648	-	1,655,756
Inter-segment revenue	41,320	-	63,366	-	(104,686)	-
Total segment revenue	<u>\$ 228,378</u>	<u>\$ 390,131</u>	<u>\$ 1,068,285</u>	<u>\$ 147,296</u>	<u>(\$ 104,686)</u>	<u>\$ 1,655,756</u>
Total segment profit (loss)	<u>\$ 567</u>	<u>\$ 13,842</u>	<u>\$ 134,922</u>	<u>(\$ 22,151)</u>	<u>(\$ 2,136)</u>	<u>\$ 125,044</u>
Segment income (loss):						
Depreciation	(\$ 3,962)	(\$ 26,899)	(\$ 23,594)	(\$ 4,672)	\$ 1,525	(\$ 57,602)
Income tax benefit (expense)	(\$ 343)	(\$ 10,548)	(\$ 29,816)	(\$ 1,099)	\$ 8,554	(\$ 33,252)

	Year ended December 31, 2013					
	<u>Singapore</u>	<u>Indonesia</u>	<u>China</u>	<u>Europe</u>	<u>Reconciliation</u>	<u>Total</u>
Revenue from external customers						
Machinery and equipment	\$ 97,967	\$ -	\$ 59,344	\$ -	\$ -	\$ 157,311
Elements of motorcycles	-	291,812	-	-	-	291,812
Elements of automobiles	-	69,967	738,884	42,275	-	851,126
Processing income	-	-	14,646	-	-	14,646
	97,967	361,779	812,874	42,275	-	1,314,895
Inter-segment revenue	14,038	-	27,244	48	( 41,330)	-
Total segment revenue	<u>\$ 112,005</u>	<u>\$ 361,779</u>	<u>\$ 840,118</u>	<u>\$ 42,323</u>	<u>(\$ 41,330)</u>	<u>\$ 1,314,895</u>
Total segment profit (loss)	<u>\$ 133,904</u>	<u>\$ 23,684</u>	<u>\$ 125,839</u>	<u>(\$ 73)</u>	<u>(\$ 18,220)</u>	<u>\$ 265,134</u>
Segment income (loss):						
Depreciation	(\$ 4,534)	(\$ 18,966)	(\$ 18,316)	(\$ 3,158)	\$ 7,175	(\$ 37,799)
Income tax benefit (expense)	\$ 6,242	(\$ 9,551)	(\$ 30,275)	(\$ 562)	(\$ 9,255)	(\$ 43,401)
Investment loss under equity method	\$ -	(\$ 1,318)	\$ -	\$ -	\$ -	(\$ 1,318)

Note: Because the measuring amount of the Group's assets does not include the measuring amount of segment assets reviewed by the chief operating decision-maker, therefore, the measuring amount of assets to be disclosed is \$0 in accordance with IFRS 8, 'Operating Segments'.

(4) Reconciliation for segment income (loss)

As the Group's chief operating decision-maker evaluates segment performance and determines how to allocate resources based on segment revenue and profit or loss, sales between segments are carried out at arm's length. The revenue from external parties reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income. The accounting policies of the operating segments are in agreement with the significant accounting policies summarized in Note 4, therefore, no adjustment to operating profit or loss is needed.

(5) Information on products and services

Please refer to Note 14(3).

(6) Major customer information

Major customer information of the Group for the years ended December 31, 2014 and 2013 is as follows:

	Years ended December 31,			
	2014		2013	
	<u>Revenue</u>	<u>Segment</u>	<u>Revenue</u>	<u>Segment</u>
Customer A	\$ 622,121	China	\$ 514,367	China
Customer B	163,948	Indonesia	172,069	Indonesia