TSE：2236

PATEC®

Patec Precision Industry Co., Ltd.

2019 Annual Report

Printed on May 22, 2020

Annual report inquiry website
Market Observation Post System: http://mops.twse.com.tw

I. Spokesman:

Name: Wee Liang-Kiang
Title: General Manager
Tel: (65) 6257-8122
E-mail: michaelwee@patec-intl.com
Deputy Spokesman:
Name: Sean Hsu
Title: CFO
Tel: (886) 2-7745-8530
E-mail: seanhsu@patec-intl.com

II. Contact information of the headquarters, branch offices and subsidiaries:

(I) Headquarters

Name:	Patec Precision Industry Co., Ltd.
Address:	190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands
Company website:	www.patec-intl.com
Tel:	(65) 6257-8122

(II) Branch offices and subsidiaries:

Name:	Patec Pte. Ltd.
Address:	54 Serangoon North Avenue4 #05-01 Cyberhub North Singapore 555854
Tel:	(65) 6257-8122
Name:	Patec Precision Industry Co., Ltd. (Taiwan)
Address:	14F., No. 137, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)
Tel:	(886) 2-7745-8530
Name:	Press Automation Technology Pte. Ltd.
Address:	54 Serangoon North Avenue4 #05-01 Cyberhub North Singapore 555854
Tel:	(65) 6257-8122
Name:	Wuxi Jingxin Precision Machining Co., Ltd.
Address:	No. C21-1, Shuofang Industrial Park Area, Phase 5, Xinwu Dist., Wuxi, China.
Tel:	(86) 510-8531-1462
Name:	PT. PatecPresisi Engineering
Address:	Jl. Angsana Raya BlokL 3-01 Delta Silicon Industrial Park, Lippo Cikarang, Bekasi 17550, Indonesia
Tel:	(62) 21-8990-8366

(III) Name, job title, contact telephone number, and e-mail address of the litigious and non-litigious agent within the R.O.C.

Name:	Jack Liu
Title:	Associate general manager of Sales
Tel:	(886) 2-7745-8530
E-mail:	jackliu@patec-intl.com

III. Overseas trade places for listed negotiable securities:

Name:	Transfer Agency Department of CTBC Bank Co., Ltd.
Address:	5F., No. 83, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)
Official website:	www.chinatrust.com.tw
Tel:	(886) 2-6636-5566

IV. Names of CPAs who attested the financial report for the most recent year, and the CPA firm names, addresses, web addresses, and telephone numbers.

Name of CPA:	CPA Chin-Chang Chen and CPA Yi-Fan Lin
CPA firm:	PricewaterhouseCoopers (PwC) Taiwan
Address:	27F., No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)
Official website:	www.pwc.com.tw
Tel:	(02) 2729-6666

V. The name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on said offshore securities: None.

VI. Company website: www.patec-intl.com

VII. List of directors

Title	Name	Nationality	Main experience and education
Director	Goh Mui Teck William	Singapore	Senior Cambridge Examination Mayertro Electronics Pte. Ltd. sales and marketing manager Motorola Electronics Pte. Ltd. sales and marketing manager JIT Holdings Ltd. deputy chairman and group executive director
Director	Wee Liang Kiang	Singapore	PhD in Industrial and Business Management, West Coast University Production Engineer of Fujitec Maxton Intl Pte. Ltd. sales manager Business manager of Komatsu Ltd., Japan
Director	Wee Hong Jie	Singapore	Royal Melbourne Institute of Technology Bachelor’s degree in Mechanical Engineering and Business Management, Royal Melbourne Institute of Technology Sales Manager of Patec Pte. Ltd.
Director	Hidaka Hiroyuki	Japan	Aeronautical Maintenance of Tokyo Aeronautical Engineering College Performance Efficiency of Sanno College Sales Manager of Press Automation Technology Pte. Ltd.
Independent Director	Yen Chun Te	R.O.C.	Bachelor’s degree in Accounting, Tunhai University CFO of Softstar Entertainment Inc.

Title	Name	Nationality	Main experience and education
Independent Director	Tan Jee Yaw	Singapore	Nanyang Technological University Bachelor's degree in Accounting, Nanyang Technological University Manager of Barclays Audit Manager of PwC Singapore Qualified CPA in Singapore Qualified CFA
Independent Director	Ernest Yogarajah Balasubramaniam	Singapore	National University of Singapore Master's degree in Law Arfat Selvan Alliance LLC

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One. Letter to Shareholders

2019 Business Report
Dear Shareholders:

First of all, I would like to thank all shareholders for setting aside time from your busy schedules to participate in the 2020 Annual Shareholders' Meeting of the Company. Your encouragement and support towards our company is greatly appreciated. In 2019, global car sales reached 90.3 million cars, with a drop rate of 4.3%. It’s the first time drop from achieving peak in 2018. The global automobile market contraction mainly comes from the China's automobile market, its consumption kinetic energy is sluggish, automobile supply chain stop production and layoffs, furthermore make structural adjustments to destock. In addition, India, which was the world's fourth largest automobile market, has also reduced lending due to economic slowdown and non-bank financial institutions. Impacted its annual car sales decreased by 13%, and become fifth market in the world. Most industry observations speculate that global car sales are likely to continue to decline in 2020, and the challenge to the company's operations will be greater.

The company's main markets are in China and Europe. China's automobile industry was friction from the Sino-US trade war and decline of China economic growth slows down. Reducing people ’s willingness to buy cars has weakened consumption momentum. It was a 8.2% decline with 22.7 millions cars, with 28.5% global automobile market. While the European market is implementing new emission standards in 2020 instead stimulates consumers to buy cars. Otherwise The European market was affected by the weak global economy, the Sino-US trade war and the sluggish industry. The sales volume declined from January to August.

I. Business performance in 2019

The company's operating conditions for the year 2019, benefited from the Volkswagen Group's various new car announcements and the increase in the penetration rate of the MQB (Modularer Querbaukasten) platform, the sales amount was NTD 1.53 billion. The press machines sales amount was NTD 166 million. However, in terms of motorcycle parts, the sales volume was NTD 80 million. In summary, the overall performance of the company was NTD 1.8billion, a drop of 18.08% from 2018.

Unit: NT$’000; %

<table>
<tr><th colspan="3">Year / Analysis</th><th>2018</th><th>2019</th><th>Increase (Decrease) %</th></tr>
<tr><td rowspan="3">P&L</td><td colspan="2">Sales</td><td>2,191,727</td><td>1,795,565</td><td>(18.08)</td></tr>
<tr><td colspan="2">Gross Profit</td><td>608,758</td><td>437,621</td><td>(28.11)</td></tr>
<tr><td colspan="2">Income after tax</td><td>164,086</td><td>52,296</td><td>(68.13)</td></tr>
<tr><td rowspan="7">Profitability</td><td colspan="2">Return on assets (%)</td><td>7.83</td><td>2.74</td><td>(65.01)</td></tr>
<tr><td colspan="2">Return on equity (%)</td><td>12.57</td><td>3.90</td><td>(68.97)</td></tr>
<tr><td rowspan="2">Ratio of register capital (%)</td><td>Operating profit</td><td>53.38</td><td>25.21</td><td>(52.77)</td></tr>
<tr><td>Income before tax</td><td>54.41</td><td>24.96</td><td>(54.13)</td></tr>
<tr><td colspan="2">Net profit rate (%)</td><td>7.49</td><td>2.91</td><td>(61.15)</td></tr>
<tr><td colspan="2">Basic EPS (dollar)</td><td>3.57</td><td>0.88</td><td>(75.35)</td></tr>
<tr><td colspan="2">Diluted EPS (dollar)</td><td>3.31</td><td>0.88</td><td>(73.41)</td></tr>
</table>

II. 2020 Business plan

In the first quarter, due to the Covid-19 spread rapidly all over the world. It makes a major impact on the economies of various countries. In addition, the Sino-US trade offensive and defensive war has not subsided, adding to the uncertainty of the impact on the global economy. However, the industry predicts that the global automotive consumer market will continue to slow down. The company has begun to adjust the direction of industrial policies in consideration of the overall economic environment, develop more applications for stamping parts with exclusive stamping equipment, and actively improve the production process to optimize manufacturing advantages. Cost and completive with customer needs. In order to grasp the market application trends we can provide better quality and competitive products to create a win-win situation.

In addition, the company has entered the medical device market and has started cooperation with hospital distributors in Taiwan, South Korea and China.

Looking forward to the future, the company will continue to grow steadily under the existing foundation, and continue to deepen the cultivation of automobile parts, stamping production line equipment, medical instruments and medical sterilize containers.

Thank you very much again to all the support and encouragement from all shareholders. Looking forward to 2020, the management and all colleagues will continue to work hard to actively implement the above operational plan, and continue to invest resources in technology development improvements to increase our product diversity and create new business maps. This will increase the value of the company, and continue to create good compensation for shareholders.

CHAIRMAN	Goh Mui Teck William
CEO	Wee Liang Kiang
CFO	Sean Hsu

Two. Company Profile

I. Date of incorporation: June 29, 2011

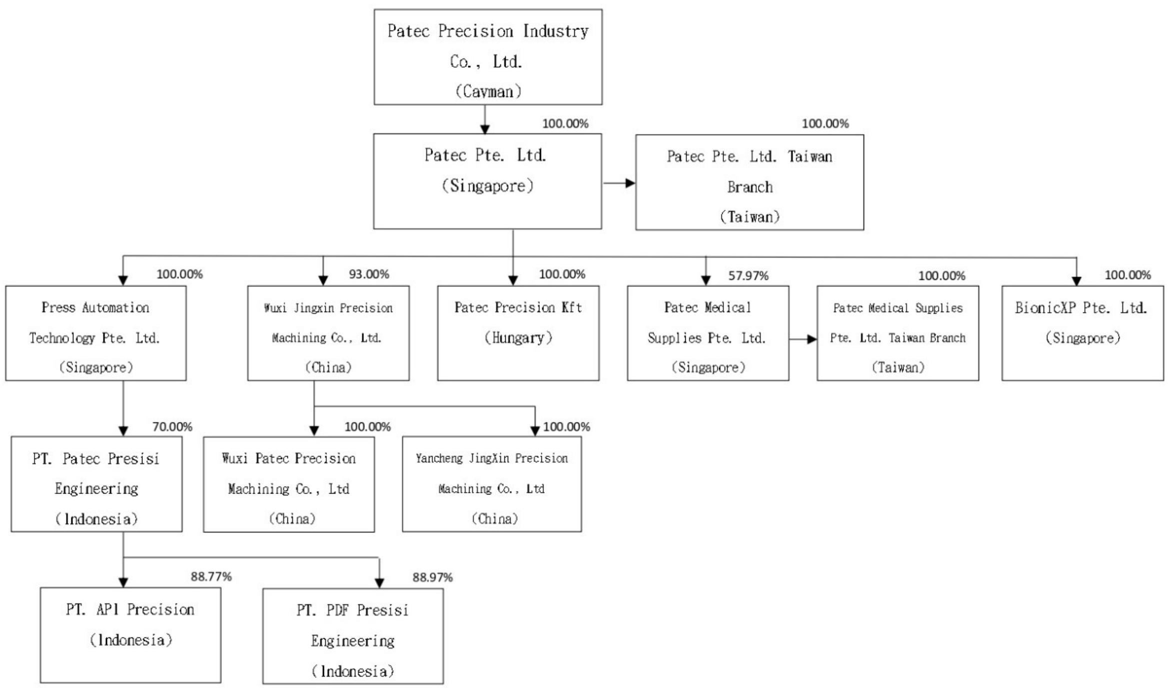
Patec Precision Industry Co., Ltd. (hereinafter referred to as "the Company", or referred to as "the Group" with all of its subsidiaries) was established on June 29, 2011 in the British Cayman Islands. It was established mainly for the restructuring of the Company's organizational structure, and readily apply for listing on the Taiwan Stock Exchange. After restructuring, the Company became the holding company, which consolidate all of its subsidiaries, but with no real economic activity.

II. A BRIEF HISTORY OF THE COMPANY

Date	A brief history of the Company
1992	● Wee Liang Kiang cooperated with a Japanese colleague Mr. Hidaka and jointly established Press Automation Technology Pte. Ltd. (Singapore)
1993	● Invested in the R &D and manufacturing of stamping equipment (Japan).
1997	● Established a factory in Singapore to produce press machines and equipment.
2001	● Invested in Wuxi Jingxin Precision Machining Co., Ltd. (China) to develop in China's automotive stamped component market for production and sales.
2006	● Established Patec Pte. Ltd. ● Invested in Indonesia's PT. Patec Presisi Engineering to develop production and sales of locomotive and auto components in Indonesia. ● Ranked 29th in Singapore's Enterprise 50 Awards.
2007	● Ranked 6th in Singapore's Enterprise 50 Awards.
2008	● Established Patec Precision Kft (Hungary) to penetrate into Europe's automotive stamped component market. ● Acquired ISO-9001 certification.
2009	● Established Wuxi Patec Precision Machining Co., Ltd., focusing on production and sales of stamping machine equipment in China. ● Acquired ISO/TS-16949 certification.
2011	● Established PT. PDF Presisi Engineering (Indonesia). ● Established Patec Precision Industry Co., Ltd. (Cayman Islands) for the restructuring of the Company's organizational structure, and readily apply for listing in Taiwan.
2012	● Wuxi Jingxin Precision Machining Co., Ltd. obtained the high-tech enterprise certification (China).
2013	● Established Yancheng JingXin Precision Machining Co., Ltd for processing of automotive components. ● Established the Audit Committee. ● Established the Remuneration Committee.
2014	● Established Patec Precision Industry Co Ltd (Taiwan) as preparation for being listed in Taiwan, which is responsible for maintaining investor relations and the disclosure of real-time information, and gradually penetrate the sales market in Taiwan. ● Increased capital in Indonesia's PT. API Precision.
2015	● Officially listed on the Taiwan Stock Exchange.
2016	● Issued the first unsecured corporate bonds in the R.O.C.

Date	A brief history of the Company
2017	● Established Patec Medical Supplies Pte. Ltd. and Singapore Patec Medical Supplies Pte. Ltd. Taiwan Branch for sales of medical devices. ● Obtained the first grade medical equipment permit from the Ministry of Health and Welfare.
2018	● Acquired BionicXP Pte. Ltd. for sales of automated machinery.
2019	● Increased capital in Indonesia's BionicXP Pte. Ltd..

III. GROUP STRUCTURE



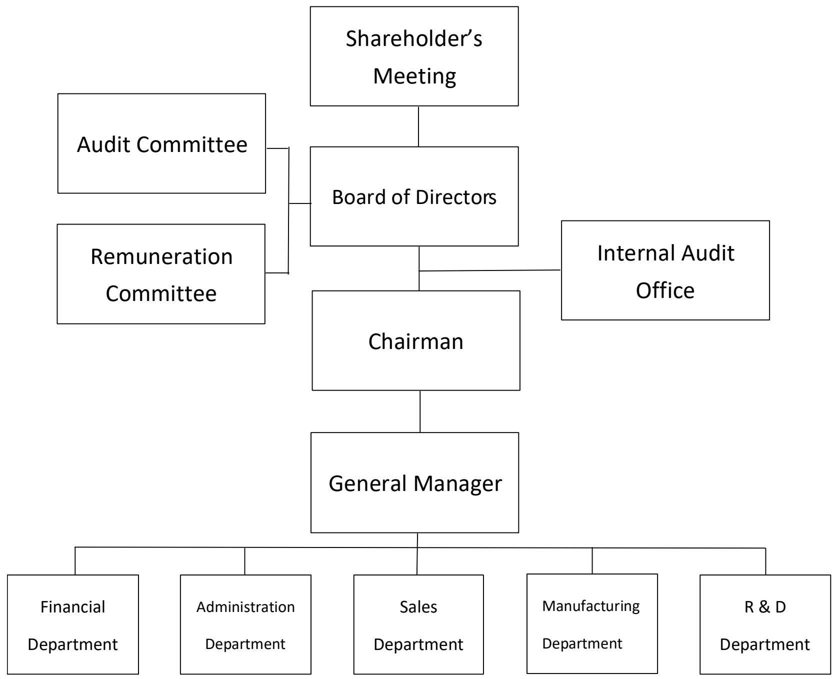
IV. Risk Matters:

Please refer to: "Seven. A Review and Analysis of the Company's Financial Position and Financial Performance, and a Listing of Risks."

Three. Corporate Governance Report

I. ORGANIZATIONAL SYSTEM

(I) Organizational System:



(II) Department functions:

Department / Positions	Functions
Board of Directors	Set up policies and operational goals for the Company's business operations.
Remuneration Committee	Establish and regularly review policies, systems, standards and structures for performance appraisal and compensation to directors and managers. Assess and determine the remuneration of directors and managers on a regular basis.
Audit Committee	Supervise the Company's business, financial status, fair presentation of financial statements, and internal control effectiveness.
Internal Audit Office	Responsible for the Company's internal auditing.
General Manager	Execute Board resolutions, and has general management responsibilities in the Company.
Administration Department	Responsible for procurement, human resources management, information management, logistics, acceptance and distribution of documents, employee benefits, etc.
Financial Department	Responsible for the company's funding, accounting, budget control, and the analysis and interpretation of the Company's financial structure, changes in profit/loss, accounting reports, etc.
Sales Department	Responsible for collecting market information, product sales, customer service, as well as product and customer development.

Department / Positions	Functions
Manufacturing Department	Responsible for matters related to production and manufacturing of the Company's products and equipment.
R & D Department	Responsible for the development, testing, improvement and management of product technologies.

II. Information on the company's directors, general manager, deputy general manager, assistant general manager, and the supervisors of all the company's divisions and branch units

(I) Information on directors:

Apr 30, 2020; Unit: Share

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Current Shareholding		Current Shareholding in the name of others		Experience (Education)	Current Positions at The Company and Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	Percentage %	Shares	Percentage %	Shares	Percentage %	Shares	Percentage %			Title	Name	Relation
Chairman	Singapore	Goh Mui Teck William	Male	2019.06.28	3 years	2011.07.20	3,418,771	8.32%	3,733,975	8.33%	–	–	3,743,702	8.35%	Senior Cambridge Examination Mayertro Electronics Pte. Ltd. Sales and Marketing Manager Motorola Electronics Pte. Ltd. Sales and Marketing Manager JIT Holdings Ltd. Deputy Chairman and Group Executive Director	Chairman of Patec Precision Industry Co., Ltd. Director of Patec Pte Ltd Director of Press Automation Technology Pte Ltd Director of Wuxi Jingxin Precision Machining Co.,Ltd. Director of Patec Investments Pte. Ltd.	–	–	–
Director	Singapore	Wee Liang Kiang	Male	2019.06.28	3 years	2011.07.20	5,781,192	14.07%	6,314,208	14.09%	2,707,430	6.04%	4,993,939	11.14%	West Coast University PhD in Industrial and Business Management, West Coast University Production Engineer of Fujitec Maxton Intl Pte. Ltd. sales manager Sales Manager of Komatsu	General Manager of Patec Precision Industry Co., Ltd. Director of Patec Pte Ltd Director of Press Automation Technology Pte Ltd Director of Wuxi Jingxin Precision Machining Co., Ltd. Director of Wuxi Patec Precision Machining Co., Ltd Director of Patec Precision Kft Director of Patec Investments Pte. Ltd. PT. Patec Presisi Engineering President Commissioner PT. PDF Presisi Engineering President Commissioner PT. API Precision President Commissioner	Director	Wee Hong Jie	Son

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Current Shareholding		Current Shareholding in the name of others		Experience (Education)	Current Positions at The Company and Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	Percentage %	Shares	Percentage %	Shares	Percentage %	Shares	Percentage %			Title	Name	Relation
Director	Singapore	Wee Hong Jie	Male	2019.06.28	3 years	2012.01.18	113,501	0.28%	73,965	0.17%	–	–	–	–	Royal Melbourne Institute of Technology Bachelor's degree in Mechanical Engineering and Business Management, Royal Melbourne Institute of Technology Press Automation Technology Pte Ltd	Special Assistant to GM of Patec Precision Industry Co., Ltd. Sales Manager of Patec Pte Ltd Director of Patec Precision Industry Co., Ltd. Director of Wuxi Jingxin Precision Machining Co., Ltd. PT. Director of Patec Presisi Engineering Director of Patec Precision Kft	Director	Wee Liang Kiang	Son
Director	Japan	Hidaka Hiroyuki	Male	2019.06.28	3 years	2019.06.28	2,125,571	5.25%	2,321,545	5.18%	-	-	3,743,702	8.35%	Aeronautical Maintenance of Tokyo Aeronautical Engineering College Performance Efficiency of Sanno College Sales Manager of Press Automation Technology Pte. Ltd.	Director of Patec Precision Industry Co., Ltd.	–	–	–
Independent Director	R.O.C.	Yen Chun Te	Male	2019.06.28	3 years	2013.11.29	–	–	–	–	–	–	–	–	Bachelor's degree in Accounting, Tunhai University CFO of Softstar Entertainment Inc.	Group CFO of Winking Entertainment Co., Ltd. Patec Precision Industry Co., Ltd. independent Director Otsuka Information Technology Corp. Independent Director	–	–	–
Independent Director	Singapore	Tan Jee Yaw	Male	2019.06.28	3 years	2013.11.29	–	–	–	–	–	–	–	–	Nanyang Technological University Bachelor's degree in Accounting, Nanyang Technological University Manager of Barclays Audit Manager of PwC Singapore Qualified CPA in Singapore CFA	Deputy general manager of BNP Paribas (Singapore) Patec Precision Industry Co., Ltd. independent Director	–	–	–

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Current Shareholding		Current Shareholding in the name of others		Experience (Education)	Current Positions at The Company and Other Companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	Percentage %	Shares	Percentage %	Shares	Percentage %	Shares	Percentage %			Title	Name	Relation
Independent Director	Singapore	Ernest Yogarajah Balasubramaniam	Male	2019.06.28	3 years	2012.01.18	–	–	–	–	–	–	–	–	Master’s degree in Law, National University of Singapore Arfat Selvan Alliance LLC	Certified attorney of UniLegal LLC Patec Precision Industry Co., Ltd. independent Director Independent director of VIBROPOWER Corporation Limited (Singapore)	–	–	–

(II) Major shareholders of institutional shareholders : Not applicable.

(III) Major shareholders of the Company's major institutional shareholders: Not applicable.

(IV) Professional qualifications and independence analysis of directors (for directors that comply with the following criteria, please tick the appropriate corresponding boxes)

Criteria / Name	At Least Five Years Work Experience and Meet One of the Following Professional Qualification Requirements			Independence Attribute (Note)												Number of Holding Concurrent Independent Director Position in Other Public Companies
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Goh Mui Teck William	–	–	V	V	–	–	V	–	V	V	V	V	V	V	V	0
Wee Liang Kiang	–	–	V	–	–	–	–	–	V	V	–	V	–	V	V	0
Wee Hong Jie	–	–	V	–	–	–	–	V	V	V	–	V	–	V	V	0
Hidaka Hiroyuki	–	–	V	–	–	–	V	V	V	V	V	V	V	V	V	0
Ernest Yogarajah Balasubramaniam	–	V	V	V	V	V	V	V	V	V	V	V	V	V	V	1
Yen Chun Te	–	–	V	V	V	V	V	V	V	V	V	V	V	V	V	1
Tan Jee Yaw	–	V	V	V	V	V	V	V	V	V	V	V	V	V	V	0

Note: The Directors and Supervisors comply with the following conditions from two years before being elected and appointed, and during his term of office, please tick the appropriate corresponding boxes.

(1) Not an employee of this Company or its affiliates.

(2) Not a Director or Supervisor of the Company or its affiliates. (However, this does not apply, in cases where the person is an Independent Director of the company or its parent company, subsidiary are set up according to this Act or local country ordinances).

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of outstanding shares of the Company or ranking in the top ten in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act.

(6) Not a director, supervisor, or employee of the company which majority director seats or voting shares and those of any other company are controlled by the same person.

(7) Not a director (or governor), supervisor, or employee of the company or institution which the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses.

(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.

(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for

merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

(11) Not been a person of any conditions defined in Article 30 of the Company Law.

(12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

(V) Information of general manager, deputy general manager, assistant general manager and managers of the Company's divisions and branch units:

April 30, 2020; Unit: Share

Title	Nationality	Name	Gender	Inauguration date	Shareholding		Spouses & Minor Shareholding		Current Shareholding in the name of others		Experience (Education)	Current Positions at Other Companies	Managers who are spouses or within two degrees of kinship			Managers holding employee share subscription warrants
					Shares	Percentage %	Shares	Percentage %	Shares	Percentage %			Title	Name	Relation	
Group General Manager	Singapore	Wee Liang Kiang	Male	2013.11.29	6,314,208	14.09%	2,707,430	6.04%	4,993,939	11.14%	West Coast University PhD in Industrial and Business Management, West Coast University Production Engineer of Fujitec Maxton Intl Pte. Ltd. sales manager Sales Manager of Komatsu	Director of Patec Precision Industry Co., Ltd. Director of Patec Pte Ltd Director of Press Automation Technology Pte Ltd Director of Wuxi Jingxin Precision Machining Co., Ltd. Wuxi Patec Precision Machining Co., Ltd. Director Director of Patec Precision Kft Director of Patec Investments Pte. Ltd. PT. Patec Presisi Engineering President Commissioner PT. PDF Presisi Engineering President Commissioner PT. API Precision President Commissioner	None	None	None	–
General Manager (Wuxi Jingxin)	China	Chang Ping	Male	2002.02.01	51,685	0.12%	–	–	–	–	Bachelor's degree in Mechanical Engineering, Tsinghua University, Beijing Manager of Kaihua Moulds	General Manager of Wuxi Patec Precision Machining Co., Ltd General manager of Yancheng JingXin Precision Machining Co., Ltd Director of Wuxi Jingxin Precision Machining Co.,Ltd. Director of Patec Precision Kft Supervisor of Wuxi Patec Precision Machining Co., Ltd	None	None	None	

Title	Nationality	Name	Gender	Inauguration date	Shareholding		Spouses & Minor Shareholding		Current Shareholding in the name of others		Experience (Education)	Current Positions at Other Companies	Managers who are spouses or within two degrees of kinship			Managers holding employee share subscription warrants
					Shares	Percentage %	Shares	Percentage %	Shares	Percentage %			Title	Name	Relation	
General Manager (PT. Patec,	Indonesia	Adrian Nicolas	Male	2019.04.30	–	–	–	–	–	–	PhD in American Institute of Management Studies Master's degree in Corporate Management, Kennedy Western University Master's degree in Chemical Engineering, Bandung Institute of Technology General manager and director of Philips Lightings Regional manager and executive director of Adient Automotive, Indonesia CEO of Staedtler Indonesia	None	None	None	None	
Group CFO	R.O.C.	Sean Hsu	Male	2013.11.29	487,572	1.09%	–	–	–	–	Bachelor's degree in Accounting, Soochow University Deputy audit manager of PwC Taiwan Deputy manager of Chailease Finance Co., Ltd.	PT. Patec Director	None	None	None	
Auditing Manager	R.O.C.	Peri-Ling Li	Female	2014.02.28	41,105	0.09%	–	–	–	–	Bachelor's degree in Accounting, Soochow University Auditor of Reanda M Y Wu & Co. Auditor of PwC Taiwan	None	None	None	None	

(VI) Remuneration to directors, supervisors, general manager and deputy general manager in the most recent fiscal year

1. Remuneration paid to directors (independent directors):

Units: NT$ thousands

Title	Name	Remunerations of Directors								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant remuneration received by directors who are also employees								Ratio of total compensation (A+B+C+D+E+F+ G) to net income (%)		Compensation paid to directors from an invested company other than the company's subsidiary or parent Company
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D)				Salary, Bonuses and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement	The Company		All companies in the consolidated financial statement (Note 7)		The Company	All companies in the consolidated financial statement	
																Cash	Stock	Cash	Stock			
Chairman	Goh Mui Teck William	–	–	–	–	100	100	72.32	72.32	0.44	0.44	–	–	–	–	–	–	–	–	0.44	0.44	–
Director	Wee Liang Kiang	–	–	–	–	100	100	72.32	72.32	0.44	0.44	–	12,083	–	122	–	–	–	–	0.44	31.90	–
Director	Wee Hong Jie	–	–	–	–	100	100	54.24	54.24	0.40	0.40	–	4,881	–	277	–	–	–	–	0.40	13.69	–
Director	Hidaka Hiroyuki	–	–	–	–	100	100	36.16	36.16	0.35	0.35	–	–	–	–	–	–	–	–	0.35	0.35	–
Independent Director	Yen Chun Te	–	–	–	–	100	100	54.24	54.24	0.40	0.40	–	–	–	–	–	–	–	–	0.40	0.40	–
Independent Director	Ernest Yogarajah Balasubramaniam	–	–	–	–	100	100	72.32	72.32	0.44	0.44	–	–	–	–	–	–	–	–	0.44	0.44	–
Independent Director	Tan Jee Yaw	–	–	–	–	100	100	72.32	72.32	0.44	0.44	–	–	–	–	–	–	–	–	0.44	0.44	–

1.Please state the payment policy, system, standard, and structure of the independent directors' remuneration, and state the relevance with the amount of remuneration based on factors such as responsibility, risk, and time devoted: According to Article 99 of the Company's Articles of Association, if there is any surplus at the end of the fiscal year, no more than 3% of the net profit before tax shall be allocated as the remuneration for all directors of the Company. Reasonable remuneration shall be given after referring to the industry level, the Company's operating results, and the director's contribution to the Company's performance, and shall be reviewed by the Remuneration Committee and the Board of Directors.

2.Except the sheet disclosed above, the remuneration to all the directors served for all the companies within the consolidated financial statement (such as a consultant not an employees) in the most recent fiscal year: None.

Range of Remunerations

Range of remuneration paid to the Company's directors	Names of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement
Under NT$ 1,000,000	Goh Mui Teck William, Wee Liang Kiang, Wee Hong Jie, James H. Wang, Yen Chun Te, Tan Jee Yaw, Ernest Yogarajah Balasubramaniam	–	Goh Mui Teck William, Wee Liang Kiang, Wee Hong Jie, James H. Wang, Yen Chun Te, Tan Jee Yaw, Ernest Yogarajah Balasubramaniam	–
NT$1,000,000 (included) ~ NT$2,000,000 (excluded)	–	–	–	–
NT$2,000,000 (included) ~ NT$3,500,000 (excluded)	–	–	–	–
NT$3,500,000 (included) ~ NT$5,000,000 (excluded)	–	–	–	–
NT$5,000,000 (included) ~ NT$10,000,000 (excluded)	–	–	–	Wee Hong Jie
NT$10,000,000 (included) ~ NT$15,000,000 (excluded)	–	–	–	Wee Liang Kiang
NT$15,000,000 (included) ~ NT$30,000,000 (excluded)	–	–	–	–
NT$30,000,000 (included) ~ NT$50,000,000 (excluded)	–	–	–	–
NT$50,000,000 (included) ~ NT$100,000,000 (excluded)	–	–	–	–
Over NT$100,000,000	–	–	–	–
Total	7	0	7	2

※ The remuneration disclosed in this table is different from the income concept of the Income Tax Act. Therefore, the purpose of this form is for information disclosure, and is not used for tax purposes.

2. Remunerations of Supervisors: Not applicable, as the Company has only established the audit committee.
3. Remunerations of General manager and deputy general manager

Units: NT$ thousands

Title	Name	Salary (A)		Severance Pay (B)		Bonus and Allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation on paid to directors from an invested company other than the company's subsidiary or parent company
		The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement	The Company		All companies in the consolidated financial statement		The Company	All companies in the consolidated financial statement	
								Cash	Stock	Cash	Stock			
Group General Manager	Wee Liang Kiang	–	16,914	–	741	–	2,157	–	–	–	–	–	51.07	–
General Manager (Wuxi Jingxin)	Chang Ping													

General Manager (PT. Patec)	Adrian Nicolas													
CFO	Sean Hsu													

Range of Remunerations

Range of remuneration paid to general managers and deputy general managers	Names of General Managers and Deputy General Managers	
	The Company	All companies in the consolidated financial statement
Under NT$ 1,000,000	–	–
NT$1,000,000 (included) ~ NT$2,000,000 (excluded)	–	Adrian Nicolas
NT$2,000,000 (included) ~ NT$3,500,000 (excluded)	–	Sean Hsu, Chang Ping
NT$3,500,000 (included) ~ NT$5,000,000 (excluded)	–	–
NT$5,000,000 (included) ~ NT$10,000,000 (excluded)	–	–
NT$10,000,000 (included) ~ NT$15,000,000 (excluded)	–	Wee Liang Kiang
NT$15,000,000 (included) ~ NT$30,000,000 (excluded)	–	–
NT$30,000,000 (included) ~ NT$50,000,000 (excluded)	–	–
NT$50,000,000 (included) ~ NT$100,000,000 (excluded)	–	–
Over NT$100,000,000	–	–
Total	0	4

※ The remuneration disclosed in this table is different from the income concept of the Income Tax Act. Therefore, the purpose of this form is for information disclosure, and is not used for tax purposes.

4. The remuneration of the company's top five remuneration executives

Units: NT$ thousands

Title	Name	Salary (A)		Severance Pay (B)		Bonus and Allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation on paid to directors from an invested company other than the company's subsidiary or parent company
		The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement	The Company	All companies in the consolidated financial statement	The Company		All companies in the consolidated financial statement		The Company	All companies in the consolidated financial statement	
								Cash	Stock	Cash	Stock			
Group General Manager	Wee Liang Kiang	–	10,249	–	122	–	1,834	–	–	–	–	–	31.46	–
President Director (Indonesia subsidiaries)	Asan Tatang	–	5,813	–	781	–	687	–	–	–	–	–	18.77	–
Special Assistant to Group GM	Wee Hong Jie	–	4,881	–	277	–	–	–	–	–	–	–	13.29	–
General Manager (Wuxi Jingxin)	Chang Ping	–	2,820	–	280	–	323	–	–	–	–	–	8.82	–
HR Manager (Patec SG)	Giang Ho San George	–	2,847	–	277	–	–	–	–	–	–	–	8.05	–

※ The remuneration disclosed in this table is different from the income concept of the Income Tax Act. Therefore, the purpose of this form is for information disclosure, and is not used for tax purposes.

5. Compensation distributed to managers, their name and distribution status: The Company did not distribute compensation to managers in the current fiscal year.

(VII) Analysis of the proportion of the total remuneration of directors, supervisors, general managers and deputy general managers of the Company paid by the Company and all companies in the consolidated financial statement to net profit after tax in individual financial statements of the recent two years. Explanation of remuneration policies, standards and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

1. Analysis of the proportion of the total remuneration of directors, supervisors, general managers and deputy general managers of the Company paid by the Company and all companies in the consolidated financial statement to net profit after tax in consolidated financial statements:

Units: NT$ thousands

Title	2018				2019			
	Total Remuneration		Total Remuneration		Total Remuneration		Total Remuneration	
	The Company	All invested companies	The Company	All invested companies	The Company	All invested companies	The Company	All invested companies
Director	1,236	19,762	0.86%	13.69%	1,134	18,497	2.91%	47.66%
General Manager and deputy general manager	–	23,129	–	16.02%	–	19,812	–	51.07%

2. Explanation of remuneration policies, standards and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

The Company has established a Remuneration Committee, which is composed of the entire number of independent directors as members of the committee. The Remuneration Committee is responsible for establishing and regularly reviewing policies, systems, standards and structures for the performance appraisal and compensation to directors and managers. In addition, the committee regularly assess and refer to remuneration levels of its peers to determine the remuneration of directors and managers.

III. THE STATE OF THE COMPANY'S IMPLEMENTATION OF CORPORATE GOVERNANCE

(I) The state of operations of the board of directors: Number of meetings; attendance rate of each director; an evaluation of targets for strengthening of the functions of the board during the current and immediately preceding fiscal years, and measures taken toward achievement thereof; and any other matters that require reporting, please refer to the attached table:

The board of directors has held 4 meetings (A) in the most recent fiscal year (2019); the attendance of directors is shown below:

Title	Name	In-person Attendance (B)	By proxy	In-person Attendance Rate (%) (B/A)	Remarks
Chairman	Goh Mui Teck William	4	0	100	Re-elected on June 28, 2019
Director	Wee Liang Kiang	4	0	100	Re-elected on June 28, 2019
Director	Wee Hong Jie	3	1	75	Re-elected on June 28, 2019
Director	Hidaka Hiroyuki	2	0	100	Newly-elected on June 28, 2019
Independent Director	Yen Chun Te	3	1	75	Re-elected on June 28, 2019
Independent Director	Tan Jee Yaw	4	0	100	Re-elected on June 28, 2019
Independent Director	Ernest Yogarajah Balasubramaniam	3	1	75	Re-elected on June 28, 2019

Other matters to be recorded:

1. For matters specified in Article 14.3 of the Taiwan Securities and Exchange Act and an independent director has opinions expressing objections or reservations at the meeting that were included in records or stated in writing, the meeting date, period, content, qualified opinion and resolution made by any independent directors, and the handling of opinions by the Company should be specified.
   (1) Matters specified in Article 14.3 of the Taiwan Securities and Exchange Act

Period	Content	Resolutions	Qualified opinions from any independent director and the handling of opinions by the Company
March 28, 2019 16th meeting of the 4th term board of directors	1. Allocation of earnings for capital increase and issuance of new shares 2. Appointment of the accounting firm PwC Taiwan to conduct audit	Proposals 1~2 were approved by all attendees with no objection	Approved by resolution of all independent directors
May 13, 2019 17th meeting of the 4th term board of directors	Amend the "Management of Acquisition and Disposal of Assets", "Management of Loans to Others", "Endorsements Management", and "Operational Procedures for Trading Financial Derivatives"	Proposal was approved by all attendees with no objection	Approved by resolution of all independent directors
Aug 13, 2019 1st meeting of the 5th term board of directors	Endorsements/Guarantees to the Company's subsidiary in Singapore	Proposal was approved by all attendees with no objection	Approved by resolution of all independent directors
Nov 12, 2019 2nd meeting of the 5th term board of directors	Endorsements/Guarantees to the Company's subsidiary in Indonesia	Proposal was approved by all attendees with no objection	Approved by resolution of all independent directors

Mar 27, 2020 3rd meeting of the 5th term board of directors	1. Allocation of earnings for capital increase and issuance of new shares 2. Appointment of the accounting firm PwC Taiwan to conduct audit	Proposals 1~2 were approved by all attendees with no objection	Approved by resolution of all independent directors
May 11, 2020 4th meeting of the 5th term board of directors	1. Amend the "Management of Board Meetings Operations", "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct", "Audit Committee Charter"and "Remuneration Committee Charter" 2. Amend the "Rules of Procedure for Shareholders Meetings"and "Endorsements Management"	Proposals 1~2 were approved by all attendees with no objection	Approved by resolution of all independent directors

(2) Unless otherwise stated, other Independent Directors who expressed opposition or qualified opinions that were recorded or declared in writing: None

2. For the avoidance of conflicts of interest among directors, the director's name, meeting content, and reason for avoiding conflict of interest and participation in the voting process must be properly recorded: None.
3. Strengthening the functions of the board in the current and recent fiscal years (e.g. establishing the Audit Committee, promoting information transparency, etc.) and implementation assessment: In order to improve the functions of the Board of Directors, the Company has approved the establishment of Audit Committee and Remuneration Committee on November 29, 2013, which is composed of the entire number of independent directors, and has also adopted an audit committee charter and a remuneration committee charter. In addition, in order to enhance information transparency, the Company's auditor submits an audit report to the independent director by the end of each month, report to the board of directors on a regular basis, and disclose relevant information on a website designated by the competent authority.

(II) Operations of the Audit Committee:

The Audit Committee has held 4 meetings (A) in the most recent fiscal year (2019); the attendance of members of the committee is shown below:

Title	Name	In-person Attendance (B)	By proxy	In-person Attendance Rate (%) (B/A)	Remarks
Independent Director	Yen Chun Te	3	1	75	-
Independent Director	Tan Jee Yaw	4	0	100	-
Independent Director	Ernest Yogarajah Balasubramaniam	3	1	75	-

Other matters to be recorded:

1. For matters specified in Article 14.5 of the Taiwan Securities and Exchange Act, and any matter that has not been approved upon the consent of two-thirds or more of all directors, the period, content, and results of the Audit Committee's resolutions shall be disclosed.

(1) Matters specified in Article 14.5 of the Taiwan Securities and Exchange Act

Period	Content	Resolutions	Qualified opinions from any independent director and the handling of opinions by the Company

March 28, 2019 14th meeting of the 2nd term board of directors	1. The Company's 2018 business report and consolidated financial statements 2. The Company's Internal Control Statement 3. Appointment of the accounting firm PwC Taiwan to conduct audit	Proposals 1~3 were approved by all attendees with no objection	Approved by resolution of all independent directors
May 13, 2019 15th meeting of the 2nd term board of directors	Amend the "Management of Acquisition and Disposal of Assets", "Management of Loans to Others", "Endorsements Management", and "Operational Procedures for Trading Financial Derivatives"	Proposal was approved by all attendees with no objection	Approved by resolution of all independent directors
Aug 13, 2019 1st meeting of the 3rd term board of directors	1. The Company's consolidated financial statements for the second quarter of 2019. 2. Endorsements/Guarantees to the Company's subsidiary in Singapore	Proposals 1~2 were approved by all attendees with no objection	Approved by resolution of all independent directors
Nov 12, 2019 2nd meeting of the 3rd term board of directors	Endorsements/Guarantees to the Company's subsidiary in Indonesia	Proposal was approved by all attendees with no objection	Approved by resolution of all independent directors
Mar 27, 2020 3rd meeting of the 3rd term board of directors	1. The Company's 2019 business report and consolidated financial statements 2. The Company's Internal Control Statement 3. Appointment of the accounting firm PwC Taiwan to conduct audit	Proposals 1~3 were approved by all attendees with no objection	Approved by resolution of all independent directors
May 11, 2020 4th meeting of the 3rd term board of directors	Amend the "Management of Board Meetings Operations", "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct", "Audit Committee Charter"and "Remuneration Committee Charter", "Rules of Procedure for Shareholders Meetings"and "Endorsements Management"	Proposal was approved by all attendees with no objection	Approved by resolution of all independent directors

(2) Except for the matters stated above, the resolutions rejected by the Audit Committee and two thirds or more directors gave their approval: None.

2. For the avoidance of conflicts of interest among directors, the independent director's name, meeting content, and reason for avoiding conflict of interest and participation in the voting process must be properly recorded: None.
3. Communication between independent directors and internal auditors and CPAs (including audit materials, methods, and results pertaining to corporate finances and/or operations, etc.):
   (1) The Company has held at least one Audit Committee Meeting every quarter, where the head of internal audit is responsible for audit reports. In addition, an audit report is sent by the end of each month for review of independent directors, in order to fully achieve a two-way communication between independent directors and audit supervisors.
   (2) The CPA will send a written communication to the management unit before issuing an audit report, including details of important audit findings and defects of internal control systems, roles and responsibilities of accountants, relevant audit plans, risk assessment and key audit matters, and CPA independence, in order to fully achieve a two-way communication between independent directors and audit supervisors.

(III) The state of the Company's implementation of corporate governance, any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure:

Items	Implementation Status			Deviations from the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
I. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	V		The Company has established and disclosed the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies". In addition, the Company has implemented related regulations based on the spirit of corporate governance, and in the future, it will promote corporate governance by revising the relevant management regulations, as well as improving information transparency and board functions.	No significant difference.
II. Shareholding structure & shareholders' rights				
(I) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement these based on the procedure?	V		(I) The Company's spokesman is designated to be responsible for dealing with matters such as shareholders' suggestions and disputes, and to coordinate the relevant departments for its implementation.	No significant difference.
(II) Does the company possess a list of its major shareholders as well as the ultimate owners of those shares?	V		(II) The shareholder service agency provides up-to-date information on a regular basis for the Company's list of major shareholders as well as the ultimate owners of those shares.	No significant difference.
(III) Does the company establish and execute a risk management and firewall system within its conglomerate structure?	V		(III) The assets and financial management are independent between the Company and its affiliates, hence the Company establishes and executes a risk management and firewall system in accordance with its own internal regulation system.	No significant difference.
(IV) Does the company establish internal rules against insider trading with undisclosed information?	V		(IV) The Company has set up the "Regulations Governing the Prevention of Insider Trading" as internal rules against insiders trading.	No significant difference.
III. Composition and Responsibilities of the Board of Directors				
(I) Does the Board develop and implement a diversified policy for the composition of its members?	V		(I) The Board has developed a diversified policy for the composition of its members, and designated 3 independent directors, Chun-Te Yen, Jee Yaw Chen, and Ernest Yogarajah Balasubramaniam. Among them, Chun-Te Yen and Jee Yaw Chen have professional backgrounds related to finance and accounting, whereas Ernest Yogarajah Balasubramaniam has a legal background.	No significant difference.
(II) Does the company voluntarily establish other functional	V			No significant difference.

Items	Implementation Status			Deviations from the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
committees in addition to the Remuneration Committee and the Audit Committee? (III) Has the Company established performance evaluation measures and methods for the Board of Directors? Does it conduct performance evaluation on a regular basis annually, and report the results of this performance evaluation to the Board of Directors and apply them as a reference for salary and remuneration, nomination, and renewal of individual directors? (IV) Does the company regularly evaluate the independence of CPAs?	V V		(II) The company has not established other functional committees, and will plan on establishing other functional committee in the future when necessary. (III) In view of the need for corporate governance, the Company's standard to measure the performance of the Board has already been approved. In the future, performance evaluation will be carried out every year, and the results of the performance evaluation will be submitted to the Board of Directors and applied as a reference for individual directors' remuneration and nomination for renewal. (IV) The Company annually evaluates the independence of CPAs. There is no relationship between the Company and the CPA other than the accounting services agreement.	No significant difference. No significant difference.
4. Does the listed or OTC company have an appropriate number of competent corporate governance personnel, and has it designated a corporate governance director to be responsible for corporate governance-related matters (including but not limited to providing information required by directors and supervisors to carry out business, assisting directors and supervisors with legal compliance, managing matters related to the Board of Directors' and shareholders' meetings in accordance with the law, taking minutes of the Board of Directors' and shareholders' meetings, etc)?	V		At present, the Company's Finance Department is also in charge of corporate governance, and the Chief Financial Officer is appointed to be in charge of the supervision. In the future, appropriate personnel will be allocated according to the laws, regulations, and the Company's needs.	No significant difference.
V. Has the company established communication channels and dedicated a section for stakeholders (including but not limited to the shareholders, employees, clients, and suppliers) on its website to respond to important issues of corporate social responsibility concerns?	V		The Company has established a dedicated section for stakeholders in the company website, in order to enable stakeholders to communicate with the Company by phone, writing, fax, or email.	No significant difference.
VI. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Transfer Agency Department of Chinatrust Commercial Bank is designated for handling relevant matters of the shareholders' meeting.	No significant difference.
VII. Disclosure of information (I) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (II) Does the company have other information disclosure	 V V		 (I) The Company has disclosed both financial standings and the status of corporate governance in the MOPs and the Company website in accordance with the relevant laws.	No significant difference. No significant difference.

Items	Implementation Status			Deviations from the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)? (III) Does the company announce and file its annual financial report within two months after the end of the fiscal year, and announce and file its first, second, and third quarter financial reports and the operation of each month ahead of the required time limit?			(II) The Company has set up a Chinese and English website, and appointed a spokesman and deputy spokesman to answer queries related to the Company, while the finance department is designated to handle information collection and disclosure. (III) At present, the Company has a large number of operating sites in various regions, and the time for preparation of the annual financial report data and independent auditor's audit is long. Therefore, the Company is currently unable to announce and file the reports within two months after the end of the fiscal year. The financial reports for the first, second, and third quarters and the operation of each month will be announced and filed before the specified time limit.	No significant difference.
VIII. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		(I) Employee rights: The Company and its affiliates established relevant employee benefit systems in accordance with the relevant laws and regulations of foreign governments and the R.O.C., in order to ensure employee benefits. (II) Investor relations: The Company has appointed a spokesman and deputy spokesman to answer queries from investors and other stakeholders about the Company's operating status or related interests, and disclosed relevant and reliable corporate information on the MOPS in accordance with the relevant laws and regulations. (III) Supplier relations: The Company maintains good relationships with its suppliers, discusses recent market prices and relative information on a regular basis, and adheres to the concept of integrity when conducting supplier management. The Company will uphold the spirit of mutual trust and mutual benefit, and hope to support each other and create a win-win situation. (IV) Rights of stakeholders: The Company has been maintaining good communication with its correspondent banks, clients and suppliers, as well as respecting and ensuring the legitimate rights and interests of stakeholders. (V) Directors' training records: All of the Company's directors and independent directors have completed training hours in accordance with the relevant laws, and have already acquired	No significant difference.

<table>
<tr><td rowspan="2">Items</td><td colspan="3">Implementation Status</td><td rowspan="2">Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</td></tr>
<tr><td>Yes</td><td>No</td><td>Description</td></tr>
<tr><td></td><td></td><td></td><td>directors liability insurance.
(VI) Risk management policies and risk evaluation measures: The Company focuses on its core business operations, and implements various policies in accordance with the relevant laws and regulations in order to reduce and avoid any possible risks.</td><td></td></tr>
<tr><td colspan="5">IX. According to the latest results of the Corporate Governance Evaluation System by the Corporate Governance Center of TWSE, explain the amendments or propose priority matters and measurements to unimproved items.
In the corporate governance assessment of 2019, the following are the priority items pending improvement:
1. Indicator 3.5 The company will upload the English version of its annual report 7 days before the general shareholders’ meeting: the Company will upload the English version of its annual report 7 days before the 2020 general shareholders’ meeting.
2. The annual report of indicator 3.14 The company discloses the link to the directors' performance evaluation and remuneration: the Company will disclose the same in its 2019 general shareholders’ meeting.</td></tr>
</table>

(IV) If the company has a compensation committee in place, the composition, duties, and operation of the compensation committee shall be disclosed:

1. Information on members of the Compensation Committee

Identity (Note 1)	Criteria / Name	At Least Five Years Work Experience and Meet One of the Following Professional Qualification Requirements			Independence Attribute (Note 2)										Concurrent compensation committee position in other publicly listed companies	Remarks (Note 3) End of the document
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Yen Chun Te	–	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-
Independent Director	Tan Jee Yaw	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Independent Director	Ernest Yogarajah Balasubramaniam	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-

Note 1: Fill in the Identity with directors, independent directors or others.

Note 2: All members comply with the following conditions from two years before being elected and appointed, and during his term of office, please fill "✓" in the appropriate corresponding boxes.

(1) Not an employee of the Company or any of its affiliates.
(2) Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company, or that ranks in the top 5 in shareholding, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act.
(6) Not a director, supervisor, or employee of the company which majority director seats or voting shares and those of any other company are controlled by the same person.
(7) Not a director (or governor), supervisor, or employee of the company or institution which the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses.
(8) Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
(9) Not a professional individual who, or an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided that this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
(10) Not have any of the circumstances set forth in Article 30 of the Company Act.

Note 3: If the members are directors, please indicate whether they meet the requirements of Article 6 paragraph 5 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter".

2. Operation status of the Remuneration Committee:
   (1) There are 3 members in the Company's Remuneration Committee.
   (2) Current Term: From August 13, 2019 to June 27, 2022, the Compensation Committee held 2 meetings (A) in the most recent fiscal year (2019). Qualifications and attendance of the Committee are shown as follows:

Title	Name	In-person Attendance (B)	By proxy	In-person Attendance Rate (%) (B/A) (Note)	Remarks
Convenor	Yen Chun Te	1	1	50	–
Member	Tan Jee Yaw	2	0	100	–
Member	Ernest Yogarajah Balasubramaniam	2	0	100	–

Other matters to be recorded:
1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

(V) Performance of social responsibility and deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons：

Items	Implementation Status			Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
I. Does the company conduct risk assessment on environmental, social, and corporate governance issues related to the company's operation in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?	V		The Company has formulated the "Corporate Social Responsibility Best Practice Principles" and requires its directors and employees to follow the relevant norms.	No significant difference.
II. Has the company set up a full-time (part-time) unit to promote corporate social responsibility, which is authorized by the Board of Directors to be under the charge of the senior management and report to the Board of Directors?	V		The Company has not yet set up a full-time corporate social responsibility promotion unit, but will promote corporate social responsibility from top to bottom through the operation of the Board of Directors.	No significant difference.
III. Environmental issues				
(I) Has the company established an appropriate environmental management system according to its industrial characteristics?	V		(I) The Company has relevant specifications for quality management, safety and health, environmental protection, etc, which conform to the auditing standards of the relevant management units.	No significant difference.
(II) Is the company committed to improving the utilization efficiency of resources and using recycled materials with low impact on the environment?	V		(II) To value resources, the Company continues to promote energy conservation via waste recycling, reduction of paper use, and the use of environmentally-friendly tableware.	No significant difference.
(III) Does the company assess the potential risks and opportunities of climate change for it now and in the future, and take measures to deal with climate-related issues?	V		(III) In response to the development trend of climate change and greenhouse gas reduction, the Company advocates turning off the lights when not used and saving water, so as to reduce carbon, power, and water.	No significant difference.
(IV) Did the company prepare statistics of greenhouse gas emissions, water consumption, and total weight of waste in the past two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water use reduction, or other waste management?	V		(IV) According to the Company's regulations, no air-conditioner shall be turned on until the temperature reaches 28 ℃, and the Company advocates turning off the lights when not used and saving water, and implements classified recycling of wastes, so as to achieve energy saving.	No significant difference.
IV. Social Issues				
(I) Does the company formulate appropriate management	V		(I) The Company safeguards the legitimate rights and	No significant difference.

Items	Implementation Status			Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Description	
policies and procedures according to the relevant regulations and the International Bill of Human Rights?			interests of employees in accordance with the labor-related laws and regulations. In addition, the relevant employee rights are stipulated in the employee handbook and executed accordingly.	
(II) Has the company established and implemented reasonable employee welfare measures (including compensation, vacation, and other benefits), and properly reflected the operating performance or results in employee compensation?	V		(II) The Company has established and implemented reasonable employee welfare measures in the Personnel Management Regulations, and properly reflected the results of business performance in employee remuneration.	No significant difference.
(III) Does the company provide a healthy and safe working environment, and organize training on health and safety for its employees on a regular basis?	V		(III) The Company provides a safe working environment in accordance with labor-related laws and regulations. In addition, employee health checks are conducted on an intermittent basis to ensure health and safety for its employees.	No significant difference.
(IV) Has the company established an effective career development training program for its employees?	V		(IV) The Company has established an effective career development training program for its employees.	No significant difference.
(V) Does the company comply with the relevant laws, regulations, and international standards for the health and safety of customers, customer privacy, marketing and labeling of products and services, and has it formulated relevant policies and complaint procedures to protect the rights and interests of consumers?	V		(V) The Company has formulated relevant after-sales service measures in accordance with the relevant laws and regulations of each operation area to protect the rights and interests of consumers.	No significant difference.
(VI) Does the company have a supplier management policy that requires suppliers to follow the relevant specifications and their implementation in environmental protection, occupational safety and health, or labor human rights issues?	V		(VI) The Company has developed supplier management procedures. At present, it has not found any suppliers' violation of the relevant laws and regulations of the local environmental protection, occupational safety and health, and labor human rights. In the future, relevant specifications will be developed for management purposes.	No significant difference.
V. Does the company prepare a corporate social responsibility report and other reports that disclose the company's non-financial information in accordance with international		V	The Company has set up a dedicated section for investors and social responsibility on the Company's website to disclose information related to the performance of social	There is no demand at present, and it will be prepared according to the Company's scale and needs in the

<table>
<tr><th rowspan="2">Items</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td>reporting standards or guidelines? Are confirmation or guarantee opinions obtained from third-party verification units for the reports above?</td><td></td><td></td><td>responsibility. At present, no corporate social responsibility report has been prepared. It will be prepared according to the Company’s scale and needs in the future.</td><td>future.</td></tr>
<tr><td colspan="5">VI. If the company has established its own corporate social responsibility best practice principles based on the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies”, please describe the difference between its operation and the regulations.
The Company has set up “the Corporate Social Responsibility Best Practice Principles”, but has not yet appointed dedicated units to be in charge of its implementation. However, corporate social responsibility will be implemented from top to bottom through the operation of the Board of Directors. There has been no major difference with the Rules.</td></tr>
<tr><td colspan="5">VII. Other important information which is helpful to understand the operation of corporate social responsibility:
The Company will adhere to the spirit of corporate social responsibility, actively engage in the aforementioned social responsibility practices, encourage employees to consider situations with others' conditions in mind, help with disaster relief, and commit to serving society.</td></tr>
</table>

(VI) Performance of ethical corporate management best practice principles and deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons:

Items	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Description	
I. Establishment of an ethical corporate management policy and program				
(I) Has the company established an ethical corporate management policy approved by the Board of Directors, and clearly stated the ethical corporate management policy and practice in its regulations and external documents, as well as the commitment of the Board of Directors and senior management to actively implement the operation policy?	V		(I) The Company has established the "Ethical Corporate Management Best Practice Principles", and actively advocated the spirit of ethical corporate management in the Board of Directors and management meetings.	No significant difference.
(II) Has the company established an evaluation mechanism for the risk of unethical behavior, regularly analyzed and evaluated the business activities with high unethical behavior risk within the business scope, and formulated a plan for preventing unethical behavior based on it? Does the mechanism at least cover preventive measures for the behaviors in paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	V		(II) The Company has formulated its "Ethical Corporate Management Best Practice Principles" and "Ethical Corporate Management Behavior Guidelines" to put forward preventive measures for unethical behavior.	No significant difference.
(III) Has the company specified the operating procedures, behavioral guidelines, and disciplinary and grievance systems for violations in the plan for prevention of unethical behavior and implemented them, and regularly reviewed and revised the plan?	V		(III) The Company has formulated its "Ethical Corporate Management Behavior Guidelines", and regularly reviews and amends it by reference to the latest revised "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies".	No significant difference.
II. Fulfill Ethical Operations				
(I) Does the company assess the integrity records of its counterparties and specify the integrity terms in the contracts it enters into with them?	V		(I) The Company's regulations stipulate that ethical records of business partners shall be first assessed before conducting the transaction, in order to avoid transactions with partners that have unethical behavioral records. If business transactions or business partners are found out to have unethical behavior, it shall be listed as a dishonored company, and the Company shall immediately stop business transactions with the	No significant difference.

Items	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Description	
			business partner.	
(II) Has the company set up a dedicated unit under the Board of Directors to promote ethical operations, and regularly (at least once a year) reported its integrity operation policy, plan to prevent unethical behavior, and supervision of the implementation to the Board of Directors?		V	(II) The Company is planning on setting up a dedicated ethical corporate management unit.	The setup is being planned.
(III) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		(III) If the employee finds a conflict of interest when conducting the Company's business, the situation shall be reported directly to the immediate manager, and appropriate guidance shall be provided by the immediate manager.	No significant difference.
(IV) Has the company established an effective accounting system and internal control system for the implementation of ethical operation, and authorized the internal audit unit to, according to the assessment results of the risk of unethical behavior, draw up the relevant audit plans, and audit the compliance with the plan accordingly to prevent unethical behavior? Or an accountant is commissioned to carry out the audit?	V		(IV) The audit unit has drawn up an audit plan according to the results of risk assessment and carried out an internal audit, issued an audit report after the audit, and regularly reported the implementation status to the Audit Committee.	No significant difference.
(V) Does the company regularly hold internal and external educational training on operational integrity?	V		(V) The Company has established the "Ethical Corporate Management Best Practice Principles", and actively advocated the spirit of ethical corporate management in the Board of Directors and management meetings.	No significant difference.
III. Operation of the integrity channel (I) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up? (II) Has the company established the standard operating procedures for investigation of reported matters, follow-up measures to be taken after investigation, and relevant confidentiality mechanisms? (III) Does the company provide proper whistleblower protection?	V V V		When the Company discovers or receives accusations of an employee's unethical behavior, it shall immediately ascertain the relevant facts. If it is confirmed to violate the relevant laws or ethical corporate management policies and regulations, the Company shall immediately request the offender to stop their relevant behaviors, take appropriate remedies, and claim for damages through legal proceedings when necessary, in order to safeguard the	No significant difference. No significant difference. No significant difference.

<table>
<tr><th rowspan="2">Items</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies” and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td></td><td></td><td></td><td>reputation and interests of the Company.</td><td></td></tr>
<tr><td>IV. Enhanced information disclosure
(I) Does the company disclose the content and the promotion effects of its ethical corporate management best practice principles on its website and MOPS?</td><td>V</td><td></td><td>The Company has disclosed the “Ethical Corporate Management Best Practice Principles” on the Investors Centre of the Company website and MOPS.</td><td>No significant difference.</td></tr>
<tr><td colspan="5">V. If the company has its own ethical corporate management best practice principles in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, please describe the variation between its operation and the regulations:
The Company has formulated its "Ethical Corporate Management Best Practice Principles" and requests its business team to follow the "Ethical Corporate Management Behavior Guidelines" in order to implement and promote the ethical corporate management best practice principles. There is no significant variance.</td></tr>
<tr><td colspan="5">VI. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (matters such as review and revision of regulations):
The Company has reviewed and revised its "Ethical Corporate Management Best Practice Principles" in 2020 in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, and submitted it to the shareholders' meeting.</td></tr>
</table>

(VII) If the Company has adopted corporate governance best-practice principles or related bylaws, disclose how these are to be searched: Please refer to the Company website (http://www.patec-intl.com) → Investor Centre → Corporate Governance.

(VIII) Other significant information that will provide a better understanding of the state of the company's implementation of corporate governance may also be disclosed: None.

(IX) Internal Control System Execution Status:

1. Statement of Internal Control System:

Statement of Internal Control System

Date: March 27, 2020

Based on the findings of a self-assessment, the Company states the following with regard to its internal control system during the year 2019:

I. The Company's board of directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system, and have already established it. Its purpose is to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), the reliability, timeliness, transparency of the report, and to be in compliance with applicable rulings, laws and regulations.

II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its three stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.

III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communication, and 5. monitoring activities. Each key component is comprised of several items. Please refer to the Regulations for provisions of the aforementioned items.

IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.

V. Based on the findings of such evaluation, the Company believes that, on December 31, 2019, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.

VI. This Statement is an integral part of the Company's annual report for the year 2019 and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.

VII. This statement was passed by the board of directors in their meeting held on March 27, 2020, with none of the 7 attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Patec Precision Industry Co., Ltd.

Chairman: Goh Mui Teck William

General Manager: Wee Liang Kiang

2. If the CPA was engaged to conduct a Special Audit of the Internal Control System, its Audit Report shall be provided: None.

(X) For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law upon the company or its internal personnel, any sanctions imposed by the company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements.: None.

(XI) Material resolutions of a shareholders meeting or a board of directors meeting during the most recent fiscal year and up to the date of publication of the annual report:

Date	Meeting Name	Important Resolutions	Implementation Status
2019.06.28	Shareholders' Meeting	1. Adoption of the Fiscal 2018 Business Report and Consolidated Financial Statement. 2. Adoption of the Proposal for Distribution of 2018 Earnings. 3. Discussion of the proposal to amend the Articles of Incorporation. 4. Proposal for a new share issue through capitalization of earnings. 5. Amend the "Management of Acquisition and Disposal of Assets". 6. Amend the "Management of Loans to Others". 7. Amend the "Endorsements Management". 8. Amend the "Operational Procedures for Trading Financial Derivatives". 9. Proposal for the Company's re-election of Directors. 10. Proposal for release the prohibition on Directors from participation in competitive business.	1. Item1&3&5~8 were adopted by resolution. 2. Item2&4 were adopted by resolution, and the capital increase and dividend payment completed in 2019.10.14 3. Item 9 elected 4 directors and 3 independent directors according to the election list. 4. Item 10 released the non-compete prohibition of directors Goh Mui Teck William, Wee Liang Kiang and Wee Hong Jie.
2019.08.13	Board of Directors' Meeting	1. Election of the Chairman of the company. 2. Propose to carry out the relevant matters of distribution of dividends. 3. Discuss an endorsement and guarantee for the Singapore subsidiary. 4. Appointment of members of 3rd Remuneration Committee.	1.Item 1~4 were adopted by resolution. 2.Item 1 was re-elected by Chairman Goh Mui Teck William. 3.Item 4 appointed 3 independent directors Yen Chun Tech, Tan Jee Yaw and Ernest Yogarajah Balasubramaniam as members of the Remuneration Committee.

Date	Meeting Name	Important Resolutions	Implementation Status
2019.11.12	Board of Directors' Meeting	1. Proposed the earnings distribution in the first half of 2019. 2. Discuss an endorsement and guarantee for the Indonesia subsidiary. 3. Patec Group Budget of 2020. 4. The Company's 2020 audit plans is submitted for resolution.	Item1~4 were adopted by resolution.
2020.03.27	Board of Directors' Meeting	1. Business Report and Consolidated Financial Statements for the year 2019. 2. Proposed the Fiscal 2019 earnings distribution. 3. Proposal for a new share issue through capitalization of earnings. 4. Issuance of Company's 2019 Internal Control Declaration is submitted for resolution. 5. Proposed Company's 2020 PwC CPA service is submitted for resolution. 6. Adoption of the Nineth Amended and Restated Memorandum and Articles of Association of the Company. 7. Proposed Convening and Holding of the General Shareholders' Meeting of the Company of the Year 2020. 8. Proposed the Fiscal 2019 compensation of directors and employee bonus sharing (including managers).	Item1~8 were adopted by resolution.
2020.05.11	Board of Directors' Meeting	1. Amend the "Management of Board Meetings Operations", "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct", "Audit Committee Charter"and "Remuneration Committee Charter". 2. Amend the "Rules of Procedure for Shareholders Meetings"and "Endorsements Management". 3. Proposed Convening and Holding of the General Shareholders' Meeting of the Company of the Year 2020. (Add new resolution)	Item1~3 were adopted by resolution.

(XII) Important resolutions made by the board of directors' meeting during the current fiscal year and up to the date of printing of the annual report: None.

(XIII) A summary of resignations and dismissals, during the most recent fiscal year and up to the date of publication of the annual report, of the company's chairman, general manager, accounting manager, financial manager, chief internal auditor, and research and development manager: None.

IV. INFORMATION ON CPA PROFESSIONAL FEES

Information on replacement of certified public accountant in 2019: None.

INFORMATION ON CPA PROFESSIONAL FEES

Accounting firm	Name of account ant		Period Covered by CPA's Audit	Remarks
PwC Taiwan	Chin-Chang Chen	Yi-Fan Lin	Jan 1, 2019-Dec 31, 2019	None

Currency: NT$

Range \ Items		Audit fee	Non-Audit fee	Total
1	Under 2,000,000			
2	2,000,000 (included)~4,000,000	✓		✓
3	4,000,000 (included)~6,000,000			
4	6,000,000 (included)~8,000,000			
5	8,000,000 (included)~10,000,000			
6	Above 10,000,000 (included)			

(I) When non-audit fees paid to the CPA, to the accounting firm of the CPA, and to any affiliated enterprise of such accounting firm are equivalent to one quarter or more of the audit fees paid to them, the amounts of both audit and non-audit fees and the details of the non-audit services shall be disclosed: Not applicable.

(II) When the securities firm changes its accounting firm and the audit fees paid for the financial year in which the change took place are lower than those paid for the financial year immediately preceding the change, the amount of the audit fees before and after the change and the reason shall be disclosed: Not applicable.

(III) When the audit fees paid for the current financial year are lower than those paid for the immediately preceding financial year by 15 percent or more, the amount and percentage of and reason for the reduction in audit fees shall be disclosed: Not applicable.

V. Information on replacement of certified public accountant: None.

VI. Where the securities firm's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its auditing CPAs or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed: None.

VII. Evaluation of CPA’s independence:

Based on the following matters, the independence of the CPA and accounting firm is evaluated annually by the Audit Committee, and assessment results are reported to the Board of Directors.

Independence	Yes	No	Remarks
Is the CPA not a director or independent director of the Company or its affiliates?	V		
Is the CPA not a shareholder of the Company or its affiliates?	V		
Has the CPA not been paid wages by the Company or any of its affiliates?	V		
Has the Company been appointing the auditor for less than 7 consecutive years?	V		
Has the CPA ensure that the accounting firm has already abide by regulations related to independence.	V		
Have CPAs of the joint CPA firm not been designated as a director, manager or a position that has a significant impact on the audit case within one year after the CPA is relieved from office?	V		
Whether during the financial reporting period, the non-audit service fees and details of services provided by joint accounting firm of the CPA not violate the CPA's independence.	V		

VIII. ANY TRANSFER OF EQUITY INTERESTS AND/OR PLEDGE OF OR CHANGE IN EQUITY INTERESTS BY A DIRECTOR, SUPERVISOR, MANAGERIAL OFFICER OR SHAREHODER WITH A SHARE OF MORE THAN 10 PERCENT IN THE MOST RECENT FISCAL YEAR AND UP TO THE DATE OF PUBLICATION OF THE ANNUAL REPORT

(I) Changes of directors, supervisors, managers or major shareholders in the company

Unit: Share

Title	Name	2019		Current year to Apr 24,2020	
		Shareholding Increase / Decrease	Pledged Shares Increase/ Decrease	Shareholding Increase / Decrease	Pledged Shares Increase/ Decrease
Chairman	Goh Mui Teck William	315,204	-	-	-
Director and GM（and held over 10% shares major shareholder）	Wee Liang Kiang	533,016	-	-	-
Director	Wee Hong Jie	10,464 (50,000)	-	-	-
Director	Hidaka Hiroyuki	195,974	-	-	-
Independent Director	Yen Chun Te	-	-	-	-
Independent Director	Tan Jee Yaw	-	-	-	-
Independent Director	Ernest Yogarajah Balasubramaniam	-	-	-	-
China GM	Chang Ping	4,363	-	-	-
Indonesia GM	Adrian Nicolas	-	-	-	-
Sales Vice President	Jack Liu	-	-	-	
CFO	Sean Hsu	41,158	-	-	-
Internal Audit Manager	Jennifer Lee	3,469	-	-	-

(II) Information on equity transfer by directors, supervisors, managers or major shareholders for counterparties that are related parties: None.

(III) Information on equity pledge by directors, supervisors, managers or major shareholders for counterparties that are related parties: None.

IX. Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another:

April 24, 2020; Unit: Share

Name	Shareholding		Spouses & Minor Shareholding		Current Shareholding in the name of others		Relationships among the top ten shareholders, anyone who is a related party, spouse, or second-degree kinship of another: Name and relation		Remarks
	Shares	Percentage %	Shares	Percentage %	Shares	Percentage %	Name	Relation	
The CTBC hosting Patec Investments Pte. Ltd investment account Representative：Wee Liang Kiang	12,481,343	27.84%	-	-	-	-	Goh Mui Teck William Wee Liang Kiang Hidaka Hiroyuki	The CTBC hosting Patec Investments Pte. Ltd investment account is jointly held by Goh Mui Teck William, Wee Liang Kiang and Hidaka Hiroyuki, of which shareholdings are 3,743,702 shares(8.35%), 4,993,939 shares(11.14%) and 3,743,702 股 (8.35%) respectively.	–
Wee Liang Kiang	6,314,208	14.09%	2,707,430	6.04%	4,993,939	11.14%	Wong Jee Buay	Spouse	–
Goh Mui Teck William	3,733,975	8.33%	-	-	3,743,702	8.35%	Goh Nianzhe	Father and Son	–
Wong Jee Buay	2,707,430	6.04%	6,314,208	14.09%	-	-	Wee Liang Kiang	Spouse	–
Goh Nianzhe	2,615,967	5.84%	-	-	-	-	Goh Mui Teck William	Father and Son	–

Name	Shareholding		Spouses & Minor Shareholding		Current Shareholding in the name of others		Relationships among the top ten shareholders, anyone who is a related party, spouse, or second-degree kinship of another: Name and relation		Remarks
	Shares	Percentage %	Shares	Percentage %	Shares	Percentage %	Name	Relation	
Cathay Bank Trust Phillip Securities (Hong Kong) Company Investment Account	2,472,717	5.52%	-	-	-	-	–	–	–
Hidaka Hiroyuki	2,321,545	5.18%	-	-	3,743,702	8.35%	–	–	–
Lin Zhi Long	1,135,172	2.53%	-	-	-	-	–	–	–
Tong-An Investment Co., Ltd. Representative: Mao-Hsiung, Huang	695,954	1.55%	-	-	-	-	–	–	–
Sean Hus	487,572	1.09%	-	-	-	-	–	–	–

X. The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managers, and any companies controlled either directly or indirectly by the company:

March 31, 2020; Unit: Share

Reinvested entities	Investment by the Company		Investments by directors, supervisors, managers and directly or indirectly controlled enterprises		Total investment	
	Shares	Percentage shareholding (%)	Shares	Percentage shareholding (%)	Shares	Percentage shareholding (%)
Pate Pte. Ltd.	31,287	100.00	-	-	31,287	100.00
Press Automation Technology Pte. Ltd.	6,247	100.00	-	-	6,247	100.00
Patec Medical Supplies Pte. Ltd.	600	57.97	-	-	600	57.97
BionicXP Pte. Ltd.	100	100.00	-	-	100.00	100.00
Wuxi Jingxin Precision Machining Co., Ltd.	Note	93.00	-	-	Note	93.00
Wuxi Patec Precision Machining Co., Ltd.	Note	93.00	-	-	Note	93.00
Yancheng JingXin Precision Machining Co., Ltd	Note	93.00	-	-	Note	93.00
Patec Precision Kft	Note	100.00	-	-	Note	100.00

Reinvested entities	Investment by the Company		Investments by directors, supervisors, managers and directly or indirectly controlled enterprises		Total investment	
	Shares	Percentage shareholding (%)	Shares	Percentage shareholding (%)	Shares	Percentage shareholding (%)
Pt Patec Presisi Engineering	4,340	70.00	279	4.50	4,619	74.50
Pt PDF Presisi Engineering	1,210	62.28	-	-	1,210	62.28
Pt API Precision	1,483	62.14	63	3.74	1,546	65.88

Note: The Company is a limited company with no shares issued, and hence have no par value and number of shares.

Four. Capital Raising Activities

I. CAPITAL AND SHARES

(I) Source of capital stock

1. The formation of capital

April 30, 2020; Unit: Share / NT$

Year / month	Par Value	Authorized capital stock		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Share payments offset by assets other than cash	Others
2011.06	10	1	10	1	10	Capital of the Company's establishment	None	-
2011.07	10	2	20	2	20	Capital increase by cash	None	Note 1
2011.11	10	100,000,000	1,000,000,000	28,081,162	280,811,620	Conversion of equity	None	Note 2
2011.12	40	100,000,000	1,000,000,000	28,567,039	285,670,390	Capital increase by cash	None	Note 3
2014.04	40	100,000,000	1,000,000,000	30,067,039	300,670,390	Capital increase by cash	None	Note 4
2015.06	39	100,000,000	1,000,000,000	33,867,039	338,670,390	Capital increase by cash	None	Note 5
2016.07	25.67	100,000,000	1,000,000,000	33,906,039	339,060,390	Conversion of employee share subscription warrants	None	Note 6
2016.08	25.67	100,000,000	1,000,000,000	34,040,039	340,400,390	Conversion of employee share subscription warrants	None	Note 6
2016.09	25.67	100,000,000	1,000,000,000	34,126,039	341,260,390	Conversion of employee share subscription warrants	None	Note 6
2016.12	10	100,000,000	1,000,000,000	37,512,743	375,127,430	Capital increase by earnings	None	Note 7
2017.03	22.99	100,000,000	1,000,000,000	37,562,743	375,627,430	Conversion of employee share subscription warrants	None	Note 8
2017.04	22.99	100,000,000	1,000,000,000	37,658,743	376,587,430	Conversion of employee share subscription warrants	None	Note 9
2017.06	59.3	100,000,000	1,000,000,000	37,812,196	378,121,960	Conversion of corporate bonds	None	Note 9

Year / month	Par Value	Authorized capital stock		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Share payments offset by assets other than cash	Others
2017.07	22.99	100,000,000	1,000,000,000	37,919,196	379,191,960	Conversion of employee share subscription warrants	None	Note 10
2017.08	22.99	100,000,000	1,000,000,000	38,239,196	382,391,960	Conversion of employee share subscription warrants	None	Note 10
2017.09	21.03	100,000,000	1,000,000,000	38,244,196	382,441,960	Conversion of employee share subscription warrants	None	Note 10
2017.11	21.03	100,000,000	1,000,000,000	38,272,196	382,721,960	Conversion of employee share subscription warrants	None	Note 11
2017.12	21.03	100,000,000	1,000,000,000	38,307,196	383,071,960	Conversion of employee share subscription warrants	None	Note 11
2018.02	21.03	100,000,000	1,000,000,000	38,729,196	387,291,960	Conversion of employee share subscription warrants	None	Note 12
2018.03		100,000,000	1,000,000,000	38,229,196	382,291,960	Cancellation of treasury shares	None	Note 12
2018.09	10	100,000,000	1,000,000,000	41,096,386	410,963,860	Capital increase by earnings	None	Note 13
2019.09	10	100,000,000	1,000,000,000	44,826,766	448,267,660	Capital increase by earnings	None	Note 14

Note 1: Capital increase by cash by resolution of the board of directors on July 20, 2011.

Note 2: Increase of approved capital by resolution of the shareholders' meeting on November 18, 2011.

Note 3: Capital increase by cash by resolution of the board of directors on December 16, 2011.

Note 4: Capital increase by cash by resolution of the board of directors on April 17, 2014.

Note 5: Capital increase by cash by resolution of the board of directors on March 27, 2015.

Note 6: Approved by Taiwan Stock Exchange Corporation on Oct 27, 2016.

Note 7: Approved by Taiwan Stock Exchange Corporation on Dec 21, 2016.

Note 8: Approved by Taiwan Stock Exchange Corporation on Apr 11, 2017.

Note 9: Approved by Taiwan Stock Exchange Corporation on Aug 18, 2017.

Note 10: Approved by Taiwan Stock Exchange Corporation on Oct 5, 2017.

Note 11: Approved by Taiwan Stock Exchange Corporation on Jan 10, 2018.

Note 12: Approved by Taiwan Stock Exchange Corporation on Apr 12, 2018.

Note 13: Approved by Taiwan Stock Exchange Corporation on Oct 1, 2018.

Note 14: Approved by Taiwan Stock Exchange Corporation on Oct 1, 2019.

2. Type of Stock

April 24, 2020; Unit: Share

Type of Stock	Authorized capital stock				Remarks
	Issued shares	Treasury shares	Un-issued shares	Total	
Registered common stock	44,190,766	636,000	55,173,234	100,000,000	–

3. General information about the reporting system: None.

(II) Shareholder structure:

April 24, 2020

Shareholder Structure/ Quantity	Government Institutions	Financial Institutions	Other Juridical Persons	Natural Persons	Foreign Institutions and Foreign Persons	Treasury Stock	Total
Number of Shareholders	0	0	16	1,414	24	1	1,455
Shareholding	0	0	1,576,702	9,334,591	33,279,473	636,000	44,826,766
Percentage shareholding (%)	0%	0%	3.52%	20.82%	74.24%	1.42%	100.00%

Note: According to Article 3 of the "Regulations Governing Permission for People from the Mainland Area to Invest in Taiwan", for any individual, juristic person, organization, or other institution of China or any company it invests in any third area, the total combined shareholding shall be 0.23%.

(III) Diffusion of ownership:

1. Diffusion of common stock ownership

April 24, 2020

Class of Shareholding	Number of Shareholders	Shareholding (share)	Percentage (%)
1 ~ 999	457	89,159	0.20%
1,000 ~ 5,000	679	1,379,566	3.08%
5,001 ~ 10,000	136	969,197	2.16%
10,001 ~ 15,000	56	684,561	1.53%
15,001 ~ 20,000	26	449,981	1.00%
20,001 ~ 30,000	30	745,941	1.66%

Class of Shareholding	Number of Shareholders	Shareholding (share)	Percentage (%)
30,001 ~ 40,000	19	672,771	1.50%
40,001 ~ 50,000	7	303,949	0.68%
50,001 ~ 100,000	19	1,333,454	2.97%
100,001 ~ 200,000	11	1,520,267	3.39%
200,001 ~ 400,000	4	1,076,037	2.40%
400,001 ~ 600,000	1	487,572	1.09%
600,001 ~ 800,000	2	1,331,954	2.97%
800,001 ~ 1,000,000	0	0	0.00%
Over 1,000,001 Classified under specific circumstances	8	33,782,357	75.37%
Total	1,455	44,826,766	100.00%

2. Preferred Share: None.

(IV) Major Shareholders: List all shareholders with a stake of 5 percent or greater, or the names of the top ten shareholders, specifying the number of shares and stake held by each shareholder on the list:

Unit: Share

Name of Major Shareholders	Nationality or Place of Registration	Shareholding (share)	Percentage (%)
CTBC Bank is entrusted protect the investment account of Patec Investments Pte. Ltd.	R.O.C. (Taiwan)	12,481,343	27.84%
Wee Liang Kiang	Singapore	6,314,208	14.09%
Goh Mui Teck William	Singapore	3,733,975	8.33%
Wong Jee Buay	Singapore	2,707,430	6.04%
Goh Nianzhe	Singapore	2,615,967	5.84%
Cathay Bank Trust Phillip Securities (Hong Kong) Company Investment Account	R.O.C. (Taiwan)	2,472,717	5.52%
Hidaka Hiroyuki	Japan	2,321,545	5.18%
Lin Zhi Long	R.O.C. (Taiwan)	1,135,172	2.53%
Tong-An Investment Co., Ltd.	R.O.C. (Taiwan)	695,954	1.55%
Sean Hsu	R.O.C. (Taiwan)	487,572	1.09%

Note: The CTBC hosting Patec Investments Pte. Ltd investment account is jointly held by Goh Mui Teck William, Wee Liang Kiang and Hidaka Hiroyuki, of which shareholdings are 3,743,702 shares (8.35%), 4,993,939 shares (11.14%) and 3,743,702 shares (8.35%) respectively.

(V) Share prices for the past 2 fiscal years, together with the Company's net worth per share, earnings per share, dividends per share, and related information:

Unit: NT$

Item		Year	2018	2019	Current year to March 31, 2020 (Note 8)
Market price per unit (Note 1)	Highest		60.1	34.95	23.75
	Lowest		24.75	21.20	12.50
	Average		44.39	26.51	17.68
Net Worth Per Share (Note 2)	Before distribution		28.71	25.87	24.76
	After distribution		27.13	Note 9	–
Earnings per share	Weighted average shares (thousand shares)		44,147	44,191	44,191
	Earnings per share (Note 3)	Before adjustment	3.57	0.88	(0.42)
		After adjustment	3.27	Note 9	–
Dividend	Cash Dividend		0.10244247	0.06 (Note 9)	–
	Stock Dividends	Stock Dividends Appropriated from Retained Earnings	0.92198329	0.35 (Note 9)	–
		Stock Dividends Appropriated from capital surplus	–	–	–
	Accumulated Undistributed Dividends (Note 4)		–	–	–
Return on Investment	P/E ratio (Note 5)		12.43	30.125	–
	Price-dividend ratio (Note 6)		433.32	441.83	–
	Cash dividend yield (Note 7)		0.23%	0.23%	–

* If shares are distributed in connection with a capital increase out of earnings or capital reserve, it shall further disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

Note 1: State the highest and lowest market price of each year, and calculate the average market price for each year by the annual turnover and volume.

Note 2: Based on the number of shares that have been issued at the end of the year and the allocation according to resolution of the shareholders' meeting in the next fiscal year.

Note 3: If there are retrospective adjustments due to matters such stock dividend distributions, the earnings per share before and after the adjustment shall disclosed.

Note 4: If the conditions attaching to equity issuance includes payment of dividends to make up for not having distributed a dividend in years in which it did not post a profit, the accumulated unpaid dividends of each fiscal year shall be disclosed.

Note 5: P/E ratio = current year average closing price per share /earnings per share.

Note 6: Price-dividend ratio = current year average closing price per share / cash dividend per share.

Note 7: Cash dividend yield = cash dividend per share/ current year average closing price per share.

Note 8: Net value per share and earnings per share refers to the amount in the financial report of the most recent quarter up to the date of publication of the annual report, audited and certified or reviewed by a CPA. Whereas other values refer to the amount in the most recent fiscal year up to the date of publication of the annual report.

Note 9: The 2019 earnings distribution has been approved by the board of directors' meeting on March 27, 2020, and submitted for resolution by the shareholders' meeting.

(VI) The Company's dividend policy and implementation thereof:

1. Dividend Policy provided in the Articles of Incorporation

According to Article 99 of the Company's Articles of Incorporation, the Company is currently in growth stage, and hence dividends can be distributed by cash/stock to shareholders in consideration of the Company's capital expenditures, business expansion plans, financial planning and other plans for sustainable development. During the listing period, except for laws and regulations in Cayman Islands, provisions for TWSE/TPEx listed companies or the Articles of Incorporation, or the rights in the shares, the Company's distribute dividends in accordance with the distribution policy in Article 99(1). If there is a surplus (including undistributed surplus of the previous fiscal year) at the end of the fiscal year, it shall first allocated for tax payments and make up for previous losses (including the losses of the previous fiscal year), then retained for special reserves (if any), and the remaining surplus (hereinafter referred to as "distributable surplus") can be distributed according to resolution of the annual shareholders' meeting in the following manner:

(1) Directors' remuneration shall not be higher than 3% of pre-tax profit,

(2) Employees' compensation shall not be lower than 0.1% of pre-tax profit, and

(3) Shareholders' dividends shall not be lower than 5% of the distributable earnings, of which cash dividends shall account for at least 3% of the total dividends.

2. Distribution of stock dividends at the Shareholders' Meeting

The Company's 2019 earnings distribution was resolved by the board of directors on March 27, 2020, with the proposed cash dividend is NT$0.06 per share, and stock dividend of NT$0.35 per share. After the resolution of the shareholders' meeting on June 22, 2020, the Board shall fix a date for the distribution of stock and cash dividends, and shall have full authority to handle the affect of change in outstanding shares on the dividend payout ratio.

(VII) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting: Not applicable.

(VIII) Compensation to employees, directors, and supervisors:

1. Ratio or scope of compensation to employees, directors, and supervisors, as set forth in the Company’s Articles of Incorporation:
   Please refer to: (VI) The Company's dividend policy and implementation thereof.
2. The basis for the estimated compensation to employees, directors, and supervisors for the current period, the basis for calculating the number of shares to be distributed, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure:
   The Company has distributed NT$700,000 as directors' remuneration and NT$200,000 as employees' compensation in 2019. If there is discrepancy between the actual distributed amount and the estimated figure when the compensation to directors and employees is distributed according to the Company’s Articles of Incorporation, it will be regarded as a change in accounting estimate, and recorded as profit/loss in the year of shareholders’ resolution.
3. Information on distribution of compensation to employees as approved by the Board of Directors:
   The Company’s 2019 earnings distribution has been approved by the Board of Directors on March 27,2020. Information on the distribution of compensation to employees and directors are as follows:
   (1) The employees’ compensation of $250,000 distributed in cash and directors’ remuneration of $700,000 as resolved at the shareholders’ meeting.
   (2) Employees’ compensation of NT$0 is distributed in stock, which accounted for 0% of the sum of the current after-tax net income and total employee compensation.
4. The actual distribution of compensation to employees, directors, and supervisors for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized

amount, additionally specify the amount of the discrepancy, the cause, and how it is treated: The Company has estimated NT$200,000 as employees' compensation in 2019, the Board of Directors considered the operating situation and operating strategy, and decided to distribute NT$250,000 for employees' compensation, the discrepancy between the actual distributed amount and the estimated figure will be regarded as a change in accounting estimate, and recorded as loss in 2020.

(IX) Buyback of Treasury Stock: Not applicable.

II. Corporate Bonds (including overseas corporate bonds): None.

III. Issuance of Preferred Stocks: None

IV. Issuance of Global Depository Receipts: None

V. Issuance of Employee Stock Options: None

VI. Issuance of New Restricted Employee Share: None

VII. Status of New Shares Issuance in Connection with Mergers and Acquisitions: None

VIII. Implementation of the Company's Capital Allocation Plans:

The Company does not have issues that were completed in the most recent 3 years but have not yet fully yielded the planned benefits.

Five. Operational Summary

I. BUSINESS ACTIVITIES

(I) Scope of business:

1. Business content: The main business items of the Group is producing the press components for automobile and motorcycle and producing press production line machine
2. Percentage out of the entire company business

December 31, 2019

Major Products	2018		2019	
	Amount	%	Amount	%
Press production line Equipment	284,031	12.96	165,713	9.23
Automobile components	1,790,014	81.67	1,533,391	85.40
Motorcycle components	102,229	4.66	80,328	4.47
Revenue from processing	15,361	0.70	15,532	0.87
Medical device	92	0.01	601	0.03
Total	2,191,727	100.00	1,795,565	100.00

3. Current products (services) of the Company

Product category	Service
Press production line machine	According to the market demand and characteristic requirement, selling press production line equipment to customers and provide differentiated services, such as the service for in-situ installation and instruction and the logistics technical support service for the repair, maintenance, and spare parts supply.
Automotive and motorcycle components	The Company provides a wide range of product specifications and categories, mainly for motorcycle components and automobile safety system components, such as: door lock parts, seat parts, brake disc shock absorber, flange, exhaust system hook and so on.
Revenue from processing	The revenue from processing of automobile components

4. The new products planned to be developed:
   (1) Medical device
   (2) The products development in automation equipment and technology field.

(II) Industry summary:

1. Current status and development of the industry

(1) Automotive industry overview

A. Automotive industry overview

Automotive industry, being one of the world's largest and one of the most important industry, has become the pillar industry of national economy in United States, Japan, Germany, France and other industrial developed countries, and accounted for a large proportion in the manufacturing industry. It has a strong driving effect on the upgrading of industrial structure and the development of related industries, and has many characteristics such as high industrial correlation, wide coverage, high technical requirements, strong integration, large number of components, and large added value. Automobile products go through the process of market research, product research and development, production and manufacturing, and sales feedback. The product development cycle is quite long, and the production and manufacturing process is rather complicated. As a result, it involves a wide range of satellite manufacturers, which need the mutual cooperation of various industries. The automotive industry can be divided into whole automotive industry and automobile component industry According to industrial production statistics, the automobile component industry can be classified into the following ten categories

Figure 1, automotive industry classification

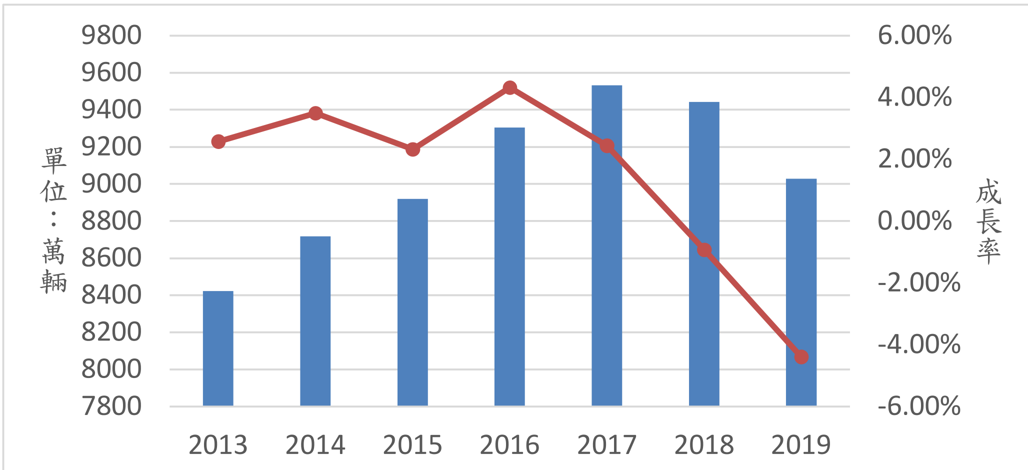
Source: Industrial Technology Research Institute, IEK(2015/02).

Note: Other automobile components include automobile beam, body stamping component, bumper, exhaust pipe, castings, auxiliary airbag system, seat belt and other components not listed.

a. Global automobile industry

According to the data of LMC Automotive on the scale of the global vehicle market in recent years, the sales of global light vehicles in 2019 were about 90,270,000, a decline of 4.4%. The reasons for the decline include a sharp slowdown of China's economic growth and the cancellation of the preferential tax policy for electric vehicles by the Chinese authorities, which led to a sharp drop in demand. On the India side, due to the domestic credit crunch and economic slowdown, consumers avoided large consumption activities such as car purchases. On the European side, the increasingly strict WLTP emission standards caused major global car factories to cut costs and reduce car models available. These factors coupled with the reduction of growth momentum of global economies, the US-China trade war, and the uncertain prospect of Brexit resulted in a sales volume decline from January to August. However, in 2020 the emission standards and regulations will be more stringent, which will stimulate consumers to buy cars, leading to a small growth of 1.3% in the whole year. The scale of the global car market In recent years is shown in Figure 2.

Figure 2, the global size of automotive markets in recent year



Source: LMC Automotive, sorted by PATEC

In 2019, the top five auto markets in the world were mainland China, the United States, Japan, Germany, and India in descending order. With the support of its 1.3 billion plus population, the sales volume of mainland China still ranks first in the world, totaling 25,769 thousand vehicles. However, the Sino-US trade war and the slowdown of China's economic growth reduced people's willingness to buy cars and weakened the consumption momentum, resulting in a decline of 8.2% in China's car sales. In the United States, although the sales of large and medium-sized vehicles such as SUVs and light trucks are relatively strong, the sales of traditional cars continue to decline, while the rise of car prices and loan interest rates have affected the ability and willingness of consumers to buy cars. The total sales volume is 17,048,000, down 1.3% from 2018. The automobile markets in Japan and Germany, ranking third and fourth, are mature markets, have a total sales volume of 5,195,000 and

3,960,000 respectively, down 1.5% and up 5% from 2018. In India, due to the credit crunch and the slowdown of economic growth, the sales volume is 3,816,000, down 13% from 2018. The main market sales of light vehicles in the world from 2018 to 2019 are summarized in the table below.

Country	2018		2019	
	Sales Quantities (Unit: 10,000)	%	Sales Quantities (Unit: 10,000)	%
China	2,775	29	2,545	28
U.S.A.	1,723	18	1,699	19
W. Europe	1,615	17	1,628	18
Japan	520	6	513	6
E. Europe	423	5	413	5
India	400	4	352	4
Brazil	325	3	311	3
Canada	199	2	193	2
Korea	178	3	175	2
Others	1,284	14	1,201	13
Total	9,442	100	9,030	100

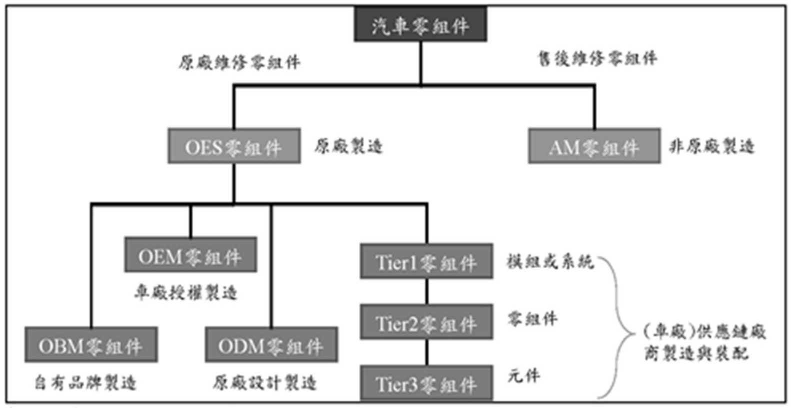
b. Global automotive component industry

Automotive industry is high precision, and high degree of technical integration of comprehensive industry. The development process of product is quite long, which is from market research, product development, manufacturing to sales feedback. The manufacturing process is also very complicated, so it involves a wide range of industries, which relevant satellite manufacturers need to cooperate with various industries. There are plenty of automobile components. Depending on the complexity of the components, the number of components required is up to 30,000 units. The materials that are used in each component include steel, nonferrous metals, rubber, asbestos, china, fiber and petrochemical industry. The manufacturing method of components includes casting, press, forging, mechanical processing and thermal processing and so on. The completed components are inspected for quality before being transported to the central factory for assembly. The assembly process of automobile in the center factory includes welding, painting, pre-assembly of partial components, and assembly of vehicle. The automobile components must pass the inspection and test standards in various conditions before leaving the factory. Only after being confirmed as qualified, can a safe and reliable automobile be considered as completion.

With respect to the development trend of global automobile market, although the automotive industry is rather mature and the whole industrial chain structure is also very complete, in current year, the content rate of automobile components of plant are decreasing under pressure of profit and cost. Consequently, the degree of dependence on the external automobile component plants gradually increases. Automobile component plant from a simple component original equipment manufacturing, become the main research and development partner of the plants, which has transferred pressure to component plants and caused the cost pressures among major automobile component suppliers worldwide are increasing. Therefore, outsourcing or joint venture manufacturing methods have been adopted to bring automobile component manufacturers business opportunities. The scale of the global automobile industry is gradually expanding, and after years of efforts in the development of the automotive industry, automobile components have had the advantages of a small number of diverse and flexible manufacturing. After on-going investing in research and development and upgrading of production technology, it has strength of international competitiveness.

Basically, the international automobile component industry is developing with plants and local government with relevant industry policies. There are two main markets. One is to cooperate with the local domestic, foreign car manufacturers play the role of OEM, and provide the original factory to assemble new automobile components. The other is to provide components maintained or refitted to domestic and foreign aftermarket. In terms of sales outlet of components, it can be divided into four kinds of sales outlet of automotive components, which are Original Equipment Manufacturing (OEM), Original Design Manufacturing (ODM), Original Equipment Service (OES), After Market (AM). OEM and ODM market are for the original assembly components, while OES is the original certified components for after-sales maintenance. The components that AM provides are components for aftermarket maintenance and refitting.

Figure 3: The type of international division of labor in automotive components



Source: Industrial Technology Research Institute (2013/05)

The automotive industry is different from electronics industry, which upstream and downstream are the closed markets of a few manufacturers. Each automobile component needs a rigorous and lengthy testing and certification before they can be used by the original equipment manufacturing. The automotive industry has high requirements for quality systems and yield. ISO-9001, QS-9000 and TS-16949 are basic requirements. The components purchased are almost no defects.

The global automobile component industry continues to be highly dependent on vehicle production. With emerging countries, particularly China, benefiting from rapid domestic economic growth in recent years, the demand for vehicles has also increased significantly. In the meantime, the global large plants have expanded rapidly, which drive other components suppliers to follow up, so as to meet the overall production demand. As overall car sales increase, so does demand for aftermarket components. In addition, consumers tend to hold vehicles for longer periods of time, which increases the market demand for replacement of aftermarket components. In 2019, the global automobile market was in a recession, and the sales momentum of whole vehicles was depressed. However, the poor sales of the international automobile manufacturers affected the demand for upstream parts and components, and prompted whole vehicle manufacturers to transfer the pressure to the upstream parts manufacturers, so that they could stand a keener price cutting competition which affects their profits.

B. Motorcycle industry overview

General motorcycle industry refers to the manufacture of motorcycle and parts. According to the definition of Standard Industrial Classification prepared by Directorate-General of Budget, Accounting and Statistics, Executive Yuan, it is the industry which manufactures cycles, three-wheel motorcycle, engine, motorcycle‘s sidecar and motorcycle specialized parts. The industrial production is classified into the motorcycle industry and motorcycle component industry. The detailed categories are shown in the following table:

Table 1: The table of motorcycle industry classification

機車產業	分類	產品細項
	機車整車產業	輕型機車、普通重型機車、大型重型機車、一般電動機車、小型車型電動機車
	機車零組件產業	機車用齒輪箱、引擎、啟動馬達、汽缸頭含汽門導管、汽缸體、活塞桿構件、點火線圈、鍊條、前叉、離合器、變速箱總成、區軸箱本體、化油器、排氣管、其他零組件、電動機車零組件

Source: Directorate-General of Budget, Accounting and Statistics, Executive Yuan

Motorcycle originated in Europe, America and other places. Before World War II, leading manufacturers in the motorcycle industry are mainly European and American brands, including BMW, PIAGGIO, DUCATI, TRIUMPH, HARLEY- DAVIDSON, INDIAN and so on. After World War II, Japanese motorcycle manufacturers emerged at the historic moment, and with the characteristics of use, it is suitable to use in developing countries. HONDA, YAMAHA, SUZUKI and KAWASAKI gradually become global leaders. Currently, Asia is the world's major motorcycle market, accounting for 90% of the global motorcycle sales in 2017. India, the largest market, has grown rapidly in recent years. Under the double influence of China's anti-motorcycle policy and slowdown of economic growth, India’s motorcycle sales volume in 2016 surpassed that of China, making India the world's largest motorcycle production and sales country. According to the statistics of SIAM, India’s automotive association, in 2017 the output of India's two wheeled vehicles reached 23,150,000, with a growth of 16.1% over the same period. The sales volume reached 20,190,000, with a growth of 14.8%. Both of them broke through the 20 million mark. At present, the motorcycle penetration rate in rural areas of India still has room for improvement and is expected to continue to drive sales. China, the second largest motorcycle market, gave to India its number one rank in motorcycle sales for 23 consecutive years in 2016 due to its government's ban on motorcycles. According to the statistics and analysis of CAAM, China’s automotive association, in 2017 the total production and sales volume of China's motorcycle industry recovered after five consecutive years of decline. The output of two-wheel plus three-wheel motorcycles was 17,156,000, up 1.9% over the same period. The sales volume was 17,135,000, up 2.0%. According to AISI, Indonesia’s automotive association, Indonesia, as the third largest motorcycle market, had a motorcycle production of about 6,321,000 in 2017, up 1.7% over the same period. The sales volume was about 5,886,000, down 0.8%. The sales volume fell below the 6 million level for two consecutive years, mainly due to a rise in electricity and vehicle registration fees, which lowered the public's willingness to buy.

Figure 4: Global main motorcycle market distribution

Country	2013	2014	2015	2016	2017
India	1,481	1,600	1,646	1,759	2,019
China	2,289	2,129	1,882	1,680	1,713
Indonesia	777	787	648	593	589
Vietnam	283	240	290	320	327
Pakistan	80	74	106	163	193
Thailand	200	170	164	174	181
Philippine	75	79	85	114	132
Taiwan	64	67	67	79	91
Brazil	159	143	119	86	81
Colombia	66	70	68	67	50

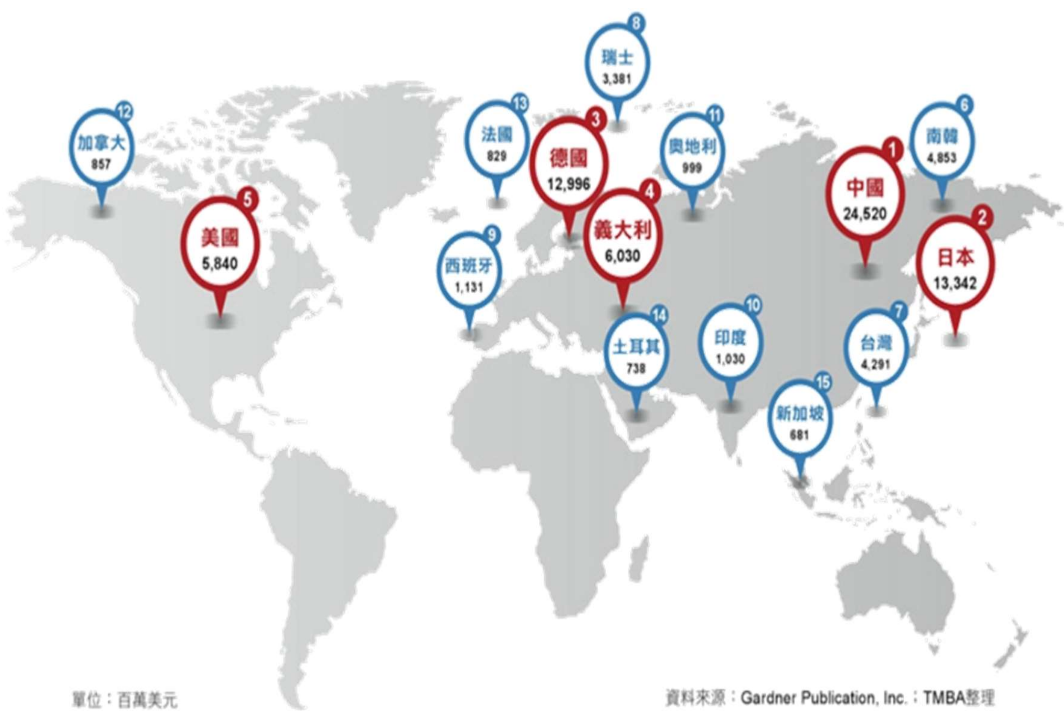
Source: Automobile industry associations and motorcycle associations of various countries, sorted by ARTC

Countries such as North America and Europe, with stable economy and mature market, have limited growth of demand for motorcycle in the future, which tend to focus on leisure and urban short distance travel, with relatively low growth range. In addition to the current main regional markets, developing countries such as Africa are also increasing the demand for motorcycle. With the economic growth, people's demand for transportation tools changes, and the demand for two-wheelers will also gradually increase, which is expected to become a major global motorcycle market in the future.

C. Machine tool industry overview

The production value of machine tool are US$ 875.2 million in 2017, which is 7.3% higher than in 2016. In order of production value, the top ten machine tool countries in the world are China, Japan, Germany, Italy, America, South Korea, Taiwan, Swiss, Spain and India.

Figure 5: The main production of the top 15 countries in 2017

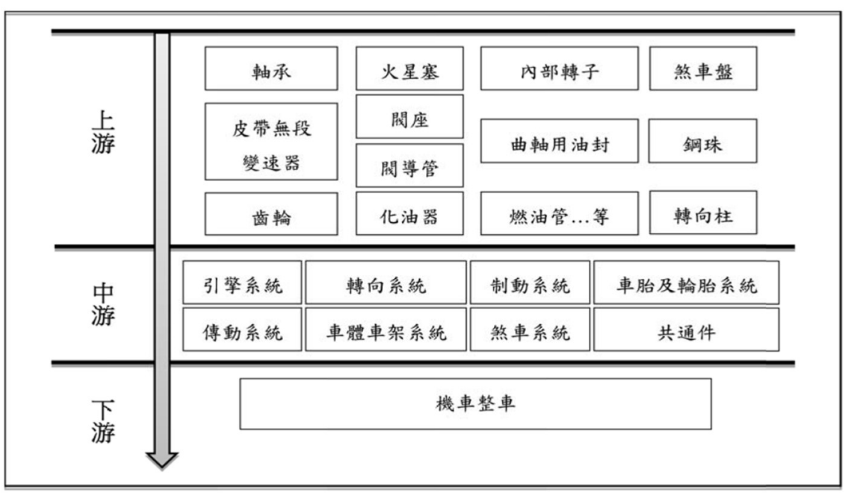


Source: Gardner Publication, Inc.; TMBA finishing

Since 2009, China leaps to the world's largest producer. Strong domestic demand gives rise to create China to be the world's largest country of consumption of machine tools, which makes its machine tools become the world's largest machine tool consumer and importer for many years. On the other hand, the current market for machine tools in China is still dominated by domestic demand, and the value of exports is relatively small. In the last one or two year, as the independence of machine tool in China has gradually become effective, some of the low-end machine tools produced by China have been exported to emerging markets in Southeast Asia, so the export value of China has gradually increased. In 2017, China remains the world's largest demand country for machine tool, with a total output value of us $24.52 billion, going up by 3.6% compared to 2016, and a global market share of 28%. China is also the world's largest country of consumption for machine tools. The market size in 2017 was US$29.97 billion, going up by 9% compared to 2016. It is expected that under the promotion of the "Made in China 2025" policy, China's tool machine consumption will continue to increase.

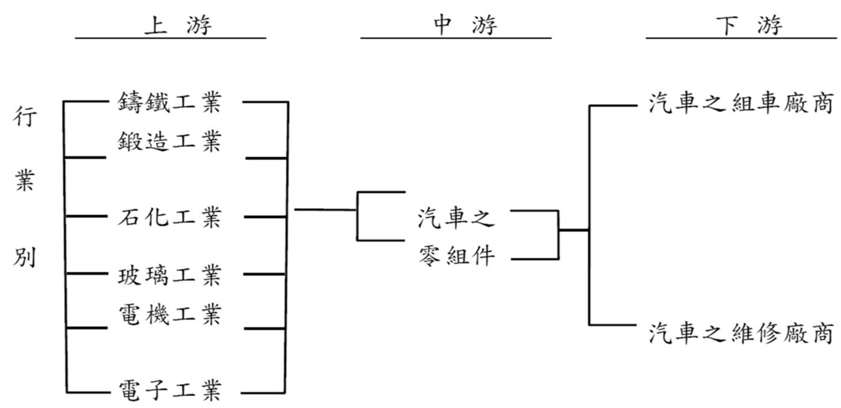
2. Relations with industries upstream, downstream and at the same level

A. Automobile components

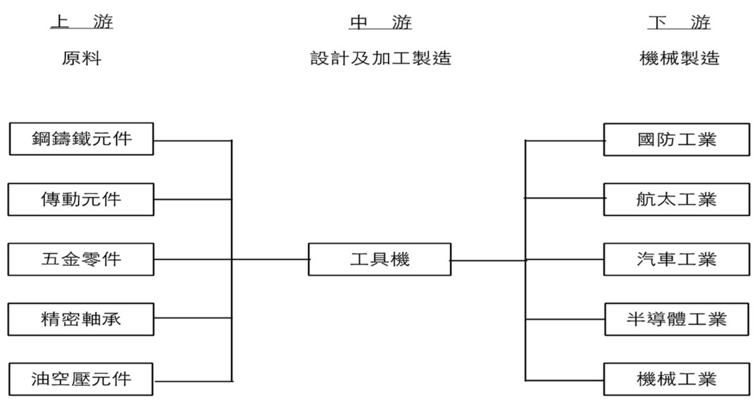


資料來源：工研院IEK，2013

B. Motorcycle components



C. Machine tool equipment



(3) Various trends of product development

A. Automobile components

Caused by the globalization trend of auto industry, the industry value chain from research and development, procurement, production, sales to after-market, each functional activity has tended to global configuration and retain research and development institutions in local. Instead of investing in replicating products to other target markets, each functional activity has been allocated to the global market according to their capabilities. As a result of the new specialized division of labor cooperation system, the plants adopt the global procurement strategy for reducing the cost. On the other hand, there is a trend of separation between the component companies of the original collaborative system, which also leads to more and more multinational component companies.

The development modes of automobile component manufacturers can be divided into three categories: (1) Enter into the international plants or the supply chain system of Tier-1. (2) Joint venture with local plants or technical partners to enter overseas markets. (3) Cooperate with big international factories to set up delivery warehouse or logistics center, so as to seize the opportunity of local automobile after-market and maintenance market. The Group's current development direction is mainly in the previous two categories

In addition, automobile components industry development and automotive production are closely related to after-sales service and maintenance. There are three major automotive industry in the world: China, North America and Japan. These three regions all belong to the mature automobile market and are also the important consumer market of automobile components in the world.

In recent years, the global plants and automobile components industry has been developing towards the decrease of enterprises, expansion of business scale and rapid internationalization. The overall trend is as follows:

- Industrial scale: The innovation of product and technology is also committed to the direction of plants. To reduce development costs and component costs, the plants will expand the economies of scale of a single platform or model through common platforms, modular design and global strategic vehicles.
- Specialization of production: So as to shorten the whole new cars development time, and ensure the quality, cost and delivery time, automobile components factories can no longer only produce as well as provide loading components on assembly line based on drawings provided by plants, but should be more deeply participate in the whole value chain of automobile, from research and development, sales to after-sales service to improve professional level.
- Internationalization of production and operation: In line with the global plants, the scope of multinational automobile component factories is becoming larger and larger. Its main purpose is to match with plants overseas, to develop new markets, or to seek low-cost advantages in local production. Therefore, the formation of

automobile components factory production and management of internationalization.

- The collaborative system relationship is complicated: In the past, plants and component suppliers were inseparable through the operation of a collaborative system. However, with the white-hot competition in the automobile market, plants not only require the existing subcontractors to reduce the annual cost, but also seeks compliance with specifications through its procurement platform but replace subcontractors that cannot match price cuts with component factories of superior supply prices.
- Upgrading of automobile application technology: The other pressure that component suppliers need to face is the upgrading of automobile application technology, including miniaturization, lightweight, energy saving and so on. Suppliers also need to invest in research and development to meet the needs of new technologies.
- Automobile component manufacturers will more invest actively in the China market: In the future, the plants will mainly invest in developing countries. Apart from manufacturing, design and engineering, value activities will also be introduced simultaneously. And the scale of automotive market in China continues to grow and becomes the world's largest automotive sales country. The domestic market is also the reason why plants will manufacture locally. Its current car ownership per thousand is still low. Therefore, it brings business opportunities for plants, and so does for automobile component manufacturers. Also, due to the growth of the automobile market in China over the years, the demand for automotive component industry in the automobile aftermarket will increase. Automobile component manufacturers are planning to expand investment into China for gaining access to the huge automobile components market and actively cooperate with local automobile manufacturers for business opportunities.
- Energy efficiency and low carbon emissions have become an inevitable trend in the development of automobile products. With fuel prices still high and environmental concerns, the proportion of energy-saving and hybrid vehicles is gradually increasing. Government policies and related fiscal and tax incentives are the most important driving force at present. Electric cars will still be one of the industry's core development within automobile manufacturers

because apart from the change of automobiles' power system, the automobile manufacturers have dedicated to developing small energy-saving models. In addition to complying with regulatory requirements, it will also provide consumers with more options to buy cars in tough economic times.

B. Motorcycle components

In recent years, due to the rapid changes in the global climate, countries have become increasingly concerned about environmental pollution and exhaust emissions from automobile and motorcycle. Each motorcycle manufacturer keeps processing research and development of new products in order that it can produce safer, more environmentally friendly, higher quality products, which has encouraged upstream suppliers to develop the newer technologies, more environmentally friendly and more expensive and profitable components. With the rapid growth of economy, the need of motorcycles in Southeast Asian Nations gradually increases. The main Japanese motorcycles manufacturers such as HONDA, YAMAHA and SUZUKI has shifted value activities, including procurement, production or sales to Southeast Asian Nations such as Indonesia, Vietnam and Thailand, where the motorcycle market is growing rapidly in order to decrease labor cost. The relevant potential competitors are also dominated by this market. For this reason, the future development of the Group not only actively becomes the main suppliers in Indonesia market, but also looks other ASEAN market.

C. Machine tool equipment

In terms of machine tool production - China, China has been engaging in the economic structure adjustment and the transformation of the development direction. Because of the development of key areas such as aviation, ships, automobiles, energy and other aspects, there is huge need for high-end CNC, high efficiency cutting tool and precision measuring machine. On the other hand, the rise of intelligent manufacturing also provides a new path for the development of machine tool industry. In the next five years, the development demand of tool machine industry in China will further shift to the high-end. According to Gardner Research's statistics, although the sales growth of the machine tool industry was in a downward trend in 2012, the sources of product with serious decline were mainly medium and low-end products, which also indicated that the demand for machine tools in China was shifting to the high-end. Overall, the demand for high-end machine tools in China has maintained a strong trend.

The global machine tool market is constantly in the competition of pursuing high efficiency and low energy consumption. Meanwhile, emerging fields and emerging materials also put forward new requirements for the machine tool market. Consequently, machine tool suppliers should not only pursue in-depth development in traditional fields, but also make their products catch up with the pace of emerging fields to maintain competitiveness and their position.

(4) Competition status

In recent years, the world's major manufacturers covet the Chinese huge automobile market and ASEAN area’s motorcycle market. Furthermore, as the cost of production can't effectively reduce the pressure, the products are gradually made by other national foundry production or nearby local procurement. With the economic rise of mainland China and the continuous growth of ASEAN market economy in recent years, the average income of the Chinese people has been increasing steadily and the consumer spending also rose. As a result, local demand for automobile and motorcycle has grown steadily and the China and ASEAN markets have benefited. With the continuous increase in the production of automobile and motorcycle components, the demand for press production line equipment for the production of related components also increases. For this purpose, in addition to actively improving the production efficiency and reducing the production cost of automobile components, the Group also strengthens the sales market of press production line equipment and fights for more sales orders for machine equipment.

In general, for the reason that the wide use of industrial products, the current competitive trend is not as fierce as that of electronic products. Nevertheless, as the use of industrial products is wider, the future market will be valued, which means that the competition will be more obvious in the future.

3. Technology and research & development summary

(1) Technological arrangement in business operations, research & development

What customers appreciate the Group is always being ahead of the same industry with the speed of research and development. Along with the

Group based on years of experience in metal processing and the ability to develop module itself, the key factor is that the Group can adjust the machine instantly to meet the requirements of customers with different product specifications. With the ability to develop samples quickly, effectively improve customer product design and process integration, the Group has been maintaining good relations with customers, and more willing to attract international customers to cooperate.

The Group’s main technical capabilities of product manufacturing process include press forming, assembly, automatic production and detecting. By designing, homemade automatic production and measuring equipment, it reaches 100% of manufacturing and quality inspection and also meets the special requirements of high precision specification and quality assurance. Through the new product quality planning process, it continues to promote the establishment of innovative precision technology.

(2) Personnel involved in research & development and their educational background and employment history

Year / Education	2018	2019	2020 As of March 31,
Above Masters	7	7	7
Bachelor’s Degree	23	23	23
Senior High School	3	3	3
Total	33	33	33

(3) R&D expenses invested in latest five years

Unit: NT$ thousands

Item / Year	R&D expenses	Consolidated net operating revenue	%
2019	52,964	1,795,565	2.95
2018	79,453	2,191,727	3.63
2017	110,443	2,073,289	5.33
2016	73,246	2,009,440	3.65
2015	44,014	1,539,487	2.86
2018	79,453	2,191,727	3.63

(4) Technology and products developed successfully in the last five years

As of March 31, 2020

No.	Items	Description
1	Cold press compound die automatic discharge device	It can improve production efficiency and production safety, especially suitable for large press parts compound discharge device.
2	Floating die set device	It is high precision and small gap blanking die, which can improve the precision of the die.
3	Thick plate blanking die	It can improve production efficiency and production safety, especially suitable for pressing parts with thick plates.
4	Reel stretch press automatic discharge device	It can improve production safety and meet the requirements of mass production as well as improve the working stability and the efficiency of parts discharge.
5	Press riveting and flattening die	It can reduce unnecessary procedures, effectively improve work efficiency, and reduce manufacturing costs.
6	Cold die automatic discharge device	It can make die discharge smoothly and simply, make the waste materials in the mold fall down smoothly, and greatly improve the production efficiency and production safety.
7	Fixture device on pierce punch forming	It can be processed coaxial parts and larger cylindrical, improve the processing efficiency.
8	Curl press die	It is an innovation of engineering, and effectively reduce the process.
9	Ironing burring press engineering	It can improve the engineering and work efficiency to meet the needs of mass production.
10	Emboss mold for plate workpiece	Completing the design and optimization of the emboss mold for plate workpiece, which increases working stability and efficiency.
11	Pre-punching hole of die for plate workpiece	Through the use of pressure spring, increase the working stability and efficiency
12	Burring mold for plate workpiece	It can improve quality of burring end surface and the working efficiency
13	Solid rod upsetting mold	It can improve engineering and work efficiency and mold stability.
14	Compound mold for blank stretching	It improves the engineering, effectively reduce the process and processing costs, and improve the machining precision and quality of components.
15	Device for material discharge automatically	It can separate the press part from the material belt automatically and improve the production efficiency and safety.
16	Clod hobbing	It can improve the engineering, effectively reduce the processing cost and improve the precision and quality of components.
17	Aluminum material embossing fixture	It can improve the precision and quality processing of components.

No.	Items	Description
18	Stainless steel flanged dimpling die	It can increase the strength of the female die, and do mirror buffing for female die insert and pierce.

(III) Long-term and short-term plans for business development.

The Group draws up various long-term and short-term plans to plan the future business direction of the Group in order to cope with the trend of future industrial development and overall economic environment and enhance its competitiveness. The brief description of the Group's long-term and short-term plans

1. Short-term development strategy and plan

(1) Marketing strategy

A. Strengthening the good relationship with customers, keep abreast of the latest market information, reasonably estimate the future demand planning of customers for products.

B. Continuous participating in customer project plan, suggesting and assist to evaluating equipment requirement, configuration, cost, delivery and other supporting solutions.

C. Active participation in international exhibitions of related industries, increasing market visibility and enhancing brand image of the Group by participating in the exhibition, so as to win orders of machines and equipment from international big factories and obtain higher profits.

(2) Procurement strategy

Maintain good interaction with suppliers, understand new product development plan and price trend, and provide customers' idea of the product or future demand.

(3) Operational management and financial support

A. In response to operational development, through sound financial planning and operation management, the Group resources will be allocated to maximize the overall benefits of the Group resources.

B. Making the best of the advantage of capital market to establish sound and diversified financing channels and establishing close and mutually beneficial relationships with financial institutions in response to working capital required for business growth and development.

C. The introduction of enterprise resource planning system (ERP), which is the integration of front-end and back-end information, provides more timely financial information as the basis for management decision-making.

D. Organizing internal staff education and training on a regular or ad hoc basis to enhance technical research and development, business and management capabilities. Moreover, encouraging employees to give the comments for improvement within the Group and strengthen the communication bridge between the Group and employees in order to reduce the risk of labor disputes.

2. Long-term plan

(1) Marketing strategy

A. Continuing to strengthen the customer base, increase operational flexibility, reduce operational risks, so that the operation will not have a significant impact on single customer, regional market, individual industries, and so on, and continuing to maintain the competitiveness of the Group.

B. Seeking strategic partners can not only reach new markets, customers and sales networks, but expand the product range, enhance economic efficiency and competitiveness, thereby expanding the economic scale and become the momentum for future growth.

C. Setting up overseas machine and equipment sales market, increasing the revenue of machine and equipment sales, and increasing the contribution of revenue and profit.

D. Cultivating professional talents, collecting information on future development trends, grasping the market highlights of competitors and new entrants, and expanding the European sales market.

(2) Procurement strategy

A. Expanding the source of suppliers can not only strengthen the stable supply of goods, ensure the reliability of delivery, but also obtain competitive purchasing price and maintain the competitive advantage of purchasing cost.

B. Seeking strategic partners can not only reach new markets, customers and sales networks, but expand the product range, enhance economic efficiency and competitiveness, thereby expanding the economic scale and become the momentum for future growth.

(3) Operational management and financial support

A. Establishing sound internal control management system, implementing corporate governance and management philosophy, shaping excellent corporate culture, and realizing the vision of sustainable business operation.

B. Through the diversification of capital market financing channels, strengthen the financial structure for long-term development strength; Cooperating with the group operation scale growth, so as to enrich the management team and enhance the group's popularity and image.

C. Promoting the concept of global competition and lifelong learning for employees, aiming at multinational enterprise groups.

II. MARKET AND SALES OVERVIEW

(I) Market Analysis

1. Sales (Provide) Region of Main Products (Service)

Unit: NT$ thousands; %

Year / Area	2018		2019	
	Amount	%	Amount	%
Chana	1,207,231	55.08	694,840	38.70
South east Asia region	472,012	21.54	546,055	30.41
Europe	438,245	20.00	438,966	24.45
Others	74,239	3.38	115,704	6.44
Total	2,191,727	100.00	1,795,565	100.00

2. Market share:

The Group is as a professional manufacturer of precision metal components. Because most of the Group product components are automobile components, it is hard to calculate its market share. Since its establishment, the Group has been adhering to the concept of serving customers and has become a supplier of MQB (modular querbaukasten) platform of Volkswagen Group. Therefore, the Group’s market share of products should also be significantly increased. Accordingly, the goal of the Group’s market share is continued increasing the Group's performance growth. With the steady growth of global automotive market demand, it is expected that the demand for automobile components will continue to grow in the future. There is still great room for growth in the Group's revenue.

3. Future market supply/demand and growth

A. Future market supply/demand

The automobile and motorcycle components industry is monopoly market. As automotive manufacturers strive for stability in their component supply chain, most of manufacturers will not switch suppliers easily. The automobiles and motorcycles are also the industry with a high emphasis on safety, which its components has higher precision and reliability than that of other industries, so the downstream plants have strict authentication mechanisms for the components suppliers. As a result, the automotive high entry threshold. The system manufacturer is based on quality control, and once the qualified supplier is selected, it is less likely to change partners easily, thus forming a relatively closed supply chain relationship. The growth of the company's industrial market is analyzed as follows:

a. Automobile components

Multinational automobile manufacturers of well-known brands have established new models of international division of labor and actively engaged in automotive industry and market operation in emerging countries such as China, due to the fact that the upcoming globalization. This not only increases the dependence of local automotive components suppliers on multinational automobile manufacturers, but also attracts more manufacturers to invest, building up a more integrated automotive industry supply chain because of the huge demand in emerging countries. As far as automobile sales quantity is concerned, it is difficult to find explosive room for growth as automobile appetite is almost at the stage of saturation in developed countries. In the meantime, as the economic rise of emerging countries, the increase in people’s income generate growing demand for automobiles, which the vehicle market will continue to grow steadily in the medium to long term.

In 2017, global automotive sales hit a new record high. Nonetheless, because of the conservative outlook of the U.S. and China automotive market, the high risk of exchange rate and raw materials, and the immature opportunity for mass production of electric vehicles, the industry is expected to see a slight recession in 2018.

China has become the world's largest automobile production and sales country, and cars per capita are far below the standards of developed countries. But for the past 10 years, the rapid growth of the number of automobiles, has brought Chinese society came many problems such as congestion, pollution and traffic safety, formed the contradiction between quantity growth and limitation. This is also the problem that needs to be faced when Chinese government is actively developing automotive industry. Overall, as people consuming ability rise, demand has increased. It is expected that the sales volume of motorcycle as a whole in China will still grow year by year, but the growth of new car sold will gradually decrease or stagnate over the next few years.

With the rapid growth of China's automotive industry in recent years, car ownership increases sharply. The scale of China's demand for automotive components continue to expand, owing to the fact that the low unit price of Chinese automobiles, the relatively unstable quality and the relatively high frequency of component replacement. Meanwhile, with Chinese people's income gradually increased, the price is no longer the only one consideration when people change components. Instead, the importance of driving safety increase. Compared with Chinese automotive components industry, foreign has quality advantage, so the demand for automotive components in Chinese market will continue to rise. So as to fight for this business opportunity, in recent years, the foreign automotive components industry develops more actively in China.

There are few local manufacturers investing 100% in automotive OEM components industry in Indonesia. Most of them are domestic and foreign joint ventures or factories invested by Japanese, Taiwanese or Korean companies. Most precision components need to be imported. Indonesian vehicle operators believe that there is great opportunities for Indonesia to regain its position as a regional vehicle assembly and components production center with the implementation of ASEAN Free Trade Area and political instability in Thailand. TOYOTA Astra Motor indicates that Indonesia has a potential market and natural resources, coupled with the implementation of ASEAN Free Trade Area, which 5% import tariffs on automobiles and components have been lifted among six ASEAN founding members, including Thailand, Malaysia, Philippines, Singapore, Brunei and

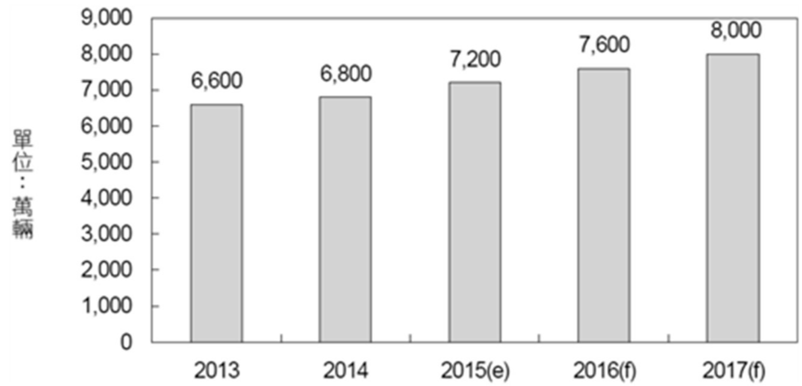
Indonesia. It has become very accessible to export cars and automotive components from Indonesia to southeast Asian countries, and the industry is now in the best position to overtake Thailand.

Even though Indonesia has a large automotive component market, Japanese's automobile manufacturers have a closed system. Most of the major automotive components are monopolized by their agents or joint ventures, consequently, OEM suppliers of Japanese automotive components produced in foreign countries have little access to their supply chains. As for the large scale of the AM, the manufacturers estimated that around two-thirds of them are non-factory components, so there is still a lot to be done.

b. Motorcycle components

Due to the motorcycle has the characteristic of being easy to use, being applicable to wider road surface, cargo capacity and not taking up a lot of space, it has become the important tools for commuting and carrying goods. Different from the developed countries which regard motorcycles as leisure and competition, motorcycles in emerging countries are more widely used, especially in Asia. In countries with lower per capita income, and less developed public transportation systems, it becomes common that motorcycle is used as daily transport and production tool. In terms of the analysis of global motorcycle market development, the trend of increasing population and increasing urbanization will still drive the growth of global motorcycle market as a whole, however, due to the low oil price and the slow upturn of global economy, the motorcycle is still a temporary means of transport. The car is still the type of vehicle that consumers are eager to buy, so the growth momentum of global motorcycle will be relatively flat in the future. According to the industrial technology research institute, it estimated that the global motorcycle market will only grow to 80 million units in 2017.

Figure 7: Analysis of global motorcycle market size trend



Source: Industrial Technology Research Institute, IEK(2015/05).

According to Indonesian Motorcycle Industry Association, the data is shown in the following table

Table 3: Indonesia motorcycle sales and export statistics during 2014 and 2019

Unit: Volume

Year	Sales	Exports
2014	7,867,195	41,746
2015	6,480,155	228,229
2016	5,931,285	284,065
2017	5,886,103	434,691
2018	6,383,108	627,421
2019	6,487,460	810,433

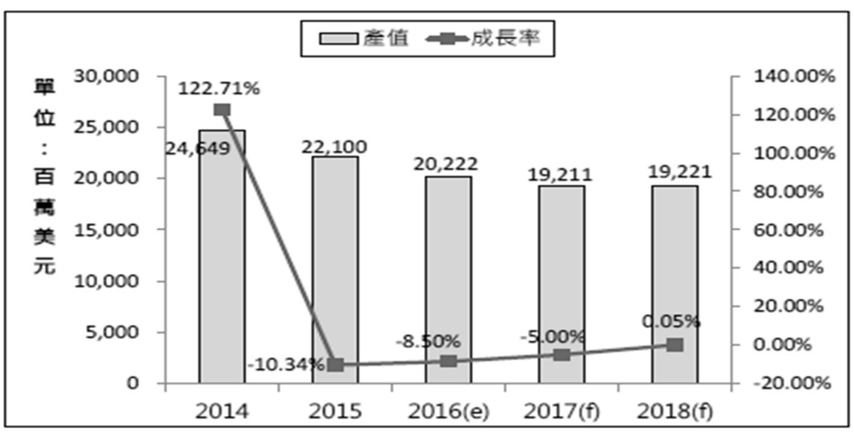
Source: Indonesian Motorcycle Industry Association and AISI website

Indonesia is the third largest motorcycle market in the world. Like other Southeast Asian countries, due to the high population density, the lack of road infrastructure and mass transportation tools, the traffic jam issue in major cities in Indonesia is quite serious. Therefore, motorcycles with convenient driving and low price have become the first choice for people. With the improvement of income level and the increase of personal consumption, the annual sales volume exceeded 8 million in 2011. In 2012, due to an increase of motorcycle loan down payments and the impact of stricter financial audit standards of financial institutions, the market was significantly tightened. In addition, the continuous devaluation of the rupiah exchange rate in 2014 led to an increase of production cost of imported parts and components quoted in US dollars, coupled with the reduction of inflation-based fuel subsidies. The consumer market has been in a weak state for many years. However, Indonesia has a population of about 262 million, and is the fourth largest country in the world. With the continuous increase of basic local wages, the number of middle-level consumers has increased, and the consumption power of its domestic market has also been driven. In 2018, the sales volume returned to more than 6 million vehicles.

C. Machine tool equipment

Due to the continued recession in the overall economic growth rate of China and the reduced demand in most emerging markets, it is estimated that the output value of machine tool in China will shrink further in 2016, with a total output value of US$ 20.2 billion, 8.5% lower than that in 2015.

Figure 8: Analysis of machine tool market trend in China during 2014 and 2018



Source: Gardner Research(2016/04) sorted by Industrial Technology Research Institute, IEK (2016/05).

However, in the future, the following factors will be conducive to the transformation of machine tool manufacturers in China:

① The continued development of large commercial aircraft and general aviation markets in the Chinese will bring new demand to the aerospace machine tool market. China will continue to develop high-end rail transport equipment, and actively enter the international market, will form another large-scale high-end machine tool market. Furthermore, Chinese government actively encourages manufacturers to carry out high-end machine tool localization. Driven by the conducive market demand, it will be able to encourage Chinese machine tool manufacturers to continue to carry out the research and development of high-end machine.

② The Chinese is actively promoting the application of intelligent manufacturing and forming a complementary and cooperative situation with German industry 4.0 in terms of market and technology. Although it is not obvious that the intelligent machine tool are needed in China market, facing the shortage of workers caused by the lowest fertility issue and the need to strengthen the country's overall competitiveness through the transformation of manufacturing industry, many machine tool manufacturers in China have invested in the research and development of intelligent tool and increased the proportion of manufacturing service revenue.

③ Many enterprises in China have accumulated many old machine tool equipment for the last 30 years. The enterprise has gradually emerged the trend of machine tool refitting and remanufacturing for improving production efficiency, processing quality and reduce energy consumption, and it also brought new business opportunities for machine tool manufacturers in China.

4. Competitive niche

(1) Relationship with customers

The Group maintains long-term and good partnership with major customers and provides advice and demand for market intelligence and product development to jointly expand the market. Through the past many years of hard work, it has become an important supplier of international large factories. In the international automobile manufacturers’ supply chain system, the main supplier is not easy to be changed and replaced because international automobile manufacturers' procurement and certification system is complicated and strict, plus a long time to prepare, and what they care is its high quality, stable supply and R&D efficiency. As the cost price is not the most important factor, what international automobile manufacturers care about the potential risk and cost is due to changing the suppliers too often, which causes intangible loss and time cost.

(2) Continuous investment in research and development and technology upgrading

The Group has put lots of effort on the investment of research and development. Recently, so as to shorten the development process, show the determination and efforts in product development speed, technology improvement and cost control the personnel and equipment investment are growing.

(3) Competitive price:

For the sake of gradually achieving the market demand of cost reduction, the Group should adopt the international procurement layout, in response to rising costs and carry out precise production management to drive the management improvement by technology improvement.

(4) International Organization for Standardization:

It has obtained ISO9002, QS9000 and ISO/TS16949 certification of international quality, and the quality management system is in line with international standards. To meet the strict requirements on the quality of suppliers, major international automobile manufacturers have developed QS 9000, the certification system of quality. Only when the supplier meets the certification qualification will it be the qualified supplier. In accordance with the increasingly strict requirements and specifications of international plants, the Group has passed the ISO/TS16949 quality certification, and ensures that the Group has met the basic requirements of international plants Therefore, through this certification, it not only can improve the Group's product image, but also contribute to increase international competitiveness.

(5) Precision testing instrument

The Group's detecting instruments is a testing equipment that has been equipped with international standards. The product yield is nearly 100%.

(6) Professional technical ability and stable quality:

Since the Group established, it has been continuously inventing and developing. It builds up its own professional and technical capabilities, has the ability to customize products to meet customers' special needs and enhance customers' competitiveness. The products with stable quality are also recognized by customers.

5. Positive/negative factors of long-term development, and the countermeasures thereof:

Positive factors

(1) China market that flourishes has brought the market opportunity

Although China has become the country that has the highest sale volume of cars around the world, its car ownership per thousand is still low, which is less than half the global average and less than a tenth of that in developed countries. With the continuous economic development in China, the automobile market in China is still in a stage of high demand. This huge business opportunity will attract manufacturers in automotive industry to invest in China, which will help automobile component manufacturers to compete in the China market.

(2) Due to having been dedicating product technology and market for many years, it has cultivated stable cooperation mode with customers.

Since the Group has been working with Faurecia group, it has become one of its main qualified suppliers. Participating in research and development and design which is based on technical cooperation has raised the Group's adding value. It can be seen that after years of mutual trust and cooperation and repeated certification, the quality and price of the Group's products have been recognized.

(3) Component plants in Europe, America and Japanese are eager to establish regional production bases:

As the rise in the Asia-pacific area market, the international automobile manufacturers have been into Asia and south east Asia region. Considering the cost and nearby customer service, component plants in Europe, America and Japanese are eager to establish regional production bases. With the Group's excellent manufacturing management and quality management ability, it can enter the supply chain of international automobile manufacturing market.

Negative factors

(1) International raw material prices fluctuate greatly, which makes raw material inventory management and cost control more challenging. The main raw material of the group is steel. With the continuous growth of turnover, the use of raw material has increased significantly. Moreover, the Group has not signed long-term purchase contracts with suppliers, and the huge fluctuation of raw material prices makes it difficult to grasp the cost and delivery date.

Countermeasures:

Through direct interaction with customers, the Group understands the customers' needs, timely adjusts and arranges production resources, actively allocates and improves self-production and capacity, produces products in line with customer needs, and increases the competitiveness of products by providing high-quality products, reasonable prices and quality services. The Group also keeps abreast of the price fluctuations in the raw material market and purchases the most beneficial raw materials at the appropriate time. In addition, it also reduces production costs by means of economies of scale and improved manufacturing process to maintain profitability.

(2) Wages are rising in China and Indonesia, which raise production costs

Countermeasures:

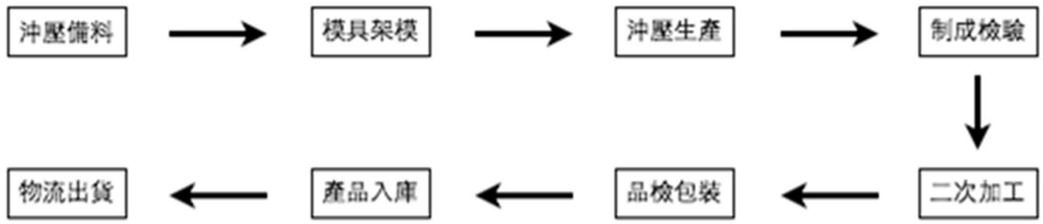
The Group not only improving production process to reduce the waste of raw materials in production and shorten labor hours, so that it can improve the production efficiency and reduce the cost simultaneously. The Group has also gradually increased the ratio of automated production and introduced automatic production machinery to replace part of the labor to stabilize product quality and reduce labor costs.

(II) Major Use and Production Procedures of Main Products

1. Major Use of Main Products

The Group mainly provides customers different type of precision processing of metal materials and professional manufacture of automotive and motorcycle components. Automobile components are mainly used in automobile door lock system, seat system, brake system, exhaust system, clutch and other related automobile safety systems. Motorcycle components are mainly used in motorcycle starter gear, brake system and clutch and other related motorcycle safety systems.

2. Production Procedures:



(III) Supply Status of Main Materials

Major Raw Materials	Source of Supply	Supply Situation
Carbon steel	Suzhou Baogang, Shanghai Baomeng, China Steel Corporation and Brycote Corporation (the agent of products for China Steel Corporation)	Fine
Stainless Steel	Jiangsu Daming, Wuxi Puxin	Fine
Stainless Iron	Jiangsu Daming	Fine

(IV) Major Suppliers and Customers in the last two years:

1. A list of major suppliers accounting for 10% or more of the Company’s order volume in either of the two most recent fiscal years and 2020Q1, and the explanation of the reasons for increase or decrease:

Units: NT$ thousands

2018				2019				2020Q1			
Company	Amount	Ratio to annual net purchase (%)	Relation with the issuer	Company	Amount	Ratio to annual net purchase (%)	Relation with the issuer	Company	Amount	Ratio to annual net purchase (%)	Relation with the issuer
Jiangsu Daming	177,577	15.44	None	Jiangsu Daming	119,699	11.75	None	Jiangsu Daming	22,945	12.23	None
Jiangsu Aucksun	158,898	13.82	None	Jiangsu Aucksun	12,035	1.18	None	Wuxi Puxin	20,851	11.12	None
–	–	–	–	Wuxi Puxin	78,429	7.70	None	–	–	–	–
Others	813,474	70.74	None	Others	899,222	79.37	None	Others	143,749	76.65	None
Total	1,149,949	100.00	–	Total	1,018,921	100.00	–	Total	187,545	100.00	–

The reason for increase or decrease: The change of purchase amount of the group for the above-mentioned suppliers is mainly due to the defect of steel quality purchased by Jiangsu Aucksun, so the steel materials will be supplied by Suzhou Baogang and Shanghai Baomeng from the end of 2018; Wuxi Puxin will transfer the order from Jiangsu Daming for providing more preferential price.

2. A list of any clients accounting for 10% or more of the Company's total sales amount in either of the two most recent fiscal years and 2020Q1, and the explanation of the reasons for increase or decrease:

Units: NT$ thousands

2018				2019				2020Q1			
Company	Amount	Ratio to annual net revenue (%)	Relation with the issuer	Company	Amount	Ratio to annual net revenue (%)	Relation with the issuer	Company	Amount	Ratio to annual net revenue (%)	Relation with the issuer
Faurecia	808,224	36.88	None	Faurecia	635,935	35.42	None	Faurecia	124,433	42.28	None
Inteva automotive parts co. ltd	77,808	3.55	None	Customer A	203,043	11.31	None	Customer A	49,135	16.70	None
Others	1,305,695	59.57	None	Others	956,587	53.27	None	Others	120,724	41.02	None
Total	2,191,727	100.00	–	Total	1,795,565	100.00	–	Total	294,292	100.00	–

The reason for increase or decrease: The main reason that the change of sales amount for the abovementioned customer is based on the change of business demand of the customers. The change is reasonable.

(V) Production in the last two years

Unit: Units, Set, NT$ thousands

Year / Production Major Products	2018			2019		
	Capacity (Note)	Quantity	Amount	Capacity (Note)	Quantity	Amount
Press production line machine	30	18	122,689	30	18	146,771
Automobile components	135,000,000	134,585,707	1,337,802	135,000,000	101,140,103	1,159,829
Motorcycle components	15,000,000	13,035,928	94,515	15,000,000	13,122,913	74,029
Revenue from processing	16,000,000	9,644,353	14,045	16,000,000	9,921,501	14,437
Total	166,000,030	157,266,006	1,569,051	166,000,030	124,184,535	1,395,066

Note: Capacity refers to the quantity that the company can produce with existing manufacturing equipment under normal operation after measuring the factors such as halt in production and holiday.

(VI) Sales value for the last two years

Unit: Units, Set, NT$ thousands

Year/ Sales & Sales value Major Products	2018		2019	
	Sales	Sales value	Sales	Sales value
Press production line equipment and maintenance service	20	284,031	23	165,713
Automobile components	136,219,630	1,790,014	99,655,992	1,533,391
Motorcycle components	12,949,149	102,229	12,992,808	80,328
Revenue from processing	9,644,353	15,361	9,921,501	15,532
Medical instruments	56	92	196	601
Total	158,813,208	2,191,727	122,570,520	1,795,565

III. In the last two years and the number of employees up to the printing date of this annual report

Unit: person

Year		2018	2019	Up to the printing date of this annual report in 2020
Staffs	40	40	40	40
	322	355	292	284
	717	776	635	603
	1,079	1,171	967	928
Average age		31.16	31.16	34.73
Average years of service		3.86	3.86	5.11
Academy Ratio	1	1	1	1
	11	9	10	10
	144	162	134	133
	923	999	822	784

IV. DISBURSEMENTS FOR ENVIRONMENTAL PROTECTION

(I) According to laws and regulations if it is required to apply for a permit for installing anti-pollution facilities, or permit of pollution drainage, or to pay anti-pollution fees, or to organize and set up an exclusively responsible unit/office for environmental issues, the description of the status of such applications, payment or establishment shall be made:

The Group's China plant (Wuxi Jingxin) has obtained the drainage license certificate (certificate no.: 2019-317) in September 2019, which allows the local urban drainage facilities to drain water within the scope of application.

(II) Setting forth the company's investment on the major anti-pollution facilities, the use purpose of such facilities and the possible effects to be produced: None

(III) Describing the process undertaken by the company on environmental pollution improvement for the last two years and up to the printing date of this annual report. If there had been any pollution dispute, its handling process shall also be described: There are no pollution dispute happened for the last two years and up to the printing date of this annual report.

(IV) Loss (including indemnity) caused by environmental pollution and the total indemnity amount involved for the last two years and up to the printing date of this annual report; account of future countermeasures (including improvement actions) and possible expenditures (including loss, disposition, and an estimate of indemnity incurred by a failure to implement the countermeasure; if a reasonable estimation cannot be made, the justification shall be provided):

(V) Explaining the current condition of pollution and the impact of its improvement to the profits, competitive position and capital expenditures of the company, as well as the projected major environment-related capital expenses to be made for the coming two years: The Group has obtained legal and complete environment operation licenses in the last two years and up to the printing date of this annual report. Each environmental protection work has been carried out effectively and there is no major environmental pollution.

V. LABOR RELATIONS

(I) List of employee benefits, in-service training, internal training, retirement system and implementation status, as well as employer-employee agreements, and protection measures for employees' right:

1. Employee benefits

   The Group has always valued the employee benefits. Apart from establishing employee outings, marriage, funeral and other events, the Group also hold group insurance for employees and annual meetup, provide lunch and other events. In the meantime, the Group distributes compensation for employees on the basis of percentage regulated in the Article of Incorporation. Employee benefits and employees' right are fully considered.

2. The status of in-service training and internal training

   For the quality of human resources, in addition to the strict appointment conditions, during the appointment period, the personnel department will formulate an annual education and training plan, including internal training and external courses, according to the needs of the employees' position and expertise, so as to improve the employees' themselves learning ability.

3. Retirement system and execution

   The Group's retirement plans are governed by the relevant local related retirement system and regulations in each major operation location.

4. Employer-employee agreements, and protection measures for employees' right:

   The Group has always valued the employees' right and the voice of employees. To maintain the good relations, the employees can communicate with personnel management department or proper senior managers through open communicate. So far, no major labor disputes have happened.

(II) List of losses due to labor disputes in the last two years and up to the printing date of this annual report, disclosure of the estimated amount, and countermeasures against current and possible future occurrences. If the amount cannot be reasonably estimated, the reason shall be provided:

The Group has always valued the labor-management relation. There have been no losses resulting from labor disputes in the last two years and up to the printing date of this annual report.

VI. IMPORTANT CONTRACTS

Type of Contract	Counter Party	Contract Period	Highlights of Provisions	Covenant
Lease Agreement	Lessor: RBC Investor Lessee: Patec SG	2019.04 ~ 2021.04	Rent the office located at 03748P, Singapore (2,300 ft2)	None
Lease Agreement	Lessor: WuXi Foretell Technology Co., Ltd. Lessee: WuXi Jingxin and WuXi Patec	2009.08 ~ 2024.07	Rent the land, building and equipment located at stage 5, shuofang industrial park, new district, Wuxi city	None
Lease Agreement	Lessor: WuXi Foretell Technology Co., Ltd. Lessee: WuXi Jingxin and WuXi Patec	2017.01 ~ 2024.12	Rent the land, building and equipment located at stage 5, shuofang industrial park, new district, Wuxi city	None
Lease Agreement	Lessor: Realys Ingatlan Kft Lessee: Patec Kft	2018.04 ~ 2038.04	Rent land and building which the property registered land serial no. is 12995/4 (5,225 m^2)	None
Contract of loan	Lender: Patec SG Debtor: Patec Kft	December 24, 2019, one year	Due to the business, the Patec SG loaned money to subsidiaries Patec Kft SG$ 1.159 million, annual rate 3%.	None
Deed of Credit Facility	Lender: PT Bank CTBC Indonesia Borrower: PT Patec API PDF Guarantor: Patec Precision	2019.10.10~ 2020.10.10	1. PT Bank CTBC Indonesia provides the following credit to PT Patec, API and PDF (The total credit is US$ 2 million and around RP$18 billions): (1) Comprehensive credit line (Interchangeable): Sight L/C and Usance L/C US$ 2 millions (2) Short-term loans: RP$8 billions (3) Medium and long-term loans: RP$10 billions 2. The assets provided for guarantee by PT Patec is as follow: (1) Provided the building right of the land ownership certificate serial no. 578/Sukaresmi to PT Bank CTBC Indonesia and set it as the first mortgage to guarantee the creditor's rights of RP$20 billion. (2) Provided the building right of the land ownership certificate serial no. 41/Sukaresmi to PT	None

Type of Contract	Counter Party	Contract Period	Highlights of Provisions	Covenant
			Bank CTBC Indonesia and set it as the first mortgage to guarantee the creditor's rights of RP$20 billion. (3) The standby L/C for US$1 million opened by Chinatrust Commercia Bank Taiwan branch.	
General Agreement for Omnibus Credit Lines	Lender: CTBC Bank Borrower: Patec SG Guarantor: Patec Precision	2020.01.01~ 2020.12.31	1. Total credit amount: US$ 1.5 million 2. Collateral conditions: The Company and Wee Liang Kiang have signed the guarantee that the maximum amount is US$ 1.5 million and bear jointly and severally responsibility for guarantee. Meanwhile, the Company has signed the commercial paper for par value US$ 1.5 million.	None
General Agreement for Omnibus Credit Lines	Lender: Cathay United Bank Borrower: Patec Precision Guarantor: Patec Precision & Wee Liang Kiang	2019.07.23~ 2020.07.23	1. Total credit amount: US$ 1.5 million 2. Collateral conditions: The Company and Wee Liang Kiang have signed the guarantee that the maximum amount is US$ 1.5 million and bear jointly and severally responsibility for guarantee.	None
General Agreement for Omnibus Credit Lines	Lender: Taipei Fubon Bank Borrower: Patec Precision Guarantor: Wee Liang Kiang	2019.09.24~ 2020.09.21	1. Total credit amount: US$ 3 million 2. Collateral conditions: Wee Liang Kiang has signed the guarantee that the maximum amount is US$ 3 million and bear jointly and severally responsibility for guarantee.	None
General Agreement for Omnibus Credit Lines	Lender: Far East Bank Borrower: Patec Precision Guarantor: Wee Liang Kiang	2019.08.01~ 2020.08.01	1. Total credit amount: US$ 3 million 2. Collateral conditions: Wee Liang Kiang has signed the guarantee that the maximum amount is US$ 3 million and bear jointly and severally responsibility for guarantee.	None

Type of Contract	Counter Party	Contract Period	Highlights of Provisions	Covenant
General Agreement for Omnibus Credit Lines	Lender: SinoPac Bank Borrower: Patec SG Guarantor: Patec Precision	2019.12.10~ 2020.12.31	1. Total credit amount: US$ 2 million. 2. Collateral conditions: The Company has signed the commercial paper that maximum amount is US$ 2 million.	None
Guarantee	Guarantor: The Company Borrower (Also Guarantee): Patec SG Lender: CTBC Bank	2019.08.13	The Company has entered into General Agreement for Omnibus Credit Lines with CTBC Bank for its subsidiary Patec SG and provided the guarantee of the maximum limit of US$ 1.5 million.	None
Guarantee	Guarantor: The Company Borrower (Also Guarantee): Patec SG Lender: Bank SinoPac	2019.08.13	The Company has entered into General Agreement for Omnibus Credit Lines with Bank SinoPac for its subsidiary Patec SG and provided the guarantee of the maximum limit of US$ 2 million.	None
Guarantee	Guarantor: The Company Borrower (Also Guarantee): Patec SG Lender: Cathay United Bank	2019.08.13	The Company has entered into General Agreement for Omnibus Credit Lines with Cathay United Bank for its subsidiary Patec SG and provided the guarantee of the maximum limit of US$ 1.5 million.	None
Guarantee	Guarantor: The Company Borrower (Also Guarantee): PT Patec Lender: PT Bank CTBC Indonesia	2019.11.12	The Company has entered into General Agreement for Omnibus Credit Lines with PT Bank CTBC Indonesia for its subsidiary PT Patec and provided the guarantee of the maximum limit of US$ 500,000.	None
Guarantee	Guarantor: The Company Borrower (Also Guarantee): API Lender: PT Bank CTBC Indonesia	2019.11.12	The Company has entered into General Agreement for Omnibus Credit Lines with PT Bank CTBC Indonesia for its subsidiary API and provided the guarantee of the maximum limit of US$ 500,000.	None
Guarantee	Guarantor: The Company Borrower (Also Guarantee): PDF Lender: PT Bank CTBC Indonesia	2019.11.12	The Company has entered into General Agreement for Omnibus Credit Lines with PT Bank CTBC Indonesia for its subsidiary PDF and provided the guarantee of the maximum limit of US$ 500,000.	None

Six. AN OVERVIEW OF THE COMPANY'S FINANCIAL STATUS

I. Condensed financial information for the Last 5 Years

(I) Condensed Balance Sheets and Income Statements

1. Condensed Balance Sheets – Based on IFRS

Units: NT$ thousands

Item \ Year		Financial Summary for The Last Five Years					
		2015	2016	2017	2018	2019	As of March 31
Current assets		1,345,152	1,674,195	1,843,395	1,744,794	1,716,011	1,560,381
Property, Plant and Equipment		375,966	376,658	330,902	311,078	249,421	257,671
Right-of-use assets		-	-	-	-	305,338	279,823
Intangible assets		5,285	5,148	4,937	5,033	4,961	4,851
Other assets		100,539	101,580	92,844	93,477	41,555	42,010
Total assets		1,826,942	2,157,581	2,272,078	2,154,382	2,317,286	2,144,736
Current liabilities	Before distribution	484,613	503,477	967,101	781,755	721,683	620,202
	After distribution	498,160	578,552	995,773	810,427	724,373	622,892
Non-current liabilities		25,614	252,671	44,227	22,374	266,796	233,534
Total liabilities	Before distribution	510,227	756,148	1,011,328	804,129	988,479	853,736
	After distribution	523,774	831,223	1,040,000	808,274	991,169	856,426
Equity Attributable to Shareholders of the Parent		1,109,034	1,164,633	1,090,086	1,161,597	1,143,092	1,109,949
Capital stock		338,670	375,127	383,072	410,964	448,268	448,268
Capital surplus		356,161	377,185	392,635	372,244	372,244	372,244
Retained Earnings	Before distribution	347,318	414,780	409,884	493,192	492,743	474,020
	After distribution	299,904	337,245	352,540	451,743	474,364	455,641
Others equity		66,885	(2,459)	(59,408)	(81,706)	(134,066)	(148,486)
Treasury stock		-	-	(36,097)	(36,097)	(36,097)	(36,097)
Non-controlling interest		207,681	236,800	170,664	188,656	185,715	181,051
Total equity	Before distribution	1,316,715	1,401,433	1,260,750	1,350,253	1,328,807	1,291,000

Item \ Year		Financial Summary for The Last Five Years					
		2015	2016	2017	2018	2019	As of March 31
	After distribution	1,303,168	1,326,357	1,232.078	1,346,108	1,326,117	1,272,621

Source: The annual financial report that has been audited or reviewed by CPAs is based on IFRS.

2. Condensed Statement of Comprehensive Income– Based on IFRS

Units: NT$ thousands

Item \ Year	Financial Summary for The Last Five Years					
	2015	2016	2017	2018	2019	As of March 31
Operating Revenue	1,539,487	2,009,440	2,073,289	2,191,727	1,795,565	294,292
Operating margin	392,121	584,272	612,108	608,758	437,621	53,999
Operating profit	108,834	256,750	231,879	219,384	113,020	(13,511)
Non-operating income and expenses	16,740	(21,824)	(2,133)	4,201	(1,148)	(7,395)
Income before tax	125,574	234,926	229,746	223,585	111,872	(20,906)
Net profit from continuing operations	125,574	234,926	229,746	223,585	111,872	(20,906)
Net loss from discontinued operations	–	–	–	–	–	–
Net profit (loss) for the year	78,067	162,835	159,915	164,086	52,296	(21,941)
Other comprehensive income (income after tax)	(25,490)	(72,493)	(60,139)	(25,312)	(57,404)	(15,866)
Total comprehensive income for the year	52,577	90,342	99,776	138,774	(5,108)	(37,807)
Net income attributable to Shareholders of the parent	60,695	114,931	130,247	144,341	38,797	(18,723)
Net income attributable to non-controlling interests	17,372	47,904	29,668	19,745	13,499	(3,218)
Total comprehensive income attributable to owners of the parent	34,159	45,532	74,179	121,490	(14,360)	(33,143)
Total comprehensive income attributable to non-controlling interest	18,418	44,810	25,597	17,284	9,252	(4,664)
Earnings per share	1.71	3.08	3.45	3.57	0.88	(0.42)

Source: The annual financial report that has been audited or reviewed by CPAs is based on IFRS.

(II) The name of the CPAs and their auditor's opinions for the most recent five years:

Year	CPA	Name of CPA	Audit Opinion	Remarks
2015	Pey-Ling Du Eileen Liang	PwC Taiwan	Unqualified opinion	–
2016	Pey-Ling Du Eileen Liang	PwC Taiwan	Unqualified opinion	–
2017	Pey-Ling Du Eileen Liang	PwC Taiwan	Unqualified opinion	–
2018	Chin-Chang Chen Yi-Fan Lin	PwC Taiwan	Unqualified opinion	–
2019	Chin-Chang Chen Yi-Fan Lin	PwC Taiwan	Unqualified opinion	–

II. FINANCIAL ANALYSIS FOR THE PAST 5 FISCAL YEARS

(I) Financial Ratio Analysis – Based on IFRS

Units: NT$ thousand

Year / Item		FINANCIAL ANALYSIS FOR THE PAST 5 FISCAL YEARS					
		2015	2016	2017	2018	2019	As of March 31
Financial structure (%)	Debt Ratio	27.93	35.05	44.51	37.33	42.66	39.81
	Ratio of long-term capital to property, plant and equipment	352.84	435.67	382.88	435.80	624.74	579.59
Solvency (%)	Current ratio	277.57	332.51	190.61	223.19	237.78	251.59
	Quick ratio	201.43	247.10	135.91	145.67	168.11	173.45
	Interest coverage ratio	9.27	23.07	21.99	18.66	9.88	(7.15)
Operating performance	Accounts receivable turnover (times)	2.55	3.30	3.08	3.12	2.84	2.63
	Average collection days	143.14	110.61	118.51	116.99	128.52	138.78
	Inventory Turnover (Times)	3.47	4.00	3.24	3.05	2.67	2.09
	Accounts payable turnover (times)	4.72	6.67	5.45	6.26	6.81	7.00
	Average days in sales	105.19	91.25	112.65	119.67	136.70	174.64
	Property, plant and equipment turnover (times)	3.96	5.34	5.86	6.83	6.41	4.64
	Total assets turnover (times)	0.82	1.01	0.94	0.99	0.80	0.53
Profitability	Return on Total Assets (%)	4.84	8.56	7.58	7.83	2.74	(3.60)
	Return on stockholders' equity (%)	6.26	11.98	12.01	12.57	3.90	(6.70)
	Pre-tax income to paid-in capital (%)	37.08	62.63	59.97	54.41	24.96	(18.65)
	Net Margin (%)	5.07	8.10	7.71	7.49	2.91	(7.46)

Item \ Year		2015	2016	2017	2018	2019	As of March 31
		FINANCIAL ANALYSIS FOR THE PAST 5 FISCAL YEARS					
	Earnings per share (NT$)	1.71	3.08	3.45	3.57	0.88	(0.42)
CASH FLOW	Cash flow ratio (%)	34.12	23.21	12.39	4.33	55.61	39.71
	Cash flow adequacy ratio (%)	69.03	75.49	193.54	64.22	188.31	134.36
	Cash reinvestment ratio (%)	7.07	2.04	6.96	0.28	22.19	14.07
Leverage	Operating leverage	5.65	3.68	3.60	4.48	6.65	(8.33)
	Financial leverage	1.16	1.04	1.05	1.06	1.13	0.84
	Analysis of financial ratio differences for the last two years: (Not required if the difference does not exceed 20%) (1) Ratio of long-term capital to property, plant and equipment：Recognition of the amount of lease liabilities in accordance with IFRS16 in 2019 resulted in an increase in long-term funds and an increase in the ratio. (2) Quick ratio：The main reason is that due to the inventory cost loss in 2019, the net inventory is reduced, the quick assets are increased, and the quick ratio is increased (3) Interest coverage ratio：Operating income decreased in 2019, but the change in operating expenses in the biennium was small, resulting in a reduction in the interest coverage ratio in 2019. (4) Profitability：The main reason is the decrease of operating income and the balance of expenses, which reduces the profit before income tax and reduces the profitability. (5) CASH FLOW：Mainly due to the active recovery of accounts receivable in the current period.						

Source: The annual financial report that has been audited or reviewed by CPAs is based on IFRS.

Note 1: No information on the net cash flow of operating activities for the latest five years is available for calculation.

Note 2: The computation formula of financial analysis

1. Financial structure
   (1) Debt Ratio= Total liabilities / Total assets
   (2) Ratio of long-term capital to property, plant and equipment= (Total equity + Non-current liabilities) / Net property, plant and equipment
2. Solvency
   (1) Current ratio= Current assets / Current liabilities
   (2) Quick ratio= (Current assets – Inventory – Prepaid expenses) / Current liabilities
   (3) Interest coverage ratio= Income before income tax and interest expenses / Current interest expenses
3. Operating performance
   (1) Accounts receivable (including accounts receivable and notes receivable arising from business operations) turnover= Net sales / Average accounts receivable (including accounts receivable and notes receivable arising from business operations)
   (2) Average collection days= 365/ Accounts receivable turnover
   (3) Inventory turnover= Cost of sales / Average inventory
   (4) Accounts payable (including accounts payable and notes payable arising from business operations) turnover= Cost of sales / Average accounts payable (including accounts payable and notes payable arising from business operations)
   (5) Average days in sales= 365/ Inventory turnover

(6) Property, plant and equipment turnover= Net Sales / Average net property, plant and equipment

(7) Total assets turnover= Net Sales / Average total assets

4. Profitability

(1) Return on total asset= (Net income (loss) + Interest expenses x (1 -Tax rate)) / Average total assets

(2) Return on stockholders' equity= Net income (loss) / Average total equity

(3) Profit ratio= Net income (loss)/ Net sales

(4) Earnings per share= (Net income (loss) attributable to ownerss of the parent – Preferred Shares) / Weighted average number of shares outstanding

5. Cash flow

(1) Cash flow ratio= Net cash from operating activities / Current liability

(2) Cash flow adequacy ratio = Five-year sum of net cash from operating activities / Five-year sum of capital expenditures, Increase in inventory and Cash dividend)

(3) Cash reinvestment ratio= (Net cash from operating activities – Cash dividends) / (Gross property, plant and equipment + Long-term investments + Other asset + Working capital)

6. Leverage:

(1) Operating leverage= (Net sales - Variable cost) / Operating income

(2) Financial leverage= Operating income / (Operating Income – Interest expenses)

III. SUPERVISORS' OR AUDIT COMMITTEE'S REPORT FOR THE MOST RECENT YEAR'S FINANCIAL STATEMENT

Patec Precision Industry Co., Ltd.

Audit Committee's Audit Report

The Board of Directors has prepared the Company's 2019 Business Report, Financial Statements, and proposal for allocation of earnings. The CPA firm of PricewaterhouseCoopers was retained to audit PATEC's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by Audit Committee members of the Company. According to relevant requirements of the Securities and Exchange Act and Company Law, we hereby submit this report.

Patec Precision Industry Co., Ltd.

Chairman of the Audit Committee

Yen Chun-Teck

27th March, 2020

IV. FINANCIAL STATEMENT FOR THE MOST RECENT FISCAL YEAR

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying consolidated balance sheets of Patec Precision Industry Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended 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 Financial Supervisory Commission.

Basis for opinion

We conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants", "Rule No. Financial-Supervisory-Securities-Auditing-1090360805 issued by the Financial Supervisory Commission on February 25, 2020" and generally accepted auditing standards in the Republic of China (ROC GAAS); and in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and ROC GAAS for our audit of the consolidated financial statements as of and for the year ended December 31, 2018. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The most significant key audit matters in our audit of the consolidated financial statements of the current period are as follows:

Recognition of overseas warehouse operating revenue

<u>Description</u>

Refer to Note 4(28) for accounting policy on revenue recognition.

The Group's Mainland China subsidiary, Wuxi Jingxin Precision Machining Co. Ltd. (referred herein as "Wuxi Jingxin"), stored inventories in warehouses which were under the custody of foreign third parties and checked and accepted by custodians in order to meet the requirements of overseas sales customers. The custodians regularly send inventory reports to Wuxi Jingxin to verify the quantities, and Wuxi Jingxin recognises operating revenue based on actual used inventories by customers which are shown in the inventory reports provided by custodians.

As a result of the multi-location of the Company's warehouses in Europe, which involved manual verification, we considered the recognition of overseas warehouse operating revenue as a key audit matter.

<u>How our audit addressed the matter</u>

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

1. We obtained an understanding and evaluated Wuxi Jingxin's procedures on overseas warehouse operating revenue, and selected samples to check the accuracy of operating revenue recognition.
2. We obtained the inventory reports as at balance sheet date, and checked whether the timing of revenue recognition was reasonable.
3. We performed confirmation procedures for significant warehouse locations.

Existence of press machine revenue

Description

Refer to Note 4(28) for accounting policy on revenue recognition.

The Group's Singapore subsidiary, PATEC PTE. LTD (referred herein as "PATEC"), is mainly engaged in the sale of press machines. Due to the nature of its business, the related transaction terms and revenue recognition are assessed based on individual contracts, and PATEC's current revenue from sales of press machines to its counterparties had increased/decreased compared to previous year. As a result, we considered the existence of press machine revenue of PATEC as a key audit matter.

How our audit addressed the matter

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

1. We assessed the internal control surrounding the sales of press machines during the current year.
2. We checked the related industry information in relation to current counterparties.
3. We checked the contracts which were entered with customers, and verified the acceptance reports which had been approved by customers and the related collection and transaction records.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the 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 Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

Chen, Chin-Chang

Lin, Yi-Fan

For and on behalf of PricewaterhouseCoopers, Taiwan
March 27, 2020

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

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

PATEC PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 472,198	20	$ 320,589	15
1136	Financial assets at amortised cost-current	6(1)(8)	218,665	9	51,994	3
1170	Accounts receivable, net	6(2)	520,221	23	738,775	34
1200	Other receivables		2,145	-	27,455	1
130X	Inventories	6(3)	436,619	19	542,055	25
1410	Prepayments		66,163	3	63,926	3
11XX	**Total current assets**		1,716,011	74	1,744,794	81
	Non-current assets					
1600	Property, plant and equipment, net	6(4) and 8	249,421	11	311,078	15
1755	Right-of-use assets	6(5) and 8	305,338	13	-	-
1780	Intangible assets		4,961	-	5,033	-
1840	Deferred tax assets	6(20)	24,304	1	22,696	1
1990	Other non-current assets	8	17,251	1	70,781	3
15XX	**Total non-current assets**		601,275	26	409,588	19
1XXX	**Total assets**		$ 2,317,286	100	$ 2,154,382	100

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PATEC PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(6)	$ 405,857	18	$ 211,996	10
2130	Contract liabilities-current	6(15)	8,688	-	59,188	3
2170	Accounts payable		167,432	7	231,259	11
2200	Other payables	6(8)	78,415	4	74,601	3
2230	Current income tax liabilities		5,938	-	1,064	-
2280	Lease liabilities-current		23,754	1	-	-
2320	Long-term liabilities, current portion	6(7)	-	-	168,106	8
2355	Current lease obligations payable	6(9)	-	-	2,835	-
2399	Other current liabilities		31,599	1	32,706	1
21XX	**Total current liabilities**		721,683	31	781,755	36
	Non-current liabilities					
2570	Deferred tax liabilities	6(20)	24,612	1	11,216	1
2580	Lease liabilities-non-current		229,436	10	-	-
2610	Long-term notes and accounts payable	6(9)	-	-	5,418	-
2670	Other non-current liabilities	6(10)	12,748	1	5,740	-
25XX	**Total non-current liabilities**		266,796	12	22,374	1
2XXX	**Total liabilities**		988,479	43	804,129	37
	Equity					
	Equity attributable to owners of the parent					
	Share capital					
3110	Ordinary share	6(12)	448,268	19	410,964	19
	Capital surplus	6(7)(13)				
3200	Capital surplus		372,244	16	372,244	18
	Retained earnings	6(14)				
3320	Special reserve		81,706	4	59,408	3
3350	Unappropriated retained earnings		411,037	18	436,784	20
	Other equity interest					
3400	Other equity interest		(134,066)	(6)	(81,706)	(4)
3500	**Treasury stocks**	6(12)	(36,097)	(2)	(36,097)	(2)
31XX	**Total equity attributable to owners of the parent**		1,143,092	49	1,161,597	54
36XX	**Non-controlling interest**		185,715	8	188,656	9
3XXX	**Total equity**		1,328,807	57	1,350,253	63
	Significant contingent liabilities and unrecognised contract commitments	9				
3X2X	**Total liabilities and equity**		$ 2,317,286	100	$ 2,154,382	100

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

PATEC PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

	Items	Notes	2019 AMOUNT	%	2018 AMOUNT	%
4000	**Operating revenue**	6(15)	$ 1,795,565	100	$ 2,191,727	100
5000	**Operating costs**	6(3)(19)	(1,357,944)	(76)	(1,582,969)	(72)
5900	**Gross profit**		437,621	24	608,758	28
	Operating expenses	6(19)(22)				
6100	Selling expenses		(74,501)	(4)	(88,479)	(4)
6200	Administrative expenses		(195,155)	(11)	(221,090)	(10)
6300	Research and development expenses		(52,964)	(3)	(79,453)	(4)
6450	Impairment loss determined in accordance with IFRS 9		(1,981)	-	(352)	-
6000	**Total operating expenses**		(324,601)	(18)	(389,374)	(18)
6900	**Operating profit**		113,020	6	219,384	10
	Non-operating income and expenses					
7010	Other income	6(16)	18,718	1	11,816	1
7020	Other gains and losses	6(17)	(7,261)	-	5,046	-
7050	Finance costs	6(18)	(12,605)	(1)	(12,661)	(1)
7000	**Total non-operating income and expenses**		(1,148)	-	4,201	-
7900	**Profit before income tax**		111,872	6	223,585	10
7950	Income tax expense	6(20)	(59,576)	(3)	(59,499)	(3)
8200	**Profit for the year**		$ 52,296	3	$ 164,086	7
	Other comprehensive income (loss)					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Loss on remeasurements of defined benefit plans		($ 1,519)	-	($ 1,053)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(20)	380	-	263	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Exchange differences on translation of foreign financial statements		(56,265)	(3)	(24,522)	(1)
8300	**Other comprehensive loss for the year**		($ 57,404)	(3)	($ 25,312)	(1)
8500	**Total comprehensive (loss) income**		($ 5,108)	-	$ 138,774	6
	Profit attributable to:					
8610	Owners of parent		$ 38,797	2	$ 144,341	6
8620	Non-controlling interest		$ 13,499	1	$ 19,745	1
	Comprehensive (loss) income attributable to:					
8710	Owners of parent		($ 14,360)	(1)	$ 121,490	5
8720	Non-controlling interest		$ 9,252	1	$ 17,284	1
	Earnings per share (in dollars)	6(21)				
9750	**Basic earnings per share**		$ 0.88		$ 3.27	
9850	**Diluted earnings per share**		$ 0.88		$ 3.03	

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

PATEC PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent											
			Capital Reserves				Retained Earnings						
	Notes	Ordinary share	Additional paid-in capital	Changes in ownership interests in subsidiaries	Employee stock warrants	Stock warrants	Special reserve	Unappropriated retained earnings	Exchange difference on translation of financial statements	Treasury shares	Total	Non-controlling interest	Total
2018													
Balance at January 1, 2018		$ 383,072	$ 372,255	$ -	$ 8,697	$ 11,683	$ -	$ 409,884	($ 59,408)	($ 36,097)	$ 1,090,086	$ 170,664	$ 1,260,750
Profit for the year		-	-	-	-	-	-	144,341	-	-	144,341	19,745	164,086
Other comprehensive loss for the year		-	-	-	-	-	-	(553)	(22,298)	-	(22,851)	(2,461)	(25,312)
Total comprehensive income (loss)		-	-	-	-	-	-	143,788	(22,298)	-	121,490	17,284	138,774
Appropriations of 2017 earnings:	6(14)												
Special reserve		-	-	-	-	-	59,408	(59,408)	-	-	-	-	-
Cash dividends		-	-	-	-	-	-	(28,672)	-	-	(28,672)	-	(28,672)
Stock dividends		28,672	-	-	-	-	-	(28,672)	-	-	-	-	-
Share-based payments	6(11)	4,220	13,352	-	(8,697)	-	-	-	-	-	8,875	-	8,875
Purchase of treasury shares	6(12)	-	-	-	-	-	-	-	-	(26,908)	(26,908)	-	(26,908)
Retirement of treasury shares	6(12)	(5,000)	(21,908)	-	-	-	-	-	-	26,908	-	-	-
Changes in non-controlling interest		-	-	-	-	-	-	-	-	-	-	780	780
Changes in ownership interests in subsidiaries		-	-	208	-	-	-	(136)	-	-	72	(72)	-
Redemption of convertible bonds		-	-	-	-	(3,346)	-	-	-	-	(3,346)	-	(3,346)
Balance at December 31, 2018		$ 410,964	$ 363,699	$ 208	$ -	$ 8,337	$ 59,408	$ 436,784	($ 81,706)	($ 36,097)	$ 1,161,597	$ 188,656	$ 1,350,253
2019													
Balance at January 1, 2019		$ 410,964	$ 363,699	$ 208	$ -	$ 8,337	$ 59,408	$ 436,784	($ 81,706)	($ 36,097)	$ 1,161,597	$ 188,656	$ 1,350,253
Profit for the year		-	-	-	-	-	-	38,797	-	-	38,797	13,499	52,296
Other comprehensive loss for the year		-	-	-	-	-	-	(797)	(52,360)	-	(53,157)	(4,247)	(57,404)
Total comprehensive income (loss)		-	-	-	-	-	-	38,000	(52,360)	-	(14,360)	9,252	(5,108)
Appropriations of 2018 earnings:	6(14)												
Special reserve		-	-	-	-	-	22,298	(22,298)	-	-	-	-	-
Cash dividends		-	-	-	-	-	-	(4,145)	-	-	(4,145)	-	(4,145)
Stock dividends		37,304	-	-	-	-	-	(37,304)	-	-	-	-	-
Changes in non-controlling interest-cash dividends		-	-	-	-	-	-	-	-	-	-	(12,193)	(12,193)
Balance at December 31, 2019		$ 448,268	$ 363,699	$ 208	$ -	$ 8,337	$ 81,706	$ 411,037	($ 134,066)	($ 36,097)	$ 1,143,092	$ 185,715	$ 1,328,807

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

PATEC PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 111,872	$ 223,585
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit loss / Provision for bad debts	12(2)	1,981	352
Gain on bond redemption	6(17)	-	(1,817)
Gain on disposal of property, plant and equipment	6(17)	(592)	(1,226)
Interest income	6(16)	(10,050)	(7,572)
Depreciation	6(4)	57,432	59,945
Depreciation of right-of-use assets	6(5)	30,515	-
Interest expense	6(18)	12,605	12,661
Net gain on financial assets or liabilities at fair value through profit or loss	6(17)	-	(964)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		216,490	(75,755)
Other receivables		25,310	(12,700)
Inventories		105,436	(60,146)
Prepayments		(2,237)	(16,841)
Changes in operating liabilities			
Contract liabilities		(50,500)	54,697
Accounts payable		(63,827)	(43,034)
Other payables		3,790	(27,716)
Other current liabilities		(1,107)	(846)
Other non-current liabilities		5,489	805
Cash inflow generated from operations		442,607	103,428
Interest received		10,050	7,572
Interest paid		(8,811)	(6,445)
Income tax paid		(42,534)	(70,700)
Net cash flows from operating activities		401,312	33,855
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase) decrease in financial assets at amortised cost-current		(166,671)	134,570
Acquisition of property, plant and equipment		(27,558)	(40,920)
Proceeds from disposal of property, plant and equipment		5,710	2,131
Acquisition of ownership interests in subsidiaries		-	(86,505)
Decrease (increase) in other non-current assets		3,908	(5,159)
Net cash flows (used in) from investing activities		(184,611)	4,117

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PATEC PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(24)	$ 418,384	$ 31,685
Decrease in short-term borrowings	6(24)	(219,738)	-
Repayment of long-term borrowings	6(24)	-	(56,939)
Redemption of convertible bonds	6(24)	-	(69,000)
Repayment of convertible bonds	6(24)	(171,900)	-
Payment of lease liability	6(24)	(48,982)	-
Payment of lease payable	6(24)	-	(4,764)
Cash dividends paid	6(14)	(4,121)	(28,672)
Exercise of employee share options		-	8,875
Payments to acquire treasury shares	6(12)	-	(26,908)
Cash dividends paid to non-controllong interest		(12,193)	-
Changes in non-controlling interests		-	780
Net cash flows used in financing activities		(38,550)	(144,943)
Effect of exchange rate changes on cash and cash equivalents		(26,542)	(22,150)
Net increase (decrease) in cash and cash equivalents		151,609	(129,121)
Cash and cash equivalents at beginning of year	6(1)	320,589	449,710
Cash and cash equivalents at end of year	6(1)	$ 472,198	$ 320,589

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

PATEC PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

Patec Precision Industry Co., Ltd. (the "Company") was incorporated in the Cayman Islands on June 29, 2011. Starting from June 3, 2015, the Company's stocks were officially listed 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 AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on March 27, 2020.

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")

New standards, interpretations and amendments endorsed by FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

IFRS 16, 'Leases'

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

ii. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' by $373,069 and 'lease liability' by $309,099, and decreased long-term prepaid rents (shown as other non-current assets) by $49,622, property, plant and equipment by $22,601, current lease obligations payable by $2,835 and non-current lease obligations payable (shown as long-term notes and accounts payable) by $5,418 with respect to the lease contracts of lessees on January 1, 2019.

iii. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

  i. Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.

  ii. The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

  iii. The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of $7,419 was recognised in 2019.

  iv. The exclusion of initial direct costs for the measurement of 'right-of-use asset'.

  v. The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

iv. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate ranging from 0.13% to 4.4%.

v. The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$	306,669
Add: Lease payable recognised under finance lease by applying IAS 17 as at December 31, 2018		8,253
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	$	314,922
Incremental borrowing interest rate at the date of initial application		0.13%~4.4%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	$	309,099

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

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS7, 'Interest rate benchmark	January 1, 2020

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

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

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non-	January 1, 2022

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

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.

(4) Compliance statement

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

(5) 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 liabilities (including derivative instruments) at fair value through profit or loss.

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

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(6) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)		
Name of investor	Name of subsidiary	Main business activities	December 31, 2019	December 31, 2018	Description
The Company	PATEC PTE. LTD. (PATEC)	Sale of press machines	100	100	
PATEC	Press Automation Technology Pte Ltd. (PAT)	Production and sale of press machines	100	100	
PATEC	Wuxi Jingxin Precision Machining Co. Ltd. (Wuxi Jingxin)	Production and sale of products for automobiles	93	93	

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2019	Ownership (%) December 31, 2018	Description
PATEC	Patec Precision Kft (KFT)	Production and sale of products for automobiles	100	100	
PATEC	Patec Medical Supplies Pte. Ltd. (Patec Medical)	Medical device and equipment	58	58	
PATEC	Bionicxp Pte. Ltd. (BIONICXP)	Application sales of manipulators	100	-	Note
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 press 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	89	89	
PT. Patec	PT. API Precision (PT. API)	Production and sale of products for automobiles	89	89	

Note: To meet the Group's operating policies, the Company invested in BIONICXP through the subsidiary, PATEC, in December 2018. On April 1, 2019, PATEC invested SGD 0.3 thousand and acquired a 100% equity interest of BIONICXP. Additionally, on May 30, 2019, BIONICXP increased its capital in cash amounting to SGD 100 thousand which was fully subscribed by PATEC.

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2019 and 2018, the non-controlling interest amounted to $185,715 and $188,656, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

		Non-controlling interest			
		December 31, 2019		December 31, 2018	
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Amount	Ownership (%)
Wuxi Jingxin Group	China	$ 75,980	7	$ 77,141	7
PT. PATEC Group	Indonesia	99,608	30	95,793	30

Summarized financial information of the subsidiaries:

Balance sheets

	Wuxi Jingxin Group	
	December 31,	
	2019	2018
Current assets	$ 1,144,627	$ 1,220,845
Non-current assets	153,944	129,819
Current liabilities	(143,429)	(209,916)
Non-current liabilities	(69,706)	(38,727)
Total net assets	$ 1,085,436	$ 1,102,021

	PT. PATEC Group	
	December 31,	
	2019	2018
Current assets	$ 226,961	$ 219,371
Non-current assets	185,510	201,053
Current liabilities	(78,690)	(92,616)
Non-current liabilities	(17,970)	(8,500)
Total net assets	$ 315,811	$ 319,308

Statements of comprehensive income

	Wuxi Jingxin Group	
	Years ended December 31,	
	2019	2018
Revenue	$ 1,117,898	$ 1,545,642
Profit before income tax	233,469	276,854
Income tax expense	(33,019)	(43,673)
Profit for the year	$ 200,450	$ 233,181
Total comprehensive income for the year	$ 200,450	$ 233,181
Comprehensive income attributable to non-controlling interest	$ 14,032	$ 16,323
Dividends paid to non-controlling interest	$ 12,193	$ -

	PT. PATEC Group	
	Years ended December 31,	
	2019	2018
Revenue	$ 453,585	$ 422,755
Profit before income tax	7,586	16,810
Income tax expense	(3,423)	(2,805)
Profit for the year	4,163	14,005
Other comprehensive loss	(1,138)	(790)
Total comprehensive income for the year	$ 3,025	$ 13,215
Comprehensive income attributable to non-controlling interest	$ 839	$ 3,964

Statements of cash flows

	Wuxi Jingxin Group	
	Years ended December 31,	
	2019	2018
Net cash generated from operating activities	$ 373,687	$ 59,097
Net cash used in investing activities	(166,890)	(1,634)
Net cash used in financing activities	(186,992)	(53,667)
Effect of exchange rates on cash and cash equivalents	(8,300)	(5,747)
Increase (decrease) in cash and cash equivalents	11,505	(1,951)
Cash and cash equivalents, beginning of year	222,687	224,638
Cash and cash equivalents, end of year	$ 234,192	$ 222,687

	PT. PATEC Group	
	Years ended December 31,	
	2019	2018
Net cash generated from (used in) operating activities	$ 60,985	($ 8,333)
Net cash used in investing activities	(13,305)	(1,668)
Net cash (used in) generated from financing activities	(27,819)	4,912
Effect of exchange rates on cash and cash equivalents	(1,009)	640
Increase (decrease) in cash and cash equivalents	18,852	(4,449)
Cash and cash equivalents, beginning of year	19,034	23,483
Cash and cash equivalents, end of year	$ 37,886	$ 19,034

(7) Foreign currency translation

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

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. 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 joint agreements 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.

(8) 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.

(9) 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.

(10) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

(11) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(12) Impairment of financial assets

For assets at amortised cost including accounts receivable that have a significant financing component, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(13) Derecognition of financial assets

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

(14) 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.

(15) 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 and structures	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

(16) Leasing arrangements (lessee)－right-of-use assets/ lease liabilities

Effective 2019

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability; and

(b) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(17) Leased assets/ operating leases (lessee)

Prior to 2019

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.

(18) Long-term prepaid rent

Prior to 2019

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

(19) Intangible assets - goodwill

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

(20) 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 of disposal 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.

(21) Borrowings

A. Borrowings comprise long-term and short-term bank 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.

B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(22) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

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

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

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(24) Convertible bonds payable

Convertible bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

A. The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

B. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.

C. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.

D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.

E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus—share options'.

(25) Derecognition of financial liabilities

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

(26) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit 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. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

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

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(27) 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 recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(28) 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.

(29) Share capital

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

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(30) Dividends

Shareholders' dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's Board of Directors. Cash dividends are recorded as liabilities. Stock dividends recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(31) Revenue recognition

Sales of goods

A. The Group manufactures and sells press machines and products for automobiles and motorcycles. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

B. The goods are often sold with volume discounts based on aggregate sales over a 12-month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales returns and allowances. Accumulated experience is used to estimate and provide for the sales returns and allowances, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected sales returns and allowances payable to customers in relation to sales made until the end of the reporting period. The sales usually are made with a credit term of 91 to 180 days, which is consistent with the market practice, so the contract does not contain a significant financing component.

C. The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.

D. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(32) 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:

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

None.

(34) Critical accounting estimates and assumptions

None.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(35) Cash and cash equivalents

	December 31,	
	2019	2018
Cash on hand	$ 238	$ 928
Demand deposits	325,748	285,984
Time deposits	146,212	33,677
	$ 472,198	$ 320,589

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. As of December 31, 2019 and 2018, cash and cash equivalents amounting to $48,586 and $38,636 were pledged to others as collateral and were classified to current financial assets at amortised cost. Details are provided in Note 8.

C. The Group has deposits with maturity over three months amounting to $170,079 and $13,358, and the effective interest rate was 3.05%~3.85% and 1.75%~3.76% in 2019 and 2018, respectively. As the time deposits are not highly-liquid investments, they were classified to current financial assets at amortised cost.

(36) Accounts receivable

	December 31,	
	2019	2018
Accounts receivable	$ 523,473	$ 740,129
Less: Allowance for bad debts	(3,252)	(1,354)
	$ 520,221	$ 738,775

A. The ageing analysis of accounts receivable is as follows:

	December 31,	
	2019	2018
Not due	$ 463,804	$ 620,470
Up to 30 days	38,993	72,724
31 to 90 days	14,327	32,906
91 to 180 days	1,880	7,910
Over 181 days	4,469	6,119
	$ 523,473	$ 740,129

The above ageing analysis was based on due date.

B. As of December 31, 2019 and 2018, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2018, the balance of receivables from contracts with customers amounted to $664,787.

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

D. Information relating to credit risk is provided in Note 12(2).

(37) Inventories

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 192,506	($ 7,109)	$ 185,397
Work in process	72,467	(62)	72,405
Finished goods	205,355	(26,538)	178,817
	$ 470,328	($ 33,709)	$ 436,619

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 229,868	($ 1,273)	$ 228,595
Work in process	126,530	(64)	126,466
Finished goods	192,045	(5,051)	186,994
	$ 548,443	($ 6,388)	$ 542,055

The cost of inventories recognised as expense for the year:

	2019	2018
Cost of inventory sold	$ 1,330,623	$ 1,582,969
Inventory write-down	27,321	-
	$ 1,357,944	$ 1,582,969

(38) Property, plant and equipment

	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvements	Others	Construction in progress	Total
At January 1, 2019								
Cost	$ 63,649	$ 668,544	$ 32,706	$ 11,823	$ 11,793	$ 29,199	$ 859	$ 818,573
Accumulated depreciation	(20,272)	(436,589)	(17,132)	(9,812)	(5,752)	(17,938)	-	(507,495)
	$ 43,377	$ 231,955	$ 15,574	$ 2,011	$ 6,041	$ 11,261	$ 859	$ 311,078
2019								
Opening net book amount	$ 43,377	$ 231,955	$ 15,574	$ 2,011	$ 6,041	$ 11,261	$ 859	$ 311,078
Adjustment to restrospective application (Note)	-	(14,830)	(7,771)	-	-	-	-	(22,601)
	43,377	217,125	7,803	2,011	6,041	11,261	859	288,477
Additions	-	19,677	1	1,014	4,903	1,427	536	27,558
Disposals	-	(3,741)	-	(46)	(1,284)	(47)	-	(5,118)
Reclassifications	-	3,164	150	-	-	-	-	3,314
Depreciation charge	(2,376)	(47,678)	(2,338)	(931)	(1,913)	(2,196)	-	(57,432)
Net exchange differences	(882)	(5,949)	(31)	(30)	(271)	(174)	(41)	(7,378)
Closing net book amount	$ 40,119	$ 182,598	$ 5,585	$ 2,018	$ 7,476	$ 10,271	$ 1,354	$ 249,421
At December 31, 2019								
Cost	$ 62,252	$ 644,019	$ 21,314	$ 12,065	$ 14,117	$ 29,581	$ 1,354	$ 784,702
Accumulated depreciation	(22,133)	(461,421)	(15,729)	(10,047)	(6,641)	(19,310)	-	(535,281)
	$ 40,119	$ 182,598	$ 5,585	$ 2,018	$ 7,476	$ 10,271	$ 1,354	$ 249,421

Note: Adjustment to retrospective application about the property, plant and equipment is provided in Note 3(1)B.

	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvements	Others	Construction in progress	Total
At January 1, 2018								
Cost	$ 61,761	$ 639,226	$ 29,626	$ 11,464	$ 8,420	$ 23,351	$ 6,946	$ 780,794
Accumulated depreciation	(17,384)	(389,947)	(13,314)	(8,845)	(4,846)	(15,556)	-	(449,892)
	$ 44,377	$ 249,279	$ 16,312	$ 2,619	$ 3,574	$ 7,795	$ 6,946	$ 330,902
2018								
Opening net book amount	$ 44,377	$ 249,279	$ 16,312	$ 2,619	$ 3,574	$ 7,795	$ 6,946	$ 330,902
Additions	-	19,885	2,517	351	645	933	19,162	43,493
Disposals	-	(607)	-	(3)	-	(295)	-	(905)
Reclassifications	-	15,322	957	151	2,928	5,711	(25,069)	-
Depreciation charge	(2,321)	(48,528)	(4,248)	(1,066)	(1,022)	(2,760)	-	(59,945)
Net exchange differences	1,321	(3,396)	36	(41)	(84)	(123)	(180)	(2,467)
Closing net book amount	$ 43,377	$ 231,955	$ 15,574	$ 2,011	$ 6,041	$ 11,261	$ 859	$ 311,078
At December 31, 2018								
Cost	$ 63,649	$ 668,544	$ 32,706	$ 11,823	$ 11,793	$ 29,199	$ 859	$ 818,573
Accumulated depreciation	(20,272)	(436,589)	(17,132)	(9,812)	(5,752)	(17,938)	-	(507,495)
	$ 43,377	$ 231,955	$ 15,574	$ 2,011	$ 6,041	$ 11,261	$ 859	$ 311,078

A. The Group leases certain machinery and automobiles, classified as machinery and transportation equipment, under finance lease. As of December 31, 2018, the carrying value of the leased assets was $22,601.

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

(39) Leasing arrangements－lessee

Effective 2019

A. The Group leases various assets including land, buildings, machinery and equipment, business vehicles. Rental contracts are typically made for periods of 1 to 34 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2019	Year ended December 31, 2019
	Carrying amount	charge
Land	$ 47,112	$ 1,464
Buildings	242,710	24,698
Machinery and equipment	9,708	1,952
Transportation equipment (Business vehicles)	5,634	2,316
Office equipment (Photocopiers)	174	85
	$ 305,338	$ 30,515

C. For the year ended December 31, 2019, the additions to right-of-use assets was $18,738.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31, 2019
Items affecting profit or loss	
Interest expense on lease liabilities	$ 2,064
Expense on short-term lease contracts	7,419

E. For the year ended December 31, 2019, the Group's total cash outflow for leases was $58,465.

(40) Short-term borrowings

	December 31,	
Type of borrowings	2019	2018
Bank borrowings		
Unsecured borrowings	$ 197,430	$ 111,574
Secured borrowings	208,427	100,422
	$ 405,857	$ 211,996
Interest rate range	0.85%~6.05%	0.13%~11%

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

(41) Bonds payable

	December 31, 2019	December 31, 2018
Bonds payable	$ -	$ 171,900
Less: Discount on bonds payable	-	(3,794)
Less: Current portion	-	(168,106)
	$ -	$ -

A. The issuance of domestic convertible bonds by the Company:

The terms of the first domestic unsecured convertible bonds issued by the Company are as follows:

(a) The Company issued $250,000, 0% first domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (December 14, 2016 ~December 14, 2019) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on December 14, 2016.

(b) The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after one month of the bonds issue to the maturity date, except the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

(c) The conversion price of the bonds is set up based on the pricing model in the terms of the bonds (the conversion price was NT$47.8 per share), and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. If the reset conversion price is higher than the conversion price before the reset, the conversion price will not be adjusted.

(d) The bondholders have the right to require the Company to redeem any bonds at the price of the bonds' face value plus 1% of the face value as interests upon two years from the issue date.

(e) The Company may repurchase all the bonds outstanding in cash at the bonds' face value at 5 business days after the effective date: (i) the closing price of the Company common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after one month of the bonds issue to 40 days before the maturity date, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after one month of the bonds issue to 40 days before the maturity date.

(f) All bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued.

B. As of December 31, 2019, the bonds totaling $9,100 (face value) had been converted into 153 thousand shares of common stock. The face value of redemption amounted to $69,000. The remaining amount of $171,900 was settled.

C. Regarding the issuance of convertible bonds, the equity conversion options amounting to $12,125 were separated from the liability component and were recognised in 'capital surplus—share options' in accordance with IAS 32. As of December 31, 2019, capital surplus—share options amounted to $8,337. The call options and put options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IAS 39 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rate of the bonds payable after such separation was 2.41%.

(42) Other payables

	December 31, 2019	December 31, 2018
Payables for investment	$ 17,201	$ 17,804
Expense payable and others	61,214	56,797
	$ 78,415	$ 74,601

To meet the Group's operating policies, the Board of Directors of the Company at their meeting resolved to acquire 8% equity shares of the Mainland China subsidiary, Wuxi Jingxin, from its shareholders through the subsidiary, PATEC, with the transaction price of RMB 30 million. As of December 31, 2019, the Company has paid RMB 26 million for this transaction.

(43) Lease payable

Prior to 2019

The Group leases machinery and automobiles, classified as machinery and transportation equipment, under finance lease. The lease will expire in January 2022. Under the lease contract, future minimum lease payments and their present value are as follows:

	December 31, 2018		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
Current			
Not later than one year	$ 3,321	$ 486	$ 2,835
Non-current (shown as 'long-term notes and accounts payable')			
Later than one year but not later than five years	6,032	614	5,418
	$ 9,353	$ 1,100	$ 8,253

(44) Pensions

A. Consolidated entity, PT. Patec, has a defined benefit pension plan in accordance with regulations of the Republic of Indonesia. As of December 31, 2019 and 2018, the net amount of liabilities recognised in the balance sheet was $12,748 and $5,740, respectively.

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

(45) Share-based payment

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

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

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Employee stock options	2014. 2. 28	1,500 thousand shares	4 years	2-3 years service

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

	Years ended December 31,			
	2019		2018	
	Number of options (in shares)	Weighted-average exercise price (in dollars)	Number of options (in shares)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the year	-	$ -	432,000	$ 23
Options exercised	-	-	(422,000)	21
Options forfeited	-	-	(10,000)	21
Options outstanding at end of the year	-	-	-	-
Options exercisable at end of the year	-	-	-	-

D. 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 dividends rate	Risk-free dividends 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.

(46) Share capital

A. As of December 31, 2019, the Company has 44,491 thousand shares of ordinary stock outstanding, and the paid-in capital was $448,268 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	Years ended December 31,	
	2019	2018
At January 1	40,460	37,671
Exercise of employee share options	-	422
Stock dividends	3,731	2,867
Purchase of treasury shares	-	(500)
At December 31	44,191	40,460

C. Treasury shares

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

Name of company holding the shares	Reason for reacquisition	December 31, 2019	
		Number of shares	Book value
The Company	To be reissued to employees	636	$ 36,097

Name of company holding the shares	Reason for reacquisition	December 31, 2018	
		Number of shares	Book value
The Company	To be reissued to employees	636	$ 36,097

(b) On August 17, 2017, the Board of Directors at their meeting resolved to purchase treasury shares during the estimated period from August 18, 2017 to October 17, 2017, and the estimated price ranged between NT$50 and NT$65. As of December 31, 2017, the Company had purchased a total of 636 thousand shares in the amount of $36,097. On January 17, 2018, the Board of Directors at their meeting resolved to purchase treasury shares. As of March 26, 2018, the Company purchased a total of 500 thousand shares in the amount of $26,908. At the same day, the Board of Directors resolved to proceed with the registration of retirement of shares, and the record date for capital reduction is March 30, 2018.

(c) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

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

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

(47) 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.

(48) Retained earnings

A. At the end of the accounting year, if there is any retained earnings (including the unappropriated earnings of prior years), shall first be used to pay all taxes and offset prior years' operating losses (including the deficits of prior years) and then set aside special reserve (if any). The residual should be distributed based on the majority vote of the shareholders during their meeting. The ratio of appropriation of retained earnings proposed by the Board of Directors should not be less than 10% of distributable retained earnings, the dividends should be distributed to shareholders in accordance with their shareholding ratio. The amount of cash dividends should not be less than 10% of total dividend distribution.

B. As the Company is in the growth stage, the dividend policy is adopted taking into consideration the Company's capital expenditure, future expansion plans, financial plan and other plans for continuous development.

C. Dividends, bonus or other benefits to shareholders should be distributed in New Taiwan dollars.

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

E. On June 28, 2019 and 2018, the shareholders resolved the distribution of earnings for 2018 and 2017 as follows:

	Years ended December 31,			
	2018		2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Cash dividend	$ 4,145	$ 0.10	$ 28,672	$ 0.75
Stock dividend	37,304	0.92	28,672	0.75
Special reserve	22,298	−	59,408	−

F. Events after balance sheet date:

On March 27, 2020, the Board of Directors proposed the distribution of earnings for 2019 as follows:

	Year ended December 31, 2019	
	Amount	Dividend per share (in dollars)
Cash dividend	$ 2,690	$ 0.06
Stock dividend	15,689	0.35
Special reserve	52,360	-

As of March 27, 2020, the abovementioned distribution of 2019 earnings has not yet been resolved by the shareholders.

G. For the information relating to employees' remuneration and directors' and supervisors' remuneration, please refer to Note 6(19).

(49) Operating revenue

A. The Group derives revenue from the transfer of goods and services at a point in time and related information is provided in Note 14.

B. As of December 31, 2019 and 2018, and January 1, 2018, the Group recognised contract liabilities in relation to contract revenue amounting to $8,688, $59,188 and $4,491, respectively.

C. For the years ended December 31, 2019 and 2018, revenue recognised that was included in the contract liability balance at the beginning of the year was $59,188 and $4,491, respectively.

(50) Other income

	Years ended December 31,	
	2019	2018
Interest income:		
Bank deposit interest	$ 10,050	$ 7,572
Other income	8,668	4,244
	$ 18,718	$ 11,816

(51) Other gains and losses

	Years ended December 31,	
	2019	2018
Net currency exchange (loss) gain	($ 7,853)	$ 708
Gain on disposal of property, plant and equipment	592	1,226
Net gain on financial assets / liabilities at fair value through profit or loss	-	964
Gain on redemption of convertible bonds	-	1,817
Miscellaneous income	-	331
	($ 7,261)	$ 5,046

(52) Finance costs

	Years ended December 31,	
	2019	2018
Interest expenses:		
Bank borrowings	$ 6,747	$ 6,445
Convertible bonds	3,794	5,616
Others	2,064	600
Finance costs	$ 12,605	$ 12,661

(53) Employee benefit expense

	Years ended December 31,	
	2019	2018
Employee benefit expense		
Wages and salaries	$ 359,742	$ 378,963
Insurance expense	10,354	13,432
Pension costs	32,376	35,731
Other personnel expenses	24,728	25,937
	$ 427,200	$ 454,063
Depreciation	$ 87,947	$ 59,945

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 0.1% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

B. The employees' compensation and directors' and supervisors' remuneration for the years ended December 31, 2019 and 2018 were estimated and accrued based on a ratio of distributable profit of current year as regulated in the Company's Articles as of the end of the reporting period. For 2019 and 2018, employees' compensation was accrued at $200 and $350, respectively; directors' and supervisors' remuneration was accrued at $700 for both years. The aforementioned amounts were recognised in salary expenses.

C. Employees' compensation and directors' and supervisors' remuneration for 2018 amounted to $250 and $700, respectively, as resolved by the Board of Directors during its meeting on March 28, 2019. The difference of $100 between the amounts resolved at the Board meeting and the amounts of $350 and $700 recognised in the 2018 financial statements, was recognised in profit or loss in 2019. The distribution of the aforementioned amounts has not been completed.

D. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(54) Income tax

A. Components of income tax expense

	Years ended December 31,	
	2019	2018
Current tax:		
Current tax on profits for the year	$ 47,319	$ 49,522
Prior year income tax underestimation	89	888
Total current tax	47,408	50,410
Deferred tax:		
Origination and reversal of temporary differences	12,168	9,089
Income tax expense	$ 59,576	$ 59,499

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

	Years ended December 31,	
	2019	2018
Remeasurement on defined benefit obligations	($ 380)	($ 263)

C. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate	$ 36,073	$ 54,563
Prior year income tax underestimation	89	888
Effects from items disallowed by tax regulation	(4,289)	(7,847)
Taxable loss not recognised as deferred tax assets	27,703	11,895
Income tax expense	$ 59,576	$ 59,499

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate or is the rate applicable in the parent company's country.

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

	2019			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets				
Temporary differences				
Unrealised gain on disposal of property, plant and equipment	$ 5,738	($ 421)	$ -	$ 5,317
Others	11,421	1,699	380	13,500
Loss carryforward	5,537	(50)	-	5,487
	$ 22,696	$ 1,228	$ 380	$ 24,304
Deferred tax liabilities				
Temporary differences				
Book-tax difference in the basis of finance lease	($ 2,591)	$ 273	$ -	($ 2,318)
Investment income of long-term equity investments	(2,604)	(15,293)	-	(17,897)
Others	(6,021)	1,624	-	(4,397)
	($ 11,216)	($ 13,396)	$ -	($ 24,612)

	2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets				
Temporary differences				
Unrealised gain on disposal of property, plant and equipment	$ 5,558	$ 180	$ -	$ 5,738
Others	7,066	4,092	263	11,421
Loss carryforward	14,598	(9,061)	-	5,537
	$ 27,222	($ 4,789)	$ 263	$ 22,696
Deferred tax liabilities				
Temporary differences				
Book-tax difference in the basis of finance lease	($ 4,691)	$ 2,100	$ -	($ 2,591)
Investment income of long-term equity investments	(2,225)	(379)	-	(2,604)
Others	-	(6,021)	-	(6,021)
	($ 6,916)	$ 1,721	$ -	($ 11,216)

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

December 31, 2019				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Usable until
2015	$ 89,747	$ 89,747	$ -	-
2016	93,958	93,958	93,958	-
2017	56,373	56,373	56,373	-
2018	62,460	62,460	62,460	-
2019	109,498	109,498	109,498	-

December 31, 2018				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Usable until
2015	$ 89,747	$ 89,747	$ -	-
2016	93,958	93,958	93,958	-
2017	56,373	56,373	56,373	-
2018	62,460	62,460	62,460	-

(55) Earnings per share

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic (Diluted) earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 38,797	44,191	$ 0.88

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 144,341	44,147	$ 3.27
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 144,341	44,147	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	50	
Domestic convertible bonds	5,616	5,289	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 149,957	49,486	$ 3.03

The domestic convertible bonds issued by the Company have anti-dilutive effect, thus were not included in the diluted earnings per share for the year ended December 31, 2019.

(56) Operating leases

Prior to 2019

The Group leases land and buildings to others under non-cancellable operating lease agreements. The leases will expire in March 2038. The Group has recognised $34,027 as rental expense for the year ended December 31, 2018. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018
Not later than one year	$ 25,120
Later than one year but not later than five years	92,704
Later than five years	188,845
	$ 306,669

(57) Supplemental cash flow information

	Years ended December 31,	
	2019	2018
Financing activities with no cash flow effects:		
Retained earning transferred to common stock	$ 37,304	$ 28,672

(58) Changes in liabilities from financing activities

	2019			
	Short-term borrowings	Lease payable	Bonds payable (including current portion)	Total
At January 1	$ 211,996	$ 309,099	$ 168,106	$ 689,201
Changes in cash flow from financing activities	198,646	(48,982)	(171,900)	(22,236)
Changes in other non-cash items	(4,785)	(6,927)	3,794	(7,918)
At December 31	$ 405,857	$ 253,190	$ -	$ 659,047

	2018				
	Short-term borrowings	Long-term borrowings (including current portion)	Lease payable	Bonds payable (including current portion)	Total
At January 1	$ 180,311	$ 56,939	$ 9,844	$ 229,960	$ 477,054
Changes in cash flow from financing activities	31,685	(56,939)	(4,764)	(67,470)	(97,488)
Changes in other non-cash items	-	-	3,173	5,616	8,789
At December 31	$ 211,996	$ -	$ 8,253	$ 168,106	$ 388,355

7. RELATED PARTY TRANSACTIONS

(59) Names of related parties and relationship

Name of related party	Relationship with the Company
WEE LIANG KIANG	Chief Executive Officer of the Company

(60) Significant related party transactions

I. Endorsements and guarantees provided to related parties:

	December 31, 2019	December 31, 2018
WEE LIANG KIANG	$ 243,841	$ 130,076

The above pertains to guarantee provided by related party for the Company’s borrowings.

(61) Key management compensation

	Year ended December 31, 2019	Year ended December 31, 2018
Salaries and other short-term employee benefits	$ 29,573	$ 30,291
Post-employment benefits	1,390	1,365
	$ 30,963	$ 31,656

8. PLEDGED ASSETS

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

Pledged asset	Book value December 31, 2019	Book value December 31, 2018	Purpose
Property, plant and equipment	$ 40,000	$ 65,824	Short-term borrowings
Right-of-use asset	61,110	-	Long-term and short-term borrowings and lease payable
Long-term prepaid rents	-	49,622	Short-term borrowings
Financial assets at amortised cost - current - time deposits	48,586	38,636	Short-term borrowings
	$ 149,696	$ 154,082	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

2019: None

For significant commitments and contingencies for 2018, please refer to Notes 6(9) and (22).

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Information on appropriation of earnings is provided in Note 6(14) F.

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.

(2) Financial instruments

A. Financial instruments by category

	December 31, 2019	December 31, 2018
Financial assets		
Financial assets at amortised cost		
Loans and receivables		
Cash and cash equivalents	$ 472,198	$ 320,589
Financial assets at amortised cost	218,665	51,994
Accounts receivable	520,221	738,775
Other receivables	2,145	27,455
Guarantee deposits paid	15,109	19,058
	$ 1,228,338	$ 1,157,871
Financial liabilities		
Financial liabilities at amortised cost		
Short-term borrowings	$ 405,857	$ 211,996
Accounts payable	167,432	231,259
Other payables	78,415	74,601
Current lease obligations payable	-	2,835
Corporate bonds payable (including current portion)	-	168,106
Long-term notes and accounts payable	-	5,418
	$ 651,704	$ 694,215
Lease liability	$ 253,190	$ -

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

i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

ii. 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.

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

iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB, SGD and USD). 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, 2019					
			Book value	Sensitivity analysis		
(Foreign currency: functional currency)	Foreign currency (in thousands)	Exchange rate	(NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets						
Monetary items						
EUR:RMB	$ 3,301	7.82	$ 110,975	1%	$ 1,110	$ -
USD:RMB	2,589	6.96	77,521	1%	775	-
EUR:HUF	1,129	331.15	37,959	1%	380	-
USD:SGD	605	1.34	18,109	1%	181	-
RMB:SGD	35,872	0.19	154,264	1%	1,543	-
JPY:SGD	42,985	0.01	11,483	1%	115	-
IDR:USD	67,551,981	0.00007	145,910	1%	1,459	-
Financial liabilities						
Monetary items						
IDR:USD	$ 32,765,462	0.00007	$ 70,772	1%	$ 708	$ -
USD:SGD	214	1.34	6,398	1%	64	-
JPY:SGD	41,243	0.01	11,363	1%	114	-
RMB:SGD	4,000	0.19	17,201	1%	172	-
EUR:SGD	1,256	1.51	42,224	1%	422	-
EUR:HUF	1,102	331.15	37,037	1%	370	-
USD:NTD	1,550	29.94	46,413	1%	464	-
EUR:NTD	7,040	33.62	236,669	1%	2,367	-
SGD:NTD	925	22.27	20,598	1%	206	-

	December 31, 2018					
			Book value	Sensitivity analysis		
(Foreign currency: functional currency)	Foreign currency (in thousands)	Exchange rate	(NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets						
Monetary items						
EUR:RMB	$ 4,268	7.88	$ 149,694	1%	$ 1,497	$ -
USD: RMB	3,286	6.88	100,609	1%	1,006	-
EUR: HUF	986	320.78	34,565	1%	346	-
USD:SGD	908	1.36	27,784	1%	278	-
IDR:USD	59,470,571	0.00007	126,965	1%	1,270	-
Financial liabilities						
Monetary items						
IDR:USD	$ 36,982,117	0.00007	$ 78,954	1%	$ 790	$ -
USD:SGD	439	1.36	13,451	1%	135	-
EUR:RMB	8	7.88	280	1%	3	-
EUR:HUF	1,171	320.78	41,065	1%	411	-
USD:NTD	1,550	30.62	47,454	1%	475	-
EUR:NTD	1,760	35.07	61,726	1%	617	-
SGD:NTD	925	22.47	20,787	1%	208	-

v. Total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018, amounted to ($7,853) and $708, respectively.

(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. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

ii. The Group adopts the following assumption to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

iii. If the aging of contract payments was over 365 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. The Group classifies customers' accounts receivable in accordance with credit risk on trade. The Group applies the simplified approach to estimate expected credit loss under the provision matrix basis.

v. The Group used the forecastability of Basel Committee on Banking Supervision to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2019 and 2018, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31~90 days past due	91~180 days past due	Over 181 days past due	Total
At December 31, 2019						
Expected loss rate	0.03%	0.03~7.81%	0.03~7.81%	0.03%~20.20%	19.17%~100%	
Total book value	$ 463,804	$ 38,993	$ 14,327	$ 1,880	$ 4,469	$ 523,473

	Not past due	Up to 30 days past due	31~90 days past due	91~180 days past due	Over 181 days past due	Total
At December 31, 2018						
Expected loss rate	0.03%~0.15%	1%~1.5%	3.31%	6.46%	14.73%~100%	
Total book value	$ 620,470	$ 72,724	$ 32,906	$ 7,910	$ 6,119	$ 740,129

vi.Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable, contract assets and lease payments receivable are as follows:

	2019	2018
At January 1	$ 1,354	$ 1,442
Provision for impairment	1,981	352
Write-offs	-	(392)
Effect of foreign exchange	(83)	(48)
At December 31	$ 3,252	$ 1,354

(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, 2019 and 2018, 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.

December 31, 2019 Non-derivative financial liabilities:	Up to 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Lease liability	$ 7,669	$ 21,757	$ 28,000	$ 61,365	$ 139,803

December 31, 2018 Non-derivative financial liabilities:	Up to 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bonds payable	$ -	$ 168,106	$ -	$ -	$ -
Lease payable	1,046	2,276	2,094	3,937	-

(3) Fair value information

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A.

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

Level 3: Unobservable inputs for the asset or liability. The fair values of the call and put options issued by the Group are included in Level 3.

13. SUPPLEMENTARY DISCLOSURES

(4) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

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 NT$300 million or 20% of the Company's paid-in capital: None

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

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

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 3.

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

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(5) Information on investees

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

(6) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

14. SEGMENT INFORMATION

(7) 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 parts 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.

(8) 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.

(9) 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, 2019					
	Singapore	Indonesia	China	Europe	Reconciliation elimination	Total
Revenue from external customers						
Machinery and maintenance service	$ 155,637	$ -	$ 10,076	$ -	$ -	$ 165,713
Parts of motorcycles	-	80,328	-	-	-	80,328
Parts of automobiles	-	373,257	1,035,919	124,215	-	1,533,391
Processing	-	-	15,532	-	-	15,532
Medical devices	601	-	-	-	-	601
	156,238	453,585	1,061,527	124,215	-	1,795,565
Inter-segment revenue	109,916	-	56,371	-	(166,287)	-
Total segment revenue	$ 266,154	$ 453,585	$ 1,117,898	$ 124,215	($ 166,287)	$ 1,795,565
Total segment profit (loss)	($ 116,393)	$ 3,025	$ 200,451	($ 13,047)	($ 21,740)	$ 52,296
Segment income (loss):						
Depreciation	($ 7,809)	($ 33,220)	($ 30,760)	($ 18,940)	$ 2,782	($ 87,947)
Income tax expense	($ 8,161)	($ 3,423)	($ 33,019)	($ 1,465)	($ 13,508)	($ 59,576)

	Year ended December 31, 2018					
	Singapore	Indonesia	China	Europe	Reconciliation and elimination	Total
Revenue from external customers						
Machinery and maintenance service	$160,705	$ -	$ 123,326	$ -	$ -	$ 284,031
Parts of motorcycles	-	102,229	-	-	-	102,229
Parts of automobiles	-	320,526	1,361,619	107,869	-	1,790,014
Processing	-	-	15,361	-	-	15,361
Medical devices	92	-	-	-	-	92
	160,797	422,755	1,500,306	107,869	-	2,191,727
Inter-segment revenue	115,873	-	45,336	-	(161,209)	-
Total segment revenue	$276,670	$422,755	$1,545,642	$107,869	($ 161,209)	$2,191,727
Total segment profit (loss)	($ 47,674)	$ 14,005	$ 233,181	($ 17,336)	($ 18,090)	$ 164,086
Segment income (loss):						
Depreciation	($ 3,713)	($ 30,770)	($ 25,108)	($ 7,436)	$ 7,082	($ 59,945)
Income tax expense	$ -	($ 2,805)	($ 43,673)	($ 1,602)	($ 11,419)	($ 59,499)

Note: Because the measurement amount of the Group's assets does not include the measurement amount of segment assets reviewed by the Chief Operating Decision-Maker, therefore, the measurement amount of assets to be disclosed is $0 in accordance with IFRS 8, 'Operating segments'.

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

The adoption of IFRS 16, 'Leases', had the following impact on the segment information for 2019.

	Singapore	Indonesia	China	Europe	Total
Depreciation expense increased	$ 85	$ 1,464	$ 10,647	$ 10,875	$ 23,071
Segment assets increased	$ 174	$ -	$ 43,165	$ 190,180	$ 233,519
Segment liabilities increased	$ 192	$ -	$ 42,934	$ 179,992	$ 223,118

(11) 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.

(12) Information on products and services

Please refer to Note 14(3).

(13) Major customer information

Major customer information of the Group for the years ended December 31, 2019 and 2018 is as follows:

	Years ended December 31,			
	2019		2018	
	Revenue	Segment	Revenue	Segment
Customer A	$ 635,935	China	$ 876,985	China
Customer B	203,043	Indonesia	164,302	Indonesia

Patec Precision Industry Co., Ltd. and Subsidiaries

Loans to others

Year ended December 31, 2019

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2019 (Note 3)	Balance at December 31, 2019 (Note 8)	Actual amount drawn down	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 Item	Collateral Value	Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
1	PATEC PTE. LTD.	Patec Precision Kft	Other receivables	Y	$ 25,811	$ 25,811	$ 25,811	3.00%	2	$ -	Capital needs	-	-	-	$ 145,346	$ 581,385	Note 8
1	PATEC PTE. LTD.	Bionicxp Pte. Ltd.	Other receivables	Y	4,454	4,454	4,454	3.50%	2	-	Capital needs	-	-	-	145,346	581,385	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, 2019.

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.

Patec Precision Industry Co., Ltd. and Subsidiaries

Provision of endorsements and guarantees to others

Year ended December 31, 2019

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2019 (Note 5)	Actual amount drawn down (Note 6)	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 (Note 3)	Provision of endorsements/guarantees by parent company to subsidiary (Note 8)	Provision of endorsements/guarantees by subsidiary to parent company (Note 8)	Provision of endorsements/guarantees to the party in Mainland China (Note 8)	Footnote
0	PATEC PRECISION INDUSTRY CO., LTD.	PATEC PTE. LTD.	2	$ 228,618	$ 179,663	$ 179,663	$ 47,735	$ -	15.72%	$ 457,237	Y	N	N	Note 3
0	PATEC PRECISION INDUSTRY CO., LTD.	Wuxi Jingxin Precision Machining Co., Ltd.	3	228,618	50,427	-	-	-	0.00%	457,237	Y	N	Y	Note 3
0	PATEC PRECISION INDUSTRY CO., LTD.	PT. PATEC PRESISI ENGINEERING	3	228,618	14,972	14,972	-	-	1.31%	457,237	Y	N	N	Note 3
0	PATEC PRECISION INDUSTRY CO., LTD.	PT. PDF Presisi Engineering	3	228,618	14,972	14,972	-	-	1.31%	457,237	Y	N	N	Note 3
0	PATEC PRECISION INDUSTRY CO., LTD.	PT. API Precision	3	228,618	14,972	14,972	14,123	-	1.31%	457,237	Y	N	N	Note 3
1	PATEC PTE. LTD.	PATEC PRECISION INDUSTRY CO., LTD.	2	290,692	89,832	44,916	40,342	-	3.09%	581,385	N	Y	N	Note 3

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 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 4: Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company's "Procedures for Provision of Endorsements and Guarantees"

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: Actual amount drawn down shall not exceed Limit on endorsements/guarantees provided for a single party.

Note 7: 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.

Patec Precision Industry Co., Ltd. and Subsidiaries

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

Year ended December 31, 2019

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
Press Automation Technology Pte Ltd	PATEC PTE. LTD	Parent	Sales	97,626	5	90~150 days after monthly billings	-	-	-	0	

Note 1: If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the 'Unit price' and 'Credit term' columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: 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.

Patec Precision Industry Co., Ltd. and Subsidiaries

Significant inter-company transactions during the reporting periods

Year ended December 31, 2019

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

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 payables	$	29,641	Payments on behalf of others	1%
1	PATEC PTE.LTD.	Press Automation Technology Pte Ltd.	3	Other payables		40,001	90~150 days after monthly billings	2%
2	Press Automation Technology Pte Ltd.	PATEC PTE.LTD.	3	Sales revenue		97,626	90~150 days after monthly billings	5%
3	Wuxi Baida Precision Molding Co., Ltd.	Press Automation Techonology Pte Ltd	3	Accounts receivable		54,198	90~150 days after monthly billings	2%
3	Wuxi Baida Precision Molding Co., Ltd.	Press Automation Techonology Pte Ltd	3	Sales revenue		56,371	90~150 days after monthly billings	3%
4	PT. PDF Presisi Engineering	PT. PATEC PRESISI ENGINEERING	3	Sales revenue		26,812	90~150 days after monthly billings	1%
5	PT. API Precision	PT. PATEC PRESISI ENGINEERING	3	Sales revenue		29,367	90~150 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.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

Patec Precision Industry Co., Ltd. and Subsidiaries

Information on investees

Year ended December 31, 2019

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount: Balance as at December 31, 2019	Initial investment amount: Balance as at December 31, 2018	Shares held as at December 31, 2019: Number of shares	Shares held as at December 31, 2019: Ownership (%)	Shares held as at December 31, 2019: Book value	Net profit (loss) of the investee for the year ended December 31, 2019 (Note 2(2))	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 2(3))	Footnote
PATEC PRECISION INDUSTRY CO., LTD.	PATEC PTE LTD.	Singapore	Holding company	$ 709,809	$ 709,809	31,287	100.00%	$ 1,453,462	$ 48,304	$ 48,304	
PATEC PTE LTD.	Ptess Automation Techonology Pte Ltd	Singapore	Assembly and sale of machinery and equipment	354,175	354,175	6,247	100.00%	284,757	(41,300)	(39,881)	
PATEC PTE LTD.	Patec Precision Kft	Hungary	Manufacturing and sale of elements of automobiles	210,643	210,643	-	100.00%	37,951	(13,047)	(12,730)	
PATEC PTE. LTD.	Patec Medical Supplies Pte.Ltd.	Singapore	Sale of medical devices	12,996	12,996	600	57.97%	11,661	(1,406)	(815)	
PATEC PTE. LTD.	Bioncixp Pte. Ltd.	Singapore	Application sales of manipulators	2,301	-	400	100.00%	(6,542)	(8,910)	(8,910)	
Ptess Automation Techonology Pte Ltd.	PT PATEC PRESISI ENGINEERING	Indonesia	Manufacturing and sale of elements of automobiles and motorcycles	139,483	139,483	4,340	70.00%	240,981	3,025	3,029	
PT PATEC PRESISI ENGINEERING	PT.PDF Presisi Engineering	Indonesia	Manufacturing and sale of elements of automobiles	37,595	37,595	1,210	88.97%	36,641	(1,408)	(1,253)	
PT PATEC PRESISI ENGINEERING	PT.API Precision	Indonesia	Manufacturing and sale of elements of automobiles	34,314	34,314	1,483	88.77%	21,092	774	687	

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

(1) The columns of 'Investee', 'Location', 'Main business activities', Initial investment amount' and 'Shares held as at December 31, 2019' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.

(2) The 'Net profit (loss) of the investee for the year ended December 31, 2019' column should fill in amount of net profit (loss) of the investee for this period.

(3) The 'Investment income (loss) recognised by the Company for the year ended December 31, 2019' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Patec Precision Industry Co., Ltd. and Subsidiaries

Information on investments in Mainland China

Year ended December 31, 2019

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019: Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 2)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
Wuxi Jingxin Precision Machining Co., Ltd.	Manufacturing and sale of elements of automobiles	$ 166,090	(2)	$ -	$ -	$ -	$ -	$ 200,450	93%	$ 186,937	$ 1,011,315	$ 524,786	
Wuxi Baida Precision Molding Co., Ltd.	Production and sale of press machines	43,004	(2)	-	-	-	-	15,019	93%	14,326	84,393	-	
Yancheng Jingxin Precision Machining Co., Ltd.	Manufacturing and sale of elements of automobiles	21,502	(2)	-	-	-	-	3,184	93%	2,961	24,340	-	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	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., the subsidiary in Singapore.

(3) Others

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2019' column, basis for investment income (loss) recognition is the financial statements that are audited by investee companies' CPA for the year ended December 31, 2019.

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

V. If the companies and other affiliated companies have incurred any financial difficulties in the latest year and up to the printing date of this annual report, the impact on the financial status of the Company: None.

Seven. A REVIEW AND ANALYSIS OF THE COMPANY'S FINANCIAL POSITION AND FINANCIAL PERFORMANCE, AND A LISTING OF RISKS

I. FINANCIAL POSITION

Units: NT$ thousands

Item \ Year	2018	2019	Difference	
			Amount	%
Current asset	1,744,794	1,716,011	(28,783)	(1.65)
Property, plant and equipment	311,078	249,421	(61,657)	(19.82)
Other assets	98,510	351,854	253,344	257.18
Total assets	2,154,382	2,317,286	162,904	7.56
Current liabilities	781,755	721,683	(60,072)	(7.68)
Long-term liability	5,418	-	(5,418)	(100.00)
Other liability	16,956	266,796	249,840	1,473.46
Total liabilities	804,129	988,479	184,350	22.93
Capital stock	410,964	448,268	37,304	9.08
Capital surplus	372,244	372,244	-	-
Retained Earnings	496,192	492,743	(3,449)	(0.70)
Exchange difference on translation of financial statements	(81,706)	(134,066)	(52,360)	64.08
Treasury stock	(36,097)	(36,097)	-	-
Total equity	1,350,253	1,328,807	(21,446)	(1.59)

Where the difference exceeds 20% and the amount is changed for NT$ 10,000,000, the analysis is as follow:

1. Increase in other assets: Mainly due to the recognition of right-of-use assets by IFRS 16 from 2019.
2. Increase in other liabilities: Mainly due to the recognition of lease liabilities by IFRS 16 from 2019.
3. Increase in total liabilities: Mainly due to the recognition of lease liabilities by IFRS 16 from 2019.
4. The increase in the exchange difference in the conversion of financial statements of foreign operating institutions is mainly due to the depreciation of RMB against Taiwan dollars in 2019.

Source: The annual financial report that has been audited by CPA is based on IFRS.

II. Financial Performance:

(I) Financial Performance Analysis

Units: NT$ thousand

Item / Year	2018	2019	Amount of Increase (Decrease)	%
Operating Revenue	2,191,727	1,795,565	(396,162)	(18.08)
Operating margin	608,758	437,621	(171,137)	(28.11)
Operating Expenses	(389,374)	(324,601)	(64,773)	(16.64)
Operating Income	219,384	113,020	(106,364)	(48.48)
Non-operating income and expenses	4,201	(1,148)	(5,349)	(127.33)
Income before tax from continuing operations	223,585	111,872	(111,713)	(49.96)
Tax Expense	(59,499)	(59,576)	77	0.13
Net profit for the year	164,086	52,296	(111,790)	(68.13)
Other comprehensive income	(25,312)	(57,404)	(32,092)	(126.79)
Total comprehensive income for the year	138,774	(5,108)	(143,882)	(103.68)

Where the difference exceeds 20% and the amount is changed for NT$ 10,000,000, the analysis is as follow:

1. Gross operating profit, net operating profit, before-tax profit and loss of continuing business departments and decrease in net profit in the current period: The main reason is that the operating revenue from China's automobile market in 2019 decreased by about 14.36%, and the operating revenue of machinery and equipment decreased by about 41.65%. Customers need to digest inventory and wait for industrial recovery, resulting in a decrease in the operating revenue of the Company by NT$396,162,000 or about 18%, while the maintenance of fixed manufacturing expenses led to a decrease in the gross profit rate. All these factors led to the decline of gross operating profit, net operating profit, before-tax profit, and loss of continuing business departments and net profit of the current period compared with the same period of last year.
2. Increase in other comprehensive losses: Mainly due to an increase in the exchange difference on the conversion of financial statements of foreign operating institutions in the current period.

(II) Expected future sales volume and basis

Based on customers' estimated demand, and in viewing of capacity planning and past business experience, the Company set annual shipment target.

(III) The Impact on the Company's future financial business and response plan

The Company is still in the growth stage of the industry, meanwhile, the Company will pay attention to market demand changes all the time, the development of new customers to enhance the Company's profits, continuing to maintain a stable and well financial situation.

III. CASH FLOW

(I) Analysis of liquidity in the coming year

Item / Year	2018	2019	Amount of Increase (Decrease)	%
Cash generated from operations - inflow (outflow)	33,855	401,312	367,457	1,085.38
Net cash used in investing activities - inflow (outflow)	4,117	(184,611)	(188,728)	(4,584.11)
Net cash provided by (used in) financing activities - inflow (outflow)	(144,943)	(38,550)	106,393	73.40
The main reason of change in cash flow in the latest year: 1. Increase in cash inflow from business activities: Mainly due to the active recovery of accounts receivable in the current period. 2. Increase in cash outflow from investment activities: Mainly due to an increase in fixed deposits in the current period. 3. Decrease in cash outflow from financing activities: Mainly due to an increase in short-term borrowings in the current period to repay the matured corporate bonds.				

(II) An analysis of the Company's cash liquidity for the coming year

The Company has not yet experienced any shortage of liquidity. As of March 31, 2020, the cash on the Company's account is NT$355,665,000. Based on the 2020 budget estimate, it should be sufficient to pay the cash outflow from the investment and financing activities without an insufficient liquidity problem.

IV. The Impact of Major Capital Expenditure Items on Financial Service for Latest Year

The amount of property, plant and equipment purchased by the Company in 2019 is NT$27,558,000, which is to expand the production capacity in line with business needs and purchase production line machinery and equipment. The capital source is generated from operations. According to the profit situation of the company, it has no significant impact on the company's finance.

V. The Company's policy for the most recent year on investments in other companies, the main reasons for profit/losses resulting therefrom, plans for improvement, and investment plans for the coming year.

(I) The Company’s Investment in Other Companies Policy

The Company focuses on what they do best. The policy of investments in other companies takes automobile and motorcycle components and press equipment as the investment target. The relevant executive departments shall follow the internal control system “Investment cycle” and “The Regulation of Acquiring or Disposing of Assets” and other procedures, which have been discussed and approved by the Board of Director or shareholders’ meeting.

(II) The Company's policy for the most recent year on investments in other companies, the main reasons for profit/losses resulting therefrom, plans for improvement.

Units: NT$ thousand

The name of investment company	%	Recognized profit (loss) on investment in 2019	The reasons for profit/losses	Plans for improvement
Patec Pte. Ltd.	100	48,304	Mainly due to investment income recognized under equity-method.	None
Press Automation Technology Pte. Ltd.	100	(39,881)	Mainly due to the reduction of press equipment orders.	At present, the scale of the factory is reduced, and the expenditure is reduced, and the fixed cost is reduced by means of outsourcing.
Wuxi Jingxin Precision Machining Co., Ltd.	93	186,937	Mainly due to the stable operation of automotive components orders.	None
Wuxi Patec Precision Machining Co., Ltd.	100	14,326	Mainly due to the stable operation of press equipment orders.	None
Yancheng JingXin Precision Machining Co., Ltd.	100	2,961	Mainly due to the stable operation of processing orders.	None
Patec Precision Kft	100	(12,730)	Mainly due to the increase of factory expansion costs and reflect cost adjustment price to make customer transfer order.	Actively consult and develop customers.
Patec Medical Supplies Pte. Ltd.	58	(815)	Still developing new products and markets.	Actively develop customer promotion products.
BionicXP Pte. Ltd.	100	(8,910)	Still developing new products and markets.	Actively develop customer promotion products.
PT. Patec Presisi Engineering	70	3,029	Mainly due to the stable operation of automotive components orders.	None

The name of investment company	%	Recognized profit (loss) on investment in 2019	The reasons for profit/losses	Plans for improvement
PT. PDF Presisi Engineering	89	(1,253)	Mainly due to the increase of basic wage cause minor loss.	Actively receiving orders and developing more product applications.
PT. API Precision	89	687	Active taking orders, and the growth of automotive components market.	None

(III) The investment plan for the coming year

The Company has stepped into the medical equipment market in recent years. According to the data of the Taiwan Institute of Economic Research, the scale of the global medical equipment market in 2019 reached US$411.6 billion, 5.77% higher than that in 2018. The preferential tax rate and deregulation on the medical materials industry in the United States will effectively promote the development of the industry. In developed countries and China, the population aging speed will accelerate, and the population of chronic diseases caused by the change of life style and the increasingly serious environmental pollution will increase, which will respectively make the demand of mobile medical aids and physiological monitoring system grow significantly. In addition, emerging countries continue to strengthen their basic medical construction, and will therefore have a significant demand for medical devices and equipment. For example, China continues to implement the "2030 Healthy China" strategy to substantially improve the level of medical facilities in the second and third tier urban hospitals in China. BMI Research points out that the global medical material market will reach US$425.3 billion in 2020. With excellent press and cold forming technology, the company not only reduces the environmental pollution caused by the production process, but also effectively improves the product precision and production efficiency. It is expected that the company will enter the supply chain of the manufacturer to cooperate with the internationally renowned big factories in the production of medical equipment, which will contribute to business growth. Besides, the developed sterilizing box for medical devices has obtained hospital orders from Taiwanese foundations this year. Chinese and Korean markets also continue to cooperate with agents, which are expected to bring more profits to the Company.

VI. RISK MATTERS

(I) The impact upon the Company's changes in interest, exchange rates and inflation in the latest year, and the measures the company plans to adopt in response:

1. The impact upon the Company's changes in interest and the measures the company plans to adopt in response:

   To meet operational needs, the Group borrows long-term and short-term loans, and the interest expense mainly comes from bank loans and convertible bonds. The Group’s interest expense in 2018 and 2019 is 12,661 thousand and 12,605 thousand respectively, accounting for the operating profit ratio 5.77%

and 11.15% respectively in the current year. Facing risks arising from interest rate fluctuations, the financial department of the Group may take the following measures:

The financial units of the Group will keep an eye on the trend of interest rates and maintain good relationship with financial institutions to obtain a lower cost of capital and reduce liabilities when the company has abundant capital, so as to reduce the interest rate risk.

2. The impact upon the Company's changes in exchange rates and the measures the company plans to adopt in response:

The Group is multinational operation, which gives rice to the risk of exchange rate in different currencies, including SGD, USD, RP$ and RMB. The relevant risk of exchange rate comes from business transactions, recognized assets and liabilities and the net investment of foreign operations. The Group's exchange gain or loss in 2018 and 2019 is 708 thousand and (7,853) thousand respectively, accounting for the operating profit ratio 0.32% and (6.95%) respectively in the current year. Facing risks arising from exchange rate fluctuations, the financial department of the Group may take the following measures:

(1) Financial personnel collect real-time foreign exchange information at any time, according to the future trend of exchange rates, maintain appropriate net foreign exchange position and provide business reference for quotation.
(2) To adjust the position of foreign currency deposits according to the changes in exchange rates, if necessary, to reduce the exchange rate risk by taking buy forward or sell forward exchange agreement and borrowing debts for hedging purposes.
(3) According to "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", the "Operating Procedure for Derivatives Transaction" shall be stipulated as the basis for the transaction of derivative commodities, so as to limit the exchange losses of daily operations to a controllable range.

3. The impact upon the Company's changes in inflation and the measures the company plans to adopt in response:

The Group's past profits and losses have not been significantly affected by inflation. If the inflation leads to higher cost of goods purchased, the Group will adjust the sales price properly in addition, the group will review and compile relevant information for management decision making on a regular or irregular basis by referring to the economic data and reports of the government and research institutions.

(II) High-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future.

1. The policy of high-risk investments and highly leveraged investments, the main reasons for the profits/losses, and response measures to be taken in the future:

The Group focuses on main business operation and has never evolved in other high-risk industries. Moreover, the financial policy is based on the principle of conservatism and does not make high-leverage investment, so the risk is still limited.

2. Regarding the policy of loans to other parties, the main reasons for the profits/losses, and response measures to be taken in the future:

The Group loans to other parties only toward the affiliated companies or the companies which has business with, and moreover, the Group shall comply with the regulations of "The Regulation for Management of Loans to Others" and handles the operation of financing. It has no impact on the profits or losses of the Group’s consolidated financial statements up to the printing date of this annual report. The Company will keep following the regulations when it loans to other parties in the future in order to minimize the risk.

3. Regarding the policy of endorsements and guarantees, the main reasons for the profits/losses, and response measures to be taken in the future:

   The Group carries out endorsements and guarantees only toward the affiliated companies or the companies which has business with, and moreover, the Group shall comply with the regulations of the "endorsements and warranties" of the company and handles the operation of endorsements and guarantees. It has no impact on the profits or losses of the Group’s consolidated financial statements up to the printing date of this annual report. The Company will keep following the regulations when it engages in endorsements and guarantees in the future in order to minimize the risk.

4. Regarding the policy of derivatives transactions, the main reasons for the profits/losses, and response measures to be taken in the future:

   The purpose of trading derivatives is hedging the risk of foreign currency assets or debt which is caused by changes in exchange rates. At present, the Group mainly uses forward forex buying (selling) and is in compliance with the Company’s “Procedures for Financial Derivatives Transactions” to minimize the risk.

(III) Future research and development projects, and expenditures expected in connection therewith:

Through the internal education and training, experience inheritance and well knowledge management policy, the Group and each subsidiary accumulated research and development team strength and strengthen the planning and R&D innovation ability of raw materials and products. The main scope of our research and development is to develop new products and process improvement. The Company provides customer high quality of products and services by improving current technical ability and manufacturing efficiency, the ability of developing products. In the future, the Company will continue to invest in research and development and process improvement to ensure the company's advantages in the industry.

(IV) The impact upon the Company's financial operations of important policy and legal developments at home and abroad, and the measures the Company plans to adopt in response:

The Group has been closely observing the important change of policy and law in each investment area, and timely consults legal and accounting experts to evaluate, recommend and plan the response measures in order to fully understand and adapt to the changes of market environment. The important change of policy and law in each investment area has no significant impact on the Company's finance and business in the latest year and up to the printing date of this annual report.

(V) The impact on the Company's financial operations of developments in science, technology, and industry, and the measures the Company plans to adopt in response:

In addition to collecting and analyzing the market and technical development and changes of various automobile and motorcycle components at any time to reduce the impact of technological changes, the Group also actively engages in the development of new products and the improvement of press process to stabilize and ensure the source of profits. The change of technology, and industry has no significant impact on the Company's finance and business in the latest year and up to the printing date of this annual report

(VI) The impact of changes in the Company's image upon its crisis management, and the measures the Company plans to adopt in response

The group has always adhered to the principle of professional, integrity and sustainable management, and values importance to corporate image and risk control. The Group has no major changes in corporate image resulting in crisis management in the last year and up to the printing date of this annual report.

(VII) The expected benefits and potential risks of any merger or acquisition, and measures to be adopted in response:

There is no plan for merger or acquisition in the last year and up to the printing date of prospectus. However, if there is any merger plan in the future, the Company will adhere to the prudent assessment attitude and consider whether or not merger will bring specific benefits to the company to ensure the protection of the Company's interest and shareholders' equity.

(VIII) The expected benefits and potential risks of any plant expansion, and measures to be adopted in response:

The Group doesn't have plan for plant expansion for the coming year.

(IX) The risks associated with any concentration of sales or purchasing operations, and measures to be adopted in response:

1. The risks associated with any concentration of purchasing operations, and measures to be adopted in response

   The Group has more than two suppliers of major raw materials and maintains a good cooperative relationship to ensure the flexibility of procurement and disperse the source of purchase.

2. The risks associated with any concentration of sales operations, and measures to be adopted in response

   The Group mainly produces and sells automobiles and motorcycle components and press production line machine. The majority of customers are international well-known enterprises and their subsidiaries, among which the sales amount to the largest customer of automotive components accounts for more than 30% of the annual net sales. The main reason is that automotive industry is a closed market controlled by minority of companies, and the entry barrier is high. Moreover, in order to control the quality of product, most of automotive enterprises have their long-term stable cooperative suppliers, so it is industry characteristic that the concentration of sales among the world's top automotive components manufacturers. In recent years, however, in addition to strengthening and consolidating the cooperative relationship with the customers, the group has also been actively developing new customers and dispersing its order sources, with a view to expanding the company's operation scale and further reducing the risk of sales concentration.

(X) Effect upon and risk to the Company if a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and measures to be adopted in response

The directors and major shareholders holding more than 10% of the shares of the Company have no substantial transfer of shares in the latest year and up to the printing date of this annual report.

(XI) Effect upon and risk to the Company associated with any change in governance personnel or top management, and measures to be adopted in response:

There is no change in governance personnel or top management happened up to the printing date of this annual report. The company has strengthened various corporate governance measures, invited independent directors with financial and legal expertise and set up an audit committee for the sake of enhancing the overall operating efficiency and strengthening the protection of shareholders' equity.

(XII) Litigious and non-litigious matters

1. If there has been any substantial impact upon shareholders' equity or prices for the Company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the company that was finalized or remained pending during the last two years and up to the printing date of this annual report: None.
2. If there has been any substantial impact upon shareholders' equity or prices for the company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving a company director, supervisor, general manager, de facto responsible person, or major shareholder with a stake of more than 10 percent, and the matter was finalized or remained pending during the last two years and up to the printing date of this annual report: None

(XIII) Other important risks and measures to be adopted in response:

(1) The risk that losing the top management and middle manager:

Since the Group was established, the operation strategy, business experience and industrial contacts accumulated by top management and middle manager have enabled the group to make substantial progress in business expansion. Therefore, the retention of top management and middle manager has a significant impact on the normal operation. The Group is committed to providing a competitive compensation and bonus system, supplemented by employee training, growth and promotion plans, and internal work environment improvement and optimization, to enhance the identification and coherence between top management and middle manager and the company, hence top management and middle manager are rather stable in many years.

(2) The management faces the challenge that the Company becomes listed company.

Although the Group has made remarkable achievements in the business of automobile component industry, after the stock listing, the Company has to face the vast investors, shareholders and professional investment institutions. Furthermore, the Group is a foreign company, it still needs some time to adopt and understand the relevant securities and regulations in Taiwan. Before applying for listing, the Group has been recruiting suitable talents for the operation of the Company, and organises excellent teams to serve as strong backing for the management to meet the challenges of becoming a listed company.

(3) The protection of shareholders' equity

There are many different regulations in companies between Caymen Islands and R.O.C. There are also many different regulations for companies’ operation in both countries. Investors’ view of shareholders’ equity on investing companies in R.O.C. cannot be used for investing companies in Caymen Islands. Investors should understand and consult with professionals ensuring whether or not there is a risk that an investment in Caymen Islands will not be protected by shareholders’ equity.

Except the above, the Company's measures to be adopted in response are as follow:

The Company has amended Article of Association in accordance with "Important matters in connection with protection of shareholder' equity of foreign issuer's country of registration checklist" stipulated by Taiwan Stock Exchange and fully disclosed the difference between Article of Association and checklist in the annual report. In the future, if there are major law changes in the Cayman Islands, the Company will also adhere to the principle of full disclosure of information so that investors, creditors and other information users have sufficient and appropriate information to make investment decisions.

(4) Information Security

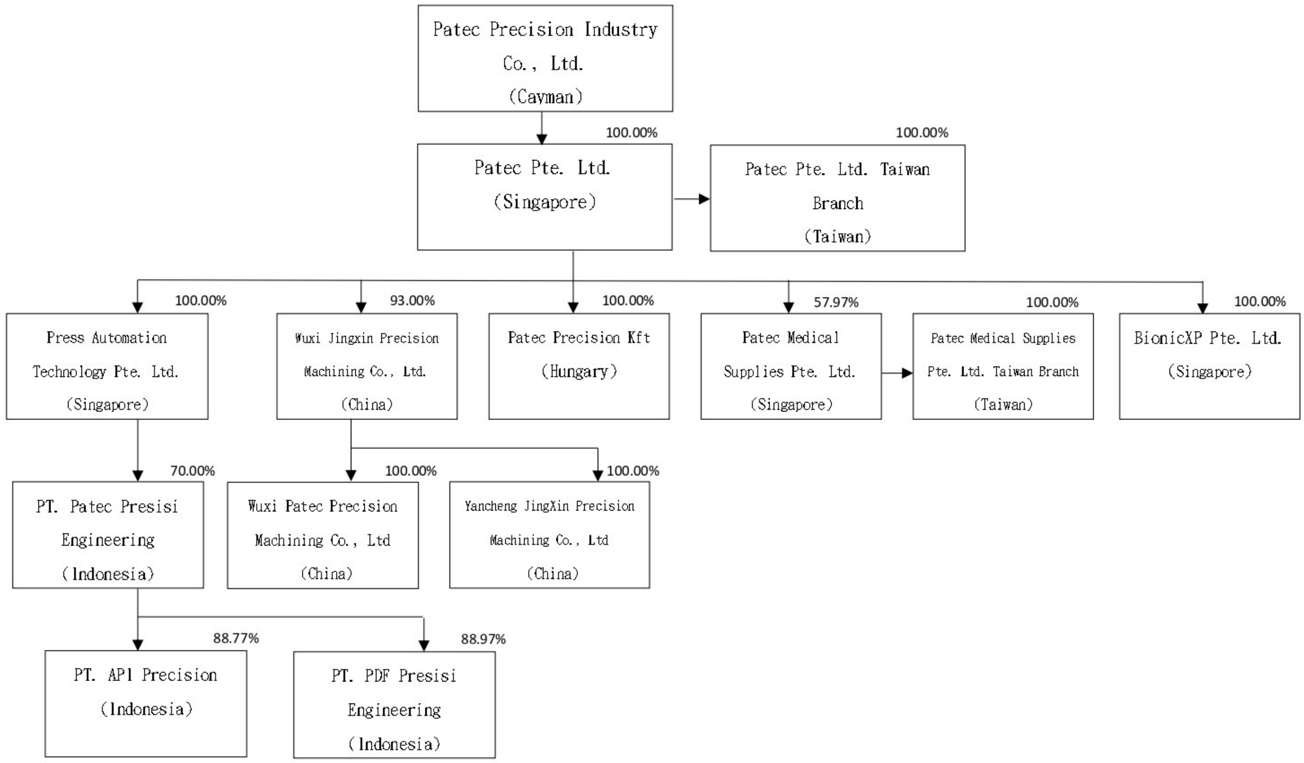
In terms of information security risk control, the Company has established and implemented the information security management system, and formulated information security policy documents to standardize the information security of the Company. The Company also conducts information security risk assessment and internal information security cycle audits on a regular basis every year to ensure the effectiveness of the management system and legal compliance. Therefore, the risk of information security is not a major operational risk of the Company.

VII. Other Major Items: None

Eight. Special Disclosure

I. INFORMATION RELATED TO THE COMPANY'S AFFILIATES

(I) Organizational Chart of Affiliated Companies:



(II) Information on Affiliated Companies

December 31, 2019; Unit: NT$ dollar

Company Name	Date of Incorporation	Address	Capital Stock	Main Business Activity
Patec Pte. Ltd.	09/2006	54 Serangoon North Avenue4 #05-01 Cyberhub North Singapore 555854	SG$ 31,286,731	Investment holding and buying and selling press machines
Press Automation Technology Pte. Ltd.	09/1992	54 Serangoon North Avenue4 #05-01 Cyberhub North Singapore 555854	SG$ 6,247,100	Assembly and selling of equipment
Wuxi Jingxin Precision Machining Co., Ltd.	02/2002	No. C21-1, Shuofang Industrial Park Area, Phase 5, Xinwu Dist., Wuxi, China.	US$ 5,000,000	Manufacturing and selling of automotive components
Patec Precision Kft Co., Ltd.	07/2008	3534 Miskolc, Muhi u. 2/a Hungary	HUF$ 157,250,000	Manufacturing and selling of automotive components
Patec Medical Supplies Pte. Ltd.	03/2017	54 Serangoon North Avenue4 #05-01 Cyberhub North Singapore 555854	SG$ 1,035,000	Sales medical device and equipment
BionicXP Pte. Ltd.	08/2018	54 Serangoon North Avenue4 #05-01 Cyberhub North Singapore 555854	SG$ 100,000	Application sales of manipulators
PT. Patec Presisi Engineering	08/1997	Jl. Angsana Raya Blok L3-01 Delta Silicon Industrial Park, Lippo Cikarang, Bekasi 17550, Indonesia	US$ 6,200,000	Manufacturing and selling of automotive and motorcycle components
Wuxi Patec Precision Machining Co., Ltd.	07/2009	No. C21-1, Shuofang Industrial Park Area, Phase 5, Xinwu Dist., Wuxi, China.	RMB 10,000,000	Assembly and selling of equipment
Yancheng JingXin Precision Machining Co., Ltd.	05/2013	NO.68. south taishan road, yancheng economic development zone, jiangsu province, P.R.C.	RMB 5,000,000	Manufacturing and selling of automotive components
PT. API Precision	03/2011	Jl. Angsana Raya Blok L3-01 Delta Silicon Industrial Park, Lippo Cikarang, Bekasi 17550, Indonesia	US$ 1,670,000	Manufacturing and selling of automotive components
PT. PDF Presisi Engineering	09/2011	Jl. Angsana Raya Blok L3-01 Delta Silicon Industrial Park, Lippo Cikarang, Bekasi 17550, Indonesia	US$ 1,360,000	Manufacturing and selling of automotive components

(III) Shareholders in Common of Patec and Its Subsidiaries with Deemed Control and Subordination: None

(IV) Directors, Supervisors and Presidents of Affiliated Companies:

As of December 31, 2019; Unit: Shares

Company Name	Title	Name or Representative	Shareholding	
			Shares	Percentage shareholding (%)
Patec Pte. Ltd.	Director Director	Wee Liang Kiang Goh Mui Teck William	– –	– –
Press Automation Technology Pte. Ltd.	Director Director	Wee Liang Kiang Goh Mui Teck William	– –	– –
Wuxi Jingxin Precision Machining Co., Ltd.	Director Director Director Director	Wee Liang Kiang Goh Mui Teck William Chang Ping Wee Hong Jie	– – – –	– – – –
Patec Precision Kft	Director Director Director	Wee Liang Kiang Wee Hong Jie Chang Ping	– – –	– – –
Patec Medical Supplies Pte. Ltd.	Director Director	Wee Liang Kiang Chen Shih Tien	– 200,000	– 19.32%
BionicXP Pte. Ltd.	Director	Wee Hong Jie	–	–
PT. Patec Presisi Engineering	President Director Director Director Director Director Commissioner	Asan Tatang Budi Wirawan Wee Hong Jie Chng Kee Peng Sean Hsu Wee Liang Kiang	– – – – –	– – – – –
Wuxi Patec Precision Machining Co., Ltd.	Executive director Supervisor	Wee Liang Kiang Ping Chang	– –	– –
Yancheng JingXin Precision Machining Co., Ltd.	General Manager	Ping Chang	–	–
PT. API Precision	President Director Director Director President Commissioner Commissioner	Asan Tatang Chng Kee Peng Lim Hong Kae Wee Liang Kiang Budi Wirawan	62,500 – 125,000 – –	3.74% – 7.49% – –
PT. PDF Presisi Engineering	President Director Director Director President Commissioner Commissioner	Asan Tatang Liao, Tze-Huan Chng Kee Peng Wee Liang Kiang Li, Yuan	– – – – –	– – – – –

(V) The financial position and results of operations of affiliated companies

Unit: NT$ thousands

Name	Capital	Total Assets	Total Liabilities	Net Value	Sales	Operating Profit(Loss)	Profit for the year(After income tax)	EPS(Dollar) (After income tax)
Patec Pte. Ltd.	709,809	1,043,741	135,427	908,314	126,219	(60,183)	48,304	Note
Press Automation Technology Pte. Ltd.	354,175	226,637	69,104	157,533	129,562	(45,527)	(41,300)	Note
Wuxi Jingxin Precision Machining Co., Ltd.	166,090	1,150,115	172,928	977,187	1,051,451	200,516	200,450	Note
Patec Precision Kft Co., Ltd.	210,643	295,601	259,217	36,384	124,215	(11,705)	(13,047)	Note
Patec Medical Supplies Pte. Ltd.	12,996	22,958	2,844	20,114	601	(1,407)	(1,406)	Note
BionicXP Pte. Ltd.	2,301	6,614	13,156	(6,542)	9,772	(9,277)	(8,910)	Note
PT. Patec Presisi Engineering	139,483	414,794	66,703	348,091	374,312	9,139	3,025	Note
Wuxi Patec Precision Machining Co., Ltd.	43,004	95,012	5,589	89,423	71,304	20,597	15,019	Note
Yancheng JingXin Precision Machining Co., Ltd.	21,502	28,195	2,023	26,172	11,145	2,960	3,184	Note
PT. API Precision	34,314	38,034	22,084	15,950	62,779	1,604	774	Note
PT. PDF Presisi Engineering	37,595	43,447	12,821	30,626	45,472	38	(1,408)	Note

Note: Not limited company, so earnings per share cannot be calculated.

(VI) Consolidated Financial Statements on Affiliated Companies: (refer to page 101 -160)

(VII) Reports on Affiliated Companies: Not applicable.

II. Privately placed securities handling status in the Latest Year and up to the Printing Date of this Annual Report: None.

III. Shares in the Company held or disposed of by subsidiaries in the latest year and up to the printing date of this annual report: None.

IV. Other Necessary Supplementary Notes: None.

V. The description of significant difference in the regulations on the protection of Taiwan's shareholders' equity:

The Company has amended its Articles of Association in accordance with important matters in connection with protection of shareholder equity listed in the "Important matters in connection with protection of shareholder' equity of foreign issuer's country of registration checklist", issued by Taiwan Stock Exchange on December 25, 2019. However, some important matters concerning the protection of shareholder' equity are not applicable under the laws of the Cayman Islands. Please refer to the following table for details (the English version of the Articles of Association shall prevail, and the following Chinese contents are for reference only)

Important matters in connection with protection of shareholder equity	Regulations of Articles and reasons for differences
The definition of "Special Resolution" is that where shareholders representing more than two-thirds of the total number of issued shares of the company present the shareholders' meeting, the resolution is implemented with the consent of more than half of vote cast of present shareholders. Where the total number of shares of present shareholders is less than the aforesaid quota may shareholders representing more than half of the total number of issued shares present the shareholders' meeting, the resolution is implemented with consent of two-thirds of vote cast of present shareholders.	In accordance with the requirement of Letter issued on 2010.04.13 TSEC No. 0991701319 by Taiwan Stock Exchange, article 38 and article 2(1) of Articles of Association stipulates that Special Resolution is the resolution that being passed by more than two-thirds of vote cast of Members as, being entitled to do so, vote in person or, in the case of any Members being Juristic Persons, by their respective duly authorized representatives or, where proxies are allowed, by proxy, present at a general meeting, which Members representing more than half of the total number of issued shares of the Company. At the same time, it complies with the requirements of the Cayman law and Taiwan Company Act on the voting ratio of public companies.
1. A company shall not cancel its shares, unless a resolution on capital reduction has been adopted by its shareholders' meeting; and capital reduction shall be effected based on the percentage of shareholding of the shareholders pro rata. 2. A company reducing its capital may return share prices (or the capital stock) to shareholders by properties other than cash; the returned property and the amount of such substitutive capital contribution shall require a prior approval of the shareholders' meeting and obtain consents from the shareholders who receive such property. 3. The board of directors shall first have the value of such property and the amount of such substitutive capital contribution set forth in the preceding Paragraph audited	Articles 14 to 18 of the Cayman Islands' company law have strict procedures and substantive rules for share capital reduction, and the relevant regulations are mandatory regulations, which can be amended only by the change of articles of association. The standard requirements are rather difference in share capital reduction between Cayman Islands' company law and matters in connection with protection of shareholder' equity checklist. For the avoidance of doubt, based on the advices given from attorney of Cayman Islands, the Company hereby amend article 14 of the articles of association. The Company may reduce its share capital in the manner authorised, and subject to any conditions prescribed by the Law and the Applicable Listing Rules. As for the standard requirements of the matters in connection with protection of shareholder' equity checklist for the Company's

Important matters in connection with protection of shareholder equity	Regulations of Articles and reasons for differences
and certified by a certified public accountant before the shareholders' meeting.	capital reduction, the Company uses the way of purchase of shares, which are stipulated in article 22(1) of the Article of Association so as to achieve the standard requirements specified in the left-hand column.
1. If the general shareholders' meeting is held outside the R.O.C, it shall be reported to the stock exchange for approval within two days after the board of directors' resolution or the shareholders' convening permission obtained from the competent authority. 2. When the general shareholders' meeting is held outside the R.O.C., the Company shall engage a professional Shareholder Service Agent within the R.O.C. to handle the shareholders' voting matters.	As stipulated in the article 30 of Articles of Association, "During the Relevant Period, all general meetings shall be held in the R.O.C." and no exception, it is no longer necessary to regulate the procedures for approval or declaration of shareholders' meeting held outside the R.O.C. In addition, foreign issuer will hold general meeting within the R.O.C. during the Relevant Period, but foreign issuer shall engage a professional Shareholder Service Agent within R.O.C to handle the shareholders' voting matters.
Any one or more Member(s) holding at least three percent (3%) of the issued and outstanding Shares of the Company for a period of one year or a longer time may, by depositing the requisition notice specifying the proposals to be resolved and the reasons, request the Board to convene an extraordinary general meeting. If the board of directors fails to give a notice for convening a special meeting of shareholders within 15 days after the filing of the request, the proposing shareholder(s) may, after obtaining an approval from the competent authority, convene a special meeting of shareholders on his/their own.	Since the foreign issuer is a company established in accordance with the Caymen Islands law, there is no local competent authority who is responsible for reviewing whether or not shareholders shall convene meeting their own. Article 31 of the current Articles of foreign issuer provides that Any one or more Member(s) holding at least three percent (3%) of the issued and outstanding Shares of the Company for a period of one year or a longer time may, by depositing the requisition notice specifying the proposals to be resolved and the reasons, request the Board to convene an extraordinary general meeting. If the Board does not give notice to Members to convene such meeting within fifteen (15) days after the date of the requisition notice, the proposing Member(s) may convene a general meeting. In respect of the requested shareholders may convene a shareholders' meeting by themselves in the preceding sentence, there is no need to obtain approval from the competent authority. This is in accordance with the requirement of Letter issued on 2010.04.13 TSEC No. 0991701319 by Taiwan Stock Exchange, and this shall have no adverse effect on shareholders' equity.

Important matters in connection with protection of shareholder equity	Regulations of Articles and reasons for differences
A shareholder who casts his/her/its vote in writing or by way of electronic transmission shall be deemed to have attended the said shareholders' meeting in person.	A Member who exercises his voting power at a general meeting by way of a written ballot or by electronic transmission, in Caymen Islands, shall be deemed to have appointed the chairman of the general meeting as his proxy to vote his Shares at the general meeting. Therefore, article 56 of the Articles provides that the chairman of the general meeting shall be deemed to have been appointed as proxy.
In case a shareholder who has exercised his/her/its voting power in writing or by way of electronic transmission intends to attend the shareholders' meeting in person, he/she/it shall, two days prior to the meeting date of the scheduled shareholders' meeting and in the same manner previously used in exercising his/her/its voting power, serve a separate declaration of intention to rescind his/her/its previous declaration of intention made in exercising the voting power under the preceding Paragraph Two. In the absence of a timely rescission of the previous declaration of intention, the voting power exercised in writing or by way of electronic transmission shall prevail.	In Ogier's opinion, to the best of his knowledge, there are no relevant court decisions in the Cayman Islands. However, the British case (which is a persuasive case for the Cayman Islands court) held that even if the proxy was not revoked in the manner provided for in the Articles, it did not prevent the shareholder from cast the vote in person and excluding the calculation of the voting right of the entrusted agent. Article 57 of the Articles of Association of foreign issuers stipulates "In case a Member who has cast his votes by a written instrument or by way of electronic transmission intends to attend the relevant general meeting in person, he shall, at least two (2) day prior to the date of the general meeting, revoke such votes by serving a notice in the same manner as he cast such votes. In the absence of a timely revocation of such votes, such votes shall prevail. Nonetheless, a Member who attends and votes at a general meeting in person would be deemed to have revoked his prior voting instructions by a written instrument or by way of electronic transmission, notwithstanding that such shareholder has not submitted a revocation notice in accordance with this Article 57." Which means that after Members have cast their votes by a written instrument or by way of electronic transmission, they don't follow the rules mentioned in article 57 of Article of Association revoking such votes by serving a notice in the same manner as they cast such votes at least two days prior to the date of the general meeting, and still attend and vote at a general meeting in person. Notwithstanding that the Members have not actually sent notice of revocation, the

Important matters in connection with protection of shareholder equity	Regulations of Articles and reasons for differences
	Members' attendance and exercise of their cast shall be deemed to have revoked their prior written or electronic exercise of their cast in accordance with the Articles of Association in order to comply with the requirements of the Cayman law.
1. One or more Members holding three percent (3%) or more of the total number of the outstanding shares continuously for a period of more than one year may request in writing the Supervisor to file, on behalf of the Company, an action against a Director, and Taiwan Taipei District Court of the R.O.C shall be the court of competent jurisdiction for the first instance. 2. If the supervisor does not file a lawsuit within 30 days after the request is filed by the shareholders, shareholders may file a lawsuit for the company, and Taiwan Taipei District Court of the R.O.C shall be the court of competent jurisdiction for the first instance.	The Company does not have supervisors as it is foreign issuer. Therefore, according to Company Act, the regulation that the minority shareholders request the supervisor to file a lawsuit against the director, the Company can replace the supervisor listed in the left column with an independent director. On the basis of article 85 of Articles of Association, minority Members request the Board to authorise any Independent Director to file, on behalf of the foreign issuers', an action against a Director who has, in the course of performing his/her duties, committed any act resulting in damage to the Company or in violation of the Law, the Applicable Listing Rules or these Articles, with a competent court, including the Taiwan Taipei District Court of the R.O.C.

Nine. Any event that results in substantial impact on the shareholders' equity or prices of the Company's securities as prescribed by Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act that have happened in the Latest Year and up to the Printing Date of this Annual Report: None.