

**PATEC PRECISION INDUSTRY CO., LTD. AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT ACCOUNTANTS  
DECEMBER 31, 2016 AND 2015**

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

### ***Opinion***

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

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

### ***Basis for opinion***

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

### ***Key audit matters***

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

## **Recognition of overseas warehouse operating revenue**

### Description

For accounting policy of revenue recognition, please refer to Note 4(26).

The Group's Chinese subsidiary, Wuxi Jingxin Precision Machining Co. Ltd. (referred herein as "Wuxi Jingxin"), stored inventories in the warehouse which was under the custody of foreign third parties and checked and accepted by custodian in order to meet the requirements of overseas sales customers. The custodians regularly send inventory reports to Wuxi Jingxin to verify the quantity, and Wuxi Jingxin recognizes operating revenue based on actual used inventories at customer side which are shown in the inventory report provided by custodians.

As a result of the multi-location of the Company's warehouses in Europe, which involved manual verification, we identified the recognition of overseas warehouse operating revenue 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 obtained an understanding and evaluated Wuxi Jingxin's procedures on overseas warehouse operating revenue, and selected samples to check the adequacy of operating revenue recognition.
2. We obtained the inventory report as at balance sheet date, and checked whether the timing of revenue recognition was reasonable.
3. We performed confirmation for significant warehouse.

## **Existence of press machine revenue**

### Description

For accounting policy of revenue recognition, please refer to Note 4(26).

The Group's Singaporean subsidiary, PATEC PTE. LTD (referred herein as "PATEC"), was mainly engaged in production and sale of press machines. Due to the nature of its business, the related transaction terms and revenue recognition were assessed based on individual contracts, and PATEC's current revenue on selling press machines and its counterparties had significantly changed compared to 2015. 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 sale of press machines in the financial statement period.
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 Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the 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.

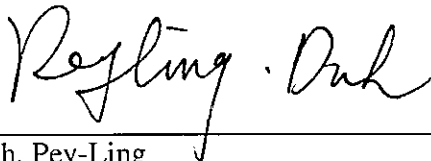
As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

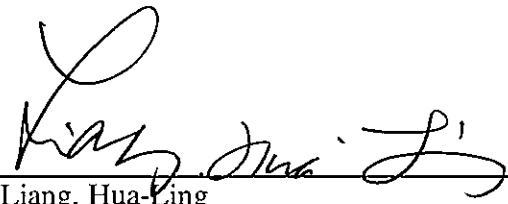
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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



Duh, Pey-Ling



Liang, Hua-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan  
March 28, 2017

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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, 2016 AND 2015**  
(Expressed in thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2016		December 31, 2015		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 365,730	17	\$ 304,318	17
1110	Current financial assets at fair value through profit or loss	6(2)	75	-	-	-
1170	Accounts receivable, net	6(3)	678,774	32	535,162	29
1200	Other receivables		5,110	-	3,394	-
130X	Inventories, net	6(4)	380,185	18	319,539	18
1410	Prepayments		49,859	2	49,446	3
1476	Other current financial assets	6(1) and 8	194,462	9	133,293	7
11XX	<b>Total current assets</b>		<u>1,674,195</u>	<u>78</u>	<u>1,345,152</u>	<u>74</u>
<b>Non-current assets</b>						
1600	Property, plant and equipment, net	6(5)(8)	376,658	18	375,966	20
1780	Intangible assets		5,148	-	5,285	-
1840	Deferred tax assets	6(21)	29,493	1	29,103	2
1990	Other non-current assets	6(6)(8)	72,087	3	71,436	4
15XX	<b>Total non-current assets</b>		<u>483,386</u>	<u>22</u>	<u>481,790</u>	<u>26</u>
1XXX	<b>Total assets</b>		<u>\$ 2,157,581</u>	<u>100</u>	<u>\$ 1,826,942</u>	<u>100</u>

(Continued)

**PATEC PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2016 AND 2015**  
(Expressed in thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	December 31, 2016		December 31, 2015		
		AMOUNT	%	AMOUNT	%	
<b>Current liabilities</b>						
2100	Short-term borrowings	6(7)	\$ 47,619	2	\$ 139,707	8
2120	Current financial liabilities at fair value through profit or loss	6(2)	-	-	238	-
2170	Accounts payable		245,558	11	181,649	10
2200	Other payables	6(10)	114,601	5	70,883	4
2230	Current tax liabilities	6(21)	16,061	1	12,652	1
2310	Advance receipts		14,222	1	5,019	-
2320	Long-term liabilities, current portion	6(8)	2,183	-	8,357	1
2355	Current lease obligations payable	6(11)	10,050	1	8,458	-
2399	Other current liabilities		53,183	2	57,650	3
21XX	<b>Total current liabilities</b>		<u>503,477</u>	<u>23</u>	<u>484,613</u>	<u>27</u>
<b>Non-current liabilities</b>						
2530	Bonds payable	6(9)	232,974	11	-	-
2540	Long-term borrowings	6(8)	-	-	2,164	-
2570	Deferred tax liabilities	6(21)	8,867	1	11,462	1
2610	Long-term notes and accounts payable	6(11)	6,593	-	7,692	-
2670	Other non-current liabilities	6(12)	4,237	-	4,296	-
25XX	<b>Total non-current liabilities</b>		<u>252,671</u>	<u>12</u>	<u>25,614</u>	<u>1</u>
2XXX	<b>Total liabilities</b>		<u>756,148</u>	<u>35</u>	<u>510,227</u>	<u>28</u>
<b>Equity</b>						
<b>Equity attributable to owners of the parent</b>						
<b>Share capital</b>						
3110	Ordinary share	6(14)	375,127	17	338,670	19
<b>Capital surplus</b>						
3200	Capital surplus	6(15)	377,185	18	356,161	19
<b>Retained earnings</b>						
3350	Unappropriated retained earnings	6(16)	414,780	19	347,318	19
<b>Other equity interest</b>						
3400	Other equity interest		( 2,459)	-	66,885	4
31XX	<b>Total equity attributable to owners of the parent</b>		<u>1,164,633</u>	<u>54</u>	<u>1,109,034</u>	<u>61</u>
36XX	<b>Non-controlling interest</b>		<u>236,800</u>	<u>11</u>	<u>207,681</u>	<u>11</u>
3XXX	<b>Total equity</b>		<u>1,401,433</u>	<u>65</u>	<u>1,316,715</u>	<u>72</u>
<b>Significant contingent liabilities and unrecognised contract commitments</b>						
<b>Significant events after the balance sheet date</b>						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 2,157,581</u>	<u>100</u>	<u>\$ 1,826,942</u>	<u>100</u>

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



**PATEC PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**  
(Expressed in thousands of New Taiwan Dollars, except Earnings Per Share)

Items	Notes	2016		2015	
		AMOUNT	%	AMOUNT	%
4000		\$ 2,009,440	100	\$ 1,539,487	100
5000		( 1,425,168)	( 71)	( 1,147,366)	( 75)
5900		<u>584,272</u>	<u>29</u>	<u>392,121</u>	<u>25</u>
		<b>Operating expenses</b>			
6100		( 61,815)	( 3)	( 50,807)	( 3)
6200		( 192,461)	( 9)	( 188,466)	( 12)
6300		( 73,246)	( 4)	( 44,014)	( 3)
6000		<u>( 327,522)</u>	<u>( 16)</u>	<u>( 283,287)</u>	<u>( 18)</u>
6900		<u>256,750</u>	<u>13</u>	<u>108,834</u>	<u>7</u>
		<b>Non-operating income and expenses</b>			
7010		16,003	1	28,661	2
7020		( 27,182)	( 1)	3,258	-
7050		( 10,645)	( 1)	( 15,179)	( 1)
7000		<u>( 21,824)</u>	<u>( 1)</u>	<u>16,740</u>	<u>1</u>
7900		234,926	12	125,574	8
7950		( 72,091)	( 4)	( 47,507)	( 3)
8200		<u>\$ 162,835</u>	<u>8</u>	<u>\$ 78,067</u>	<u>5</u>
		<b>Other comprehensive income (loss)</b>			
		<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>			
8311		(\$ 107)	-	\$ 1,236	-
8349		28	-	( 310)	-
		<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>			
8361		( 72,414)	( 3)	( 26,416)	( 2)
8300		<u>( \$ 72,493)</u>	<u>( 3)</u>	<u>( \$ 25,490)</u>	<u>( 2)</u>
8500		<u>\$ 90,342</u>	<u>5</u>	<u>\$ 52,577</u>	<u>3</u>
		<b>Profit attributable to:</b>			
8610		\$ 114,931	6	\$ 60,695	4
8620		\$ 47,904	2	\$ 17,372	1
		<b>Comprehensive income attributable to:</b>			
8710		\$ 45,532	3	\$ 34,159	2
8720		\$ 44,810	2	\$ 18,418	1
		<b>Earnings per share</b>			
9750		\$ 3.08		\$ 1.71	
9850		\$ 3.00		\$ 1.70	

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, 2016 AND 2015**  
(Expressed in thousands of New Taiwan Dollars)

	Equity attributable to owners of the parent										
	Capital surplus										
	Notes	Ordinary share	Additional paid-in capital	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Employee stock options	Stock options	Unappropriated retained earnings	Exchange on difference on translation of financial statements	Total	Non-controlling interest	Total
<b>2015</b>											
Balance at January 1, 2015		\$ 300,670	\$ 237,854	\$ -	\$ 8,630	\$ -	\$ 334,235	\$ 94,070	\$ 975,459	\$ 201,711	\$ 1,177,170
Issuance of shares	6(14)	38,000	99,700	-	-	-	-	-	137,700	-	137,700
Appropriation of 2014 earnings:											
Cash dividends	6(16)	-	-	-	-	-	(45,101)	-	(45,101)	-	(45,101)
Net income for the year		-	-	-	-	-	60,695	-	60,695	17,372	78,067
Other comprehensive income (loss) for the year		-	-	-	-	-	649	(27,185)	(26,536)	1,046	(25,490)
Issuance of employee stock options	6(13)	-	-	-	9,977	-	-	-	9,977	-	9,977
Difference between consideration and carrying amount of subsidiaries acquired or disposed		-	-	-	-	-	(3,160)	-	(3,160)	-	(3,160)
Changes in non-controlling interest		-	-	-	-	-	-	-	-	(12,448)	(12,448)
Balance at December 31, 2015		<u>\$ 338,670</u>	<u>\$ 337,554</u>	<u>\$ -</u>	<u>\$ 18,607</u>	<u>\$ -</u>	<u>\$ 347,318</u>	<u>\$ 66,885</u>	<u>\$ 1,109,034</u>	<u>\$ 207,681</u>	<u>\$ 1,316,715</u>
<b>2016</b>											
Balance at January 1, 2016		\$ 338,670	\$ 337,554	\$ -	\$ 18,607	\$ -	\$ 347,318	\$ 66,885	\$ 1,109,034	\$ 207,681	\$ 1,316,715
Appropriation of 2015 earnings:											
Cash dividends	6(16)	-	-	-	-	-	(13,547)	-	(13,547)	-	(13,547)
Stock dividends	6(16)	33,867	-	-	-	-	(33,867)	-	-	-	-
Due to recognition of equity component of convertible bonds issued		-	-	-	-	12,125	-	-	12,125	-	12,125
Net income for the year		-	-	-	-	-	114,931	-	114,931	47,904	162,835
Other comprehensive loss for the year		-	-	-	-	-	(55)	(69,344)	(69,399)	(3,094)	(72,493)
Difference between consideration and carrying amount of subsidiaries acquired or disposed		-	-	331	-	-	-	-	331	-	331
Share-based payments	6(13)	2,590	8,283	-	285	-	-	-	11,158	-	11,158
Changes in non-controlling interest		-	-	-	-	-	-	-	-	(15,691)	(15,691)
Balance at December 31, 2016		<u>\$ 375,127</u>	<u>\$ 345,837</u>	<u>\$ 331</u>	<u>\$ 18,892</u>	<u>\$ 12,125</u>	<u>\$ 414,780</u>	<u>\$ 2,459</u>	<u>\$ 1,164,633</u>	<u>\$ 236,800</u>	<u>\$ 1,401,433</u>

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

PATEC PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2016 AND 2015  
(Expressed in thousands of New Taiwan Dollars)

	Notes	2016	2015
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 234,926	\$ 125,574
Adjustments			
Adjustments to reconcile profit (loss)			
Loss (gain) on disposal of property, plant and equipment	6(18)	1,861	( 201 )
Reversal of allowance for bad debt expense	6(3)	-	( 7,936 )
Interest income	6(17)	( 4,868 )	( 5,079 )
Depreciation	6(5)	55,951	54,501
Interest expense		10,724	15,179
Net loss on financial assets/liabilities at fair value through profit or loss	6(2)(18)	1,346	1,482
Share-based payments	6(13)	4,510	9,977
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets/liabilities at fair value through profit or loss		( 1,234 )	( 1,415 )
Accounts receivable		( 143,612 )	131,694
Other receivables		( 1,716 )	18,911
Inventories		( 60,646 )	7,184
Prepayments		( 413 )	5,686
Changes in operating liabilities			
Accounts payable		63,909	( 122,582 )
Other payables		28,738	9,834
Other payables - related parties		-	( 12,691 )
Advance receipts		9,203	( 10,077 )
Other current liabilities		( 4,467 )	-
Other non-current liabilities		( 59 )	1,351
Cash inflow generated from operations		194,153	221,392
Interest received		4,868	5,079
Interest paid		( 10,490 )	( 15,159 )
Income tax paid		( 71,667 )	( 45,971 )
Net cash flows from operating activities		<u>116,864</u>	<u>165,341</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
(Increase) decrease in other current financial assets		( 61,169 )	50,032
Acquisition of property, plant and equipment		( 61,116 )	( 17,166 )
Proceeds from disposal of property, plant and equipment		524	2,462
(Increase) decrease in other non-current assets		( 651 )	16,337
Net cash flows (used in) from investing activities		<u>( 122,412 )</u>	<u>51,665</u>

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PATEC PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2016 AND 2015  
(Expressed in thousands of New Taiwan Dollars)

	Notes	2016	2015
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings		\$ 8,202	\$ 49,311
Repayment of short-term borrowings		( 100,224 )	( 138,657 )
Payment of lease payable		( 11,231 )	( 13,111 )
Proceeds from long-term borrowings		-	4,996
Repayment of long-term borrowings		( 8,338 )	( 11,965 )
Proceeds from issuing bonds	6(9)	244,440	-
Exercise of employee share options		6,648	-
Cash dividends paid	6(16)	( 13,547 )	( 44,012 )
Proceeds from issuing shares	6(14)	-	137,700
Changes in non-controlling interests		-	( 15,586 )
Net cash flows from (used in) financing activities		125,950	( 31,324 )
Effect of exchange rate changes on cash and cash equivalents		( 58,990 )	( 41,691 )
Net increase in cash and cash equivalents		61,412	143,991
Cash and cash equivalents at beginning of year		304,318	160,327
Cash and cash equivalents at end of year		\$ 365,730	\$ 304,318

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, 2016 AND 2015

(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 AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 27, 2017.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

None.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014

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

The above standards and interpretations have no significant impact to the Group's financial condition and operating result 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 endorsed by the FSC effective from 2017 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9 'Financial instruments' with IFRS 4 'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	December 31,	
	2016	2015
Cash on hand	\$ 449	\$ 467
Demand deposits	306,786	303,851
Time deposits	58,495	-
<b>Total</b>	<b>\$ 365,730</b>	<b>\$ 304,318</b>

- 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, 2016 and 2015, cash and cash equivalents amounting to \$113,054 and \$113,048 were pledged to others as collateral and were classified to other current financial assets. Details are provided in Note 8.
- C. The Group has deposits with maturity over three months amounting to \$81,408 and \$20,245, and the effective interest rate was 0.25%~7.14% and 3% in 2016 and 2015, respectively. As the time deposits are not highly-liquid investments, they were classified to other current financial assets.

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

	December 31,	
	2016	2015
Current items:		
Derivative financial assets - corporate bonds	\$ 75	\$ -
Current items:		
Non-hedging derivative financial liabilities	\$ -	\$ 238

- A. The Group recognised net loss of \$1,346 and \$1,482 on financial assets / liabilities designated as at fair value through profit or loss for the years ended December 31, 2016 and 2015, respectively.
- B. The non-hedging derivative asset transaction and contract information are as follows:

	December 31, 2015	
	Contract amount	Grant date
<u>Financial instruments</u>	<u>Notional principal</u>	<u>Grant date</u>
Forward foreign exchange	EUR 1,680,000	2016/1/11~ 2016/6/13

There was no derivative financial liability transaction as at December 31, 2016.

- C. The Group entered into forward foreign exchange contracts to buy to hedge exchange rate risk of export proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.
- D. Details of the issuance of convertible bonds are shown in Note 6(9).

(3) Accounts receivable

	December 31,	
	2016	2015
Accounts receivable	\$ 680,216	\$ 536,698
Less: allowance for bad debts	( 1,442)	( 1,536)
	<u>\$ 678,774</u>	<u>\$ 535,162</u>

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

	December 31,	
	2016	2015
Group 1	\$ 372,995	\$ 260,268
Group 2	220,685	165,031
	<u>\$ 593,680</u>	<u>\$ 425,299</u>

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

Group 2: Customers other than Group 1.

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

	December 31,	
	2016	2015
Up to 90 days	\$ 64,059	\$ 57,478
91 to 180 days	13,577	40,078
Over 181 days	7,458	12,307
	<u>\$ 85,094</u>	<u>\$ 109,863</u>

The above ageing analysis was based on invoice date.

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

(a) As of December 31, 2016 and 2015, the Group's accounts receivable that were impaired amounted to \$1,442 and \$1,536, respectively.

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

<u>Individual Provision</u>	2016	2015
At January 1	\$ 1,536	\$ 10,201
Reversal of impairment	-	( 7,936)
Effect of foreign exchange	( 94)	( 729)
At December 31	<u>\$ 1,442</u>	<u>\$ 1,536</u>

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



(4) Inventories

	December 31, 2016		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 156,854	(\$ 1,338)	\$ 155,516
Work in process	67,773	( 67)	67,706
Finished goods	162,110	( 5,147)	156,963
	<u>\$ 386,737</u>	<u>(\$ 6,552)</u>	<u>\$ 380,185</u>

	December 31, 2015		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 137,100	(\$ 1,430)	\$ 135,670
Work in process	74,516	( 72)	74,444
Finished goods	114,865	( 5,440)	109,425
	<u>\$ 326,481</u>	<u>(\$ 6,942)</u>	<u>\$ 319,539</u>

The cost of inventories recognised as expense for the years ended December 31, 2016 and 2015 was \$1,425,168 and \$1,147,366, respectively, including the amounts of \$390 and \$211, respectively, that the Group reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold.

(5) Property, plant and equipment

	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvements	Others	Construction in progress	Total
<u>At January 1, 2016</u>								
Cost	\$ 64,107	\$ 624,846	\$ 30,473	\$ 15,810	\$ 8,706	\$ 23,754	\$ -	\$ 767,696
Accumulated depreciation	( 14,415)	( 333,626)	( 15,362)	( 11,813)	( 3,845)	( 12,669)	-	( 391,730)
	\$ 49,692	\$ 291,220	\$ 15,111	\$ 3,997	\$ 4,861	\$ 11,085	\$ -	\$ 375,966
<u>2016</u>								
Opening net book amount	\$ 49,692	\$ 291,220	\$ 15,111	\$ 3,997	\$ 4,861	\$ 11,085	\$ -	\$ 375,966
Additions	458	62,242	1,163	855	525	884	6,702	72,829
Disposals	-	( 2,129)	( 65)	( 12)	-	( 179)	-	( 2,385)
Depreciation charge	( 2,337)	( 44,928)	( 3,904)	( 1,443)	( 726)	( 2,614)	-	( 55,952)
Net exchange differences	( 689)	( 11,431)	( 524)	( 344)	( 324)	( 255)	( 233)	( 13,800)
Closing net book amount	\$ 47,124	\$ 294,974	\$ 11,781	\$ 3,053	\$ 4,336	\$ 8,921	\$ 6,469	\$ 376,658
<u>At December 31, 2016</u>								
Cost	\$ 63,693	\$ 655,943	\$ 29,105	\$ 15,863	\$ 8,621	\$ 23,368	\$ 6,469	\$ 803,062
Accumulated depreciation	( 16,569)	( 360,969)	( 17,324)	( 12,810)	( 4,285)	( 14,447)	-	( 426,404)
	\$ 47,124	\$ 294,974	\$ 11,781	\$ 3,053	\$ 4,336	\$ 8,921	\$ 6,469	\$ 376,658

	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvements	Others	Construction in progress	Total
<u>At January 1, 2015</u>								
Cost	\$ 47,458	\$ 582,149	\$ 32,837	\$ 15,184	\$ 8,814	\$ 21,954	\$ 9,773	\$ 718,169
Accumulated depreciation	( 11,750)	( 267,664)	( 14,104)	( 10,497)	( 2,955)	( 9,185)	-	( 316,155)
	<u>\$ 35,708</u>	<u>\$ 314,485</u>	<u>\$ 18,733</u>	<u>\$ 4,687</u>	<u>\$ 5,859</u>	<u>\$ 12,769</u>	<u>\$ 9,773</u>	<u>\$ 402,014</u>
<u>2015</u>								
Opening net book amount	\$ 35,708	\$ 314,485	\$ 18,733	\$ 4,687	\$ 5,859	\$ 12,769	\$ 9,773	\$ 402,014
Additions	1,389	14,054	1,951	888	-	1,234	10,454	29,970
Disposals	-	( 292)	( 1,969)	-	-	-	-	( 2,261)
Reclassifications	13,200	6,650	-	-	-	304	( 20,154)	-
Depreciation charge	( 2,286)	( 42,937)	( 4,104)	( 1,447)	( 797)	( 2,930)	-	( 54,501)
Net exchange differences	1,681	( 740)	500	( 131)	( 201)	( 292)	( 73)	744
Closing net book amount	<u>\$ 49,692</u>	<u>\$ 291,220</u>	<u>\$ 15,111</u>	<u>\$ 3,997</u>	<u>\$ 4,861</u>	<u>\$ 11,085</u>	<u>\$ -</u>	<u>\$ 375,966</u>

At December 31, 2015

Cost	\$ 64,107	\$ 624,846	\$ 30,473	\$ 15,810	\$ 8,706	\$ 23,754	\$ -	\$ 767,696
Accumulated depreciation	( 14,415)	( 333,626)	( 15,362)	( 11,813)	( 3,845)	( 12,669)	-	( 391,730)
	<u>\$ 49,692</u>	<u>\$ 291,220</u>	<u>\$ 15,111</u>	<u>\$ 3,997</u>	<u>\$ 4,861</u>	<u>\$ 11,085</u>	<u>\$ -</u>	<u>\$ 375,966</u>

A. The Group leases certain machinery and automobiles, classified as machinery and transportation equipment, under finance lease. As of December 31, 2016 and 2015, the carrying value of the leased assets was \$54,229 and \$68,985, respectively.

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

(6) Long-term prepaid rents

Long-term prepaid rents are the land use right contract with a term of 50 years signed by the Group with the Republic of Indonesia government. All rentals had been paid on the contract date. As of December 31, 2016 and 2015, the carrying amount of long-term prepaid rents was \$55,632 and \$57,961, respectively. For the years ended December 31, 2016 and 2015, the rental expense recognised was \$1,530 and \$1,509, respectively. The information on long-term prepaid rents pledged as collaterals is provided in Note 8.

(7) Short-term borrowings

Type of borrowings	December 31,	
	2016	2015
Bank borrowings		
Secured borrowings	\$ 47,619	\$ 139,707
Interest rate range	1.38%~11.00%	1.05%~12.00%

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

(8) Long-term borrowings

Type of borrowings	Borrowing period	December 31,	
		2016	2015
Long-term bank borrowings-secured			
2 years	Oct. 2014 to Sept. 2016	\$ -	\$ 5,760
3 years	Oct. 2014 to Sept. 2017	600	1,308
3 years	Jan. 2015 to Nov. 2017	654	1,427
3 years	Mar. 2015 to Nov. 2017	929	2,026
		2,183	10,521
Less: current portion		(2,183)	(8,357)
		\$ -	\$ 2,164
Interest rate		11.13%	12.00%

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

(9) Bonds payable

	December 31, 2016	December 31, 2015
Bonds payable	\$ 250,000	\$ -
Less: discount on bonds payable	(17,026)	-
	\$ 232,974	\$ -

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 \$59.3 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 won't 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 101% of the face value as interests upon two years from the issue date, respectively.
- (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 months 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. 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. 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%.

(10) Other payables

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Cash dividends payable- non-controlling interest (Note 1)	\$ 14,980	\$ -
Compensation payables (Note 2)	27,632	-
Expense payable and others	<u>71,989</u>	<u>70,883</u>
	<u>\$ 114,601</u>	<u>\$ 70,883</u>

Note 1 : On March 29, 2016, the shareholders of China subsidiary, Wuxi Jingxin, resolved to distribute cash dividends amounting to RMB 20,000 thousand, including RMB 3,000 thousand (about NTD \$14,980) which was distributed to the non-controlling interest.

Note 2 : On March 5, 2015, the Group's subsidiary, PATEC, has received a notice from the lawyer of its distributor, CW Continental Corp. ("CW"), claiming that PATEC did not deliver goods at the agreed-upon date and resulted in CW's clients terminating contracts. CW claims for the following compensation for the business dispute: (1) compensation of SGD 1,182 thousand; (2) possible compensation of SGD 2,486 thousand that CW might pay to the ultimate clients; and (3) litigation fees that CW will pay for the dispute. In September 2016, the Group received the Court's judgment of the first instance that the Group should

compensate SGD 1,182 thousand and interest expense (about NTD 27,632). The Group has recognized compensation losses for the year ended December 31, 2016. However, the Group disagreed with the verdict, and filed an appeal in November 2016 to protect shareholders' rights and interests. The Group has paid a deposit amounting to SGD 1,233 thousand in January 2017.

(11) Lease payable

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

	December 31, 2016		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
<u>Current</u>			
Not later than one year	\$ 11,517	\$ 1,467	\$ 10,050
<u>Non-current</u>			
(shown as 'long-term notes and accounts payable')			
Later than one year but not later than five years	7,270	677	6,593
	<u>\$ 18,787</u>	<u>\$ 2,144</u>	<u>\$ 16,643</u>
	December 31, 2015		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
<u>Current</u>			
Not later than one year	\$ 9,863	\$ 1,405	\$ 8,458
<u>Non-current</u>			
(shown as 'long-term notes and accounts payable')			
Later than one year but not later than five years	8,357	665	7,692
	<u>\$ 18,220</u>	<u>\$ 2,070</u>	<u>\$ 16,150</u>

(12) 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, 2016 and 2015, the net amount of liabilities recognised in the balance sheet was \$4,237 and \$4,296, respectively.

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

(13) 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:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
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:

	<u>Years ended December 31,</u>			
	<u>2016</u>		<u>2015</u>	
	<u>Number of options (in shares)</u>	<u>Weighted-average exercise price (in dollars)</u>	<u>Number of options (in shares)</u>	<u>Weighted-average exercise price (in dollars)</u>
Options outstanding at beginning of the year	1,445,000	\$ 26	1,500,000	\$ 28
Options exercised	( 259,000)	26	-	-
Options forfeited	( 28,000)	23	( 55,000)	28
Options outstanding at end of the year	<u>1,158,000</u>	23	<u>1,445,000</u>	28
Options exercisable at end of the year	<u>450,500</u>	23	<u>-</u>	28

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

<u>Issue date approved</u>	<u>Expiry date</u>	<u>December 31, 2016</u>		<u>December 31, 2015</u>	
		<u>No. of shares (in thousands)</u>	<u>Exercise price (in dollars)</u>	<u>No. of shares (in thousands)</u>	<u>Exercise price (in dollars)</u>
2014. 2. 28	2018. 2. 18	1,158	\$ 23	1,445	\$ 26

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

Type of arrangement	Grant date	Fair value at grant date (in dollars)	Exercise price (in dollars)	Expected price volatility
Employee stock options	2014. 2. 28	\$ 45	\$ 28	36.90%~37.31% (Note)
	Expected option life	Expected 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.

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

	Years ended December 31,	
	2016	2015
Equity-settled	\$ 4,510	\$ 9,977

(14) Share capital

A. As of December 31, 2016, the Company has 37,513 thousand shares of ordinary stock outstanding, and the paid-in capital was \$375,127 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,	
	2016	2015
At January 1	33,867	30,067
Exercise of employee share options	259	-
Stock dividend	3,387	-
Cash capital increase	-	3,800
At December 31	37,513	33,867

(15) 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.

(16) 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. On June 20, 2016 and June 4, 2015, the shareholders resolved the distribution of earnings for 2015 and 2014 as follows:

	Years ended December 31,			
	2015		2014	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Cash dividend	\$ 13,547	\$ 0.4	\$ 45,101	\$ 1.33
Stock dividend	33,867	1	-	-

- E. Events after balance sheet date:

On March 27, 2017, the Board of Directors proposed the distribution of earnings for 2016 as follows:

	Year ended December 31, 2016	
	Amount	Dividend per share (in dollars)
Cash dividend	\$ 75,075	\$ 2.0
Special reserve	2,459	-

As of March 27, 2017, the abovementioned distribution of 2016 earnings has not yet been resolved by the shareholders.

- F. For the information relating to employees' remuneration and directors' and supervisors' remuneration, please refer to Note 6(20).

(17) Other income

	Years ended December 31,	
	2016	2015
Interest income	\$ 4,868	\$ 5,079
Rent income	4,625	-
Overdue accounts payable transferred to profit or loss	-	10,974
Reversal of allowance for bad debts	-	7,936
Other income	6,510	4,672
	<u>\$ 16,003</u>	<u>\$ 28,661</u>

(18) Other gains and losses

	Years ended December 31,	
	2016	2015
Net currency exchange gain	\$ 3,186	\$ 1,689
(Loss) gain on disposal of property, plant and equipment	( 1,861)	201
Net loss on financial liabilities at fair value through profit or loss	( 1,346)	( 1,482)
Compensation losses	( 27,632)	-
Miscellaneous income	471	2,850
	<u>(\$ 27,182)</u>	<u>\$ 3,258</u>

(19) Expenses by nature

	Years ended December 31,	
	2016	2015
Employee benefit expense	\$ 407,498	\$ 369,816
Depreciation charges on property, plant and equipment	55,951	54,501

(20) Employee benefit expense

	Years ended December 31,	
	2016	2015
Wages and salaries	\$ 343,963	\$ 302,730
Employee stock options	4,510	9,977
Insurance expenses	11,422	17,173
Pension costs	30,117	24,174
Other personnel expenses	17,486	15,762
	<u>\$ 407,498</u>	<u>\$ 369,816</u>

A. According to 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, 2016 and 2015, 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. Employees' compensation was accrued at \$350 and \$300, respectively; directors' and supervisors' remuneration was accrued at \$700 and \$700, respectively. The aforementioned amounts were recognised in salary expenses.
- C. Employees' compensation and directors' and supervisors' remuneration of 2015 as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2015 financial statements.
- 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.

(21) Income tax

A. Components of income tax expense

	Years ended December 31,	
	2016	2015
Current tax:		
Current tax on profits for the year	\$ 74,452	\$ 60,311
Prior year income tax underestimation	624	720
Total current tax	<u>75,076</u>	<u>61,031</u>
Deferred tax:		
Origination and reversal of temporary differences	( 2,985)	( 13,524)
Income tax expense	<u>\$ 72,091</u>	<u>\$ 47,507</u>

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

	Years ended December 31,	
	2016	2015
Remeasurement on defined benefit obligations	\$ 28	(\$ 310)

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

	Years ended December 31,	
	2016	2015
Tax calculated based on profit before tax and statutory tax rate	\$ 67,948	\$ 42,437
Prior year income tax underestimation	624	720
Effects from items disallowed by tax regulation	3,281	4,142
Effect from Alternative Minimum Tax	238	208
Income tax expense	<u>\$ 72,091</u>	<u>\$ 47,507</u>

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

	Year ended December 31, 2016			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets:				
Unrealized gain on disposal of property, plant and equipment	\$ 10,558	(\$ 2,276)	\$ -	\$ 8,282
Loss carryforward	15,257	( 535)	-	14,722
Others	3,288	3,173	28	6,489
	<u>\$ 29,103</u>	<u>\$ 362</u>	<u>\$ 28</u>	<u>\$ 29,493</u>
Deferred tax liabilities				
Book-tax difference in the basis of property, plant and equipment	(\$ 1,761)	\$ 1,761	\$ -	\$ -
Book-tax difference in the basis of finance lease	( 5,739)	1,804	-	( 3,935)
Investment income of long- term equity investments	( 3,962)	( 970)	-	( 4,932)
	<u>(\$ 11,462)</u>	<u>\$ 2,595</u>	<u>\$ -</u>	<u>(\$ 8,867)</u>
	Year ended December 31, 2015			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets:				
Unrealized gain on disposal of property, plant and equipment	\$ 14,418	(\$ 3,860)	\$ -	\$ 10,558
Loss carryforward	-	15,257	-	15,257
Others	2,962	636	( 310)	3,288
	<u>\$ 17,380</u>	<u>\$ 12,033</u>	<u>(\$ 310)</u>	<u>\$ 29,103</u>
Deferred tax liabilities				
Book-tax difference in the basis of property, plant and equipment	(\$ 1,821)	\$ 60	\$ -	(\$ 1,761)
Book-tax difference in the basis of finance lease	( 6,463)	724	-	( 5,739)
Investment income of long- term equity investments	( 4,979)	1,017	-	( 3,962)
	<u>(\$ 13,263)</u>	<u>\$ 1,801</u>	<u>\$ -</u>	<u>(\$ 11,462)</u>

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

December 31, 2016				
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax assets</u>	<u>Usable until</u>
2015	\$ 89,747	\$ 89,747	\$ -	-
2016	93,958	93,958	93,958	-

(22) Earnings per share

	Year ended December 31, 2016		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 114,931	37,358	\$ 3.08
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	114,931	37,358	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	728	
Domestic convertible bonds	234	351	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 115,165	38,437	\$ 3.00

	Year ended December 31, 2015		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 60,695	35,501	\$ 1.71
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	60,695	35,501	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	255	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 60,695	35,756	\$ 1.70

(23) Operating leases

The Group leases land and buildings to others under non-cancellable operating lease agreements. The leases will expire in July 2024. The Group has recognised \$24,575 and \$26,694 as rental expenses for the years ended December 31, 2016 and 2015, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31,	
	2016	2015
Not later than one year	\$ 23,638	\$ 20,254
Later than one year but not later than five years	46,729	41,591
Later than five years	26,296	31,413
	\$ 96,663	\$ 93,258

(24) Supplemental cash flow information

	Years ended December 31,	
	2016	2015
Investing activities with no cash flow effects:		
Assets acquired through finance leasing	\$ 11,724	\$ 12,804
Financing activities with no cash flow effects:		
Cash dividends declared but yet to be paid	\$ 14,980	\$ 1,089
Capital increase taken from earnings	\$ 33,867	\$ -

## 7. RELATED PARTY TRANSACTIONS

### Key management compensation

	Years ended December 31,	
	2016	2015
Short-term employee benefits	\$ 28,125	\$ 26,848
Post-employment benefits	2,083	2,082
Share-based payments	2,894	3,915
	<u>\$ 33,102</u>	<u>\$ 32,845</u>

## 8. PLEGGED ASSETS

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

Pledged asset	Book value		Purpose
	December 31,		
	2016	2015	
Property, plant and equipment	\$ 101,124	\$ 118,677	Short-term and long-term borrowings and lease payable
Long-term prepaid rents	55,632	57,961	"
Other financial assets - current - time deposits	113,054	113,048	Short-term borrowings
	<u>\$ 269,810</u>	<u>\$ 289,686</u>	

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

For significant commitments and contingencies, please refer to Notes 6(11) and (23).

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

For significant events after balance sheet date, please refer to Note 6(16).

## 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. Fair value information of financial instruments

- (a) The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, accounts receivable, other receivables, short-term loans,

accounts payable, other payables and long-term borrowings on a floating interest rate basis) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

- (b) The methods and assumptions of fair value measurement are as follows:

Convertible debentures payable:

Regarding the convertible bonds issued by the Group, the coupon rate is approximate to the current market rate. Therefore, the fair value is estimated using the present value of the expected cash flows and is approximate to the book value.

#### 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 under policies approved by the Board of Directors. The Group 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 various currency exposures, primarily with respect to the NTD, SGD, USD, RMB and HUF. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operation.
- 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 subsidiaries' functional currency: NTD, SGD, USD, RMB and HUF). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:



December 31, 2016			
(Foreign currency: functional currency)	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
EUR: RMB	\$ 3,679	7.31	\$ 125,512
USD: RMB	2,701	6.94	87,587
USD: SGD	1,549	1.45	50,235
IDR: USD	49,163,625	0.00007	117,856
<u>Financial liabilities</u>			
<u>Monetary items</u>			
IDR: USD	\$ 40,144,527	0.00007	\$ 96,235

December 31, 2015			
(Foreign currency: functional currency)	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
EUR: RMB	\$ 3,751	7.06	\$ 133,987
USD: RMB	1,244	6.50	40,905
USD: SGD	2,808	1.42	92,301
IDR: USD	31,731,556	0.00007	75,146
<u>Financial liabilities</u>			
<u>Monetary items</u>			
IDR: USD	\$ 27,933,230	0.00007	\$ 66,151
USD: SGD	3,370	1.42	110,785

- v. Total exchange gain, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2016 and 2015, amounted to \$3,186 and \$1,689, respectively.

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

		Year ended December 31, 2016		
		Sensitivity analysis		
		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
	EUR: RMB	1%	\$ 1,255	\$ -
	USD: RMB	1%	876	-
	USD: SGD	1%	502	-
	IDR: RMB	1%	1,179	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	IDR: USD	1%	\$ 962	\$ -
		Year ended December 31, 2015		
		Sensitivity analysis		
		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
	EUR: RMB	1%	\$ 1,340	\$ -
	USD: RMB	1%	409	-
	USD: SGD	1%	923	-
	IDR: USD	1%	751	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	IDR: USD	1%	\$ 662	\$ -
	USD: SGD	1%	1,108	-

Interest rate risk

- i. The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates.
- ii. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit

and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

- iii. Based on the simulations performed, the impact on post-tax profit of a 0.1% shift would be a maximum increase of \$50 and \$197 or decrease of \$50 and \$197 for the years ended December 31, 2016 and 2015, respectively. The simulation is done on a quarterly basis to verify that the maximum loss potential is within the limit given by the management.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.
- ii. Management does not expect any significant losses from non-performance by these counterparties.
- iii. The credit quality information of financial assets that are neither past due nor impaired and the ageing analysis of financial assets that were past due but not impaired are provided in Note 6(3).
- iv. The analysis of financial assets that had been impaired is provided in Note 6(3).

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities 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, 2016 and 2015, except for non-current liabilities, the Group's short-term borrowings, accounts payable and other payables are all due within one year. The balance of cash flow within one year is undiscounted and agrees with each account's balance under the balance sheets.
- iv. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative

financial liabilities:

December 31, 2016

	<u>Less than 3 months</u>	<u>3 months and 1 year</u>	<u>1 and 2 years</u>	<u>2 and 5 years</u>	<u>Over 5 years</u>
Bonds payable	\$ -	\$ -	\$ -	\$250,000	\$ -
Long-term borrowings (including current portion)	611	1,834	-	-	-
Lease payable	3,374	8,143	4,651	2,619	-

Non-derivative

financial liabilities:

December 31, 2015

	<u>Less than 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Long-term borrowings (including current portion)	\$ 2,340	\$ 7,020	\$ 2,424	\$ -	\$ -
Lease payable	2,827	7,036	5,914	2,443	-

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

(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.
- C. As of December 31, 2016 and 2015, the Group's financial assets / liabilities that are measured at fair value were categorised as Level 2. Details are provided in Note 6(2).
- D. Forward foreign exchange contracts' resulting fair value estimates are valued based on the current forward exchange rate.

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) 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: None.
- 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: Please refer to Note 6(2).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 3.

#### (2) Information on investees

Names, locations and other information of investee companies ( not including investees in Mainland China): Please refer to table 4.

#### (3) Information on investments in Mainland China

- A. Basic information: Please refer to table 5.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

#### 14. SEGMENT INFORMATION

##### (1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Chief Operating Decision-Maker that are used to make strategic decisions.

The Group manufactures and sells customized machinery and equipment and 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.

##### (2) Measurement of segment information

The Chief Operating Decision-Maker assesses the performance of operating segments based on segment revenues and profit or loss after tax.

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

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

	Year ended December 31, 2016					
	<u>Singapore</u>	<u>Indonesia</u>	<u>China</u>	<u>Europe</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
Revenue from external customers						
Machinery and maintenance service	\$ 116,382	\$ -	\$ 36,116	\$ -	\$ -	\$ 152,498
Parts of motorcycles	-	143,855	-	-	-	143,855
Parts of automobiles	-	254,915	1,326,226	111,306	-	1,692,447
Processing income	-	-	20,640	-	-	20,640
	<u>116,382</u>	<u>398,770</u>	<u>1,382,982</u>	<u>111,306</u>	<u>-</u>	<u>2,009,440</u>
Inter-segment revenue	<u>88,167</u>	<u>-</u>	<u>3,313</u>	<u>21</u>	<u>( 91,501)</u>	<u>-</u>
Total segment revenue	<u>\$204,549</u>	<u>\$398,770</u>	<u>\$ 1,386,295</u>	<u>\$111,327</u>	<u>(\$ 91,501)</u>	<u>\$ 2,009,440</u>
Total segment profit (loss)	<u>(\$ 83,485)</u>	<u>\$ 45,290</u>	<u>\$ 204,629</u>	<u>\$ 781</u>	<u>(\$ 4,380)</u>	<u>\$ 162,835</u>
Segment income (loss):						
Depreciation	<u>(\$ 3,788)</u>	<u>(\$ 34,345)</u>	<u>(\$ 22,887)</u>	<u>(\$ 5,822)</u>	<u>\$ 10,891</u>	<u>(\$ 55,951)</u>
Income tax expense	<u>(\$ 1,621)</u>	<u>(\$ 6,029)</u>	<u>(\$ 63,455)</u>	<u>(\$ 1,534)</u>	<u>\$ 548</u>	<u>(\$ 72,091)</u>

Year ended December 31, 2015

	Singapore	Indonesia	China	Europe	Reconciliation and elimination	Total
Revenue from external customers						
Machinery and maintenance service	\$ 12,909	\$ -	\$ 12,437	\$ -	\$ -	\$ 25,346
Parts of motorcycles	-	123,062	-	-	-	123,062
Parts of automobiles	-	167,267	1,102,054	91,748	-	1,361,069
Processing income	-	-	30,010	-	-	30,010
	12,909	290,329	1,144,501	91,748	-	1,539,487
Inter-segment revenue	13,546	-	2,935	-	( 16,481)	-
Total segment revenue	<u>\$ 26,455</u>	<u>\$ 290,329</u>	<u>\$ 1,147,436</u>	<u>\$ 91,748</u>	<u>(\$ 16,481)</u>	<u>\$ 1,539,487</u>
Total segment profit (loss)	<u>(\$ 73,444)</u>	<u>(\$ 8,998)</u>	<u>\$ 158,349</u>	<u>(\$ 970)</u>	<u>\$ 3,130</u>	<u>\$ 78,067</u>
Segment income (loss):						
Depreciation	<u>(\$ 3,719)</u>	<u>(\$ 34,458)</u>	<u>(\$ 22,396)</u>	<u>(\$ 5,372)</u>	<u>\$ 11,444</u>	<u>(\$ 54,501)</u>
Income tax expense	<u>\$ 15,257</u>	<u>(\$ 2,078)</u>	<u>(\$ 56,279)</u>	<u>(\$ 1,043)</u>	<u>(\$ 3,364)</u>	<u>(\$ 47,507)</u>

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

(4) Reconciliation for segment income (loss)

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

(5) Information on products and services

Please refer to Note 14(3).

(6) Major customer information

Major customer information of the Group for the years ended December 31, 2016 and 2015 is as follows:

	Years ended December 31,			
	2016		2015	
	<u>Revenue</u>	<u>Segment</u>	<u>Revenue</u>	<u>Segment</u>
Customer A	\$ 677,052	China	\$ 610,852	China
Customer B	106,887	Indonesia	179,173	Indonesia



Patec Precision Industry Co., Ltd. and Subsidiaries  
Loans to others

Year ended December 31, 2016

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 1

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	December 31, 2016 (Note 3)	Balance at December 31, 2016 (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		Footnote
													Item	Value	
1	PATEC PTE. LTD.	Patec Precision KFT	Other receivables	Y	\$ 17,060	\$ -	\$ -	3%	2	\$ -	Capital needs	\$ -	\$ 1,374,911	\$ 1,374,911	Note 8
1	PATEC PTE. LTD.	PT PATEC PRECISI ENGINEERING	Other receivables	Y	30,804	4,864	-	3%	2	-	Capital needs	-	137,491	549,964	Note 8
1	PATEC PTE. LTD.	PT. API Precision	Other receivables	Y	6,485	6,485	-	3%	2	-	Capital needs	-	137,491	549,964	Note 8
1	PATEC PTE. LTD.	PT. PDF PRECISI ENGINEERING	Other receivables	Y	11,511	6,485	-	3%	2	-	Capital needs	-	137,491	549,964	Note 8
2	PT PATEC PRECISI ENGINEERING	PT. API Precision	Other receivables	Y	5,504	5,504	-	6%	2	-	Capital needs	-	34,079	136,316	Note 8
2	PT PATEC PRECISI ENGINEERING	PT. API Precision	Other receivables	Y	8,400	8,400	8,400	10%	2	-	Capital needs	-	34,079	136,316	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, 2016.

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

(1) Business transaction shall fill in 1.

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

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

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

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

Note 8: The limit on total financing and financing to individuals shall not be more than 40% and 10% the Company's net asset, respectively. If the borrowing is in between foreign subsidiaries whose voting rights are directly and indirectly wholly owned by the Company and the short-term borrowing is necessary, the limit is 100% of the lender company's net asset and the financing period shall not be no longer than 5 years.

Table 1

Patec Precision Industry Co., Ltd. and Subsidiaries  
Provision of endorsements and guarantees to others

Year ended December 31, 2016

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	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, 2016 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2016 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral (Note 7)	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company (Note 8)	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	\$ 232,927	\$ 194,553	\$ 129,702	\$ 64,851	-	11%	\$ 465,853	Y	N	N	Note 3
1	PATEC PTE. LTD.	PT. PATEC PRESISI	3	274,982	76,200	48,638	32,426	6,485	4%	549,964	N	N	N	Notes 3 and 6
1	PATEC PTE. LTD.	PT. API Precision	3	274,982	21,077	16,213	16,213	16,213	1%	549,964	N	N	N	Notes 3 and 7
3	PT. PATEC PRESISI ENGINEERING	PT. PDF PRESISI ENGINEERING	2	68,158	12,000	12,000	707	-	4%	136,316	N	N	N	Note 3
3	PT. PATEC PRESISI ENGINEERING	PT. API Precision	2	68,158	15,360	15,360	2,567	-	5%	136,316	N	N	N	Note 3
3	Wuxi Jingxin Precision Machining Co. Ltd.	PATEC PTE. LTD.	4	257,563	35,018	35,018	-	-	4%	858,545	N	Y	N	Note 4 and 8

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

Note 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: PATEC PTE. LTD. pledged certificate of deposit amounting to US\$200,000 as collateral for PT. PATEC PRESISI ENGINEERING.

Note 7: PATEC PTE. LTD. pledged certificate of deposit amounting to US\$500,000 as collateral for PT. API Precision.

Note 8: Wuxi Jingxin Precision Machining Co., Ltd. pledged certificate of deposit amounting to RMB\$7,500,000 as collateral for PATEC PTE. LTD.

Note 9: 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

Significant inter-company transactions during the reporting periods

Year ended December 31, 2016

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
2	Press Automation Technology Pte Ltd.	PATEC PTE.LTD.	3	Sales revenue	\$ 73,589	90-150 days after monthly billings	4%

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, 2016

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 4

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2016		Book value	Net profit (loss) of the investee for the year ended December 31, 2016 (Note 2(2))	Investment income (loss) recognised by the Company for the year ended December 31, 2016 (Note 2(3))	Footnote
				Balance as at December 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)				
Patec Precision Industry Co., Ltd.	PATEC PTE LTD.	Singapore	Holding company	\$ 708,994	\$ 509,014	31,287	100%	\$ 1,374,911	\$ 130,124	\$ 130,124	
	Press Automation Technology Pte Ltd	Singapore	Assembly and sale of machinery and equipment	354,175	304,274	6,247	100%	293,406	( 1,234)	6,588	
	Patec Precision Kft	Hungary	Manufacturing and sale of elements of automobiles	210,643	210,643	-	100%	67,736	780	1,104	
	PT PATEC PRECISI ENGINEERING	Indonesia	Manufacturing and sale of elements of automobiles and motorcycles	139,483	121,681	4,340	70%	232,748	52,466	41,220	
	PT.PDF Presisi Engineering	Indonesia	Manufacturing and sale of elements of automobiles	37,595	37,594	1,210	89%	24,504	5,617	3,498	
	PT-API Precision Engineering	Indonesia	Manufacturing and sale of elements of automobiles	34,314	33,770	1,483	89%	9,532	4,048	2,007	

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, 2016' 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, 2016' 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, 2016' 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, 2016

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 5

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee for the year ended December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2016 (Note 2)	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
Wuxi Jingxin Precision Machining Co., Ltd.	Main business activities: Manufacturing and sale of elements of automobiles	\$ 180,330	(2)	-	-	\$ -	\$ 204,629	85%	\$ 174,496	\$ 726,122	\$ 209,215	
Wuxi Baida Precision Molding Co., Ltd.	Manufacturing and sale of elements of automobiles	46,691	(2)	-	-	-	5,644	85%	5,184	59,627	-	
Yancheng Jingxin Precision Machining Co., Ltd.	Manufacturing and sale of elements of automobiles	23,345	(2)	-	-	-	4,011	85%	3,409	34,268	-	
Company name		31, 2016	(MOEA)	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, 2016" column, basis for investment income (loss) recognition is the financial statements that are audited by investee companies' CPA for the year ended December 31, 2016.

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