

**PATEC PRECISION INDUSTRY CO., LTD. AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT ACCOUNTANTS  
DECEMBER 31, 2017 AND 2016**

---

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, 2017 and 2016, 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, 2017 and 2016, 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 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 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**

##### Description

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

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 custodian 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 recognizes 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 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 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

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

The Group's Singapore subsidiary, PATEC PTE. LTD (referred herein as "PATEC"), was mainly engaged in the 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 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 sale of press machines during 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 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:

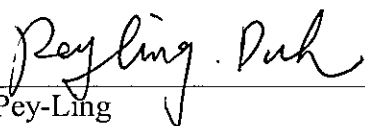
1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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.

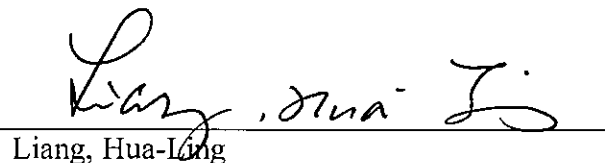
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.



Duh, Pey-Ling



Liang, Hua-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan  
March 30, 2018

---

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, 2017 AND 2016**  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2017		December 31, 2016		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 449,710	20	\$ 365,730	17
1110	Current financial assets at fair value through profit or loss	6(2)	-	-	75	-
1170	Accounts receivable, net	6(3)	663,372	29	678,774	32
1200	Other receivables		14,755	1	5,110	-
130X	Inventories, net	6(4)	481,909	21	380,185	18
1410	Prepayments		47,085	2	49,859	2
1476	Other current financial assets	8	186,564	8	194,462	9
11XX	<b>Total current assets</b>		<u>1,843,395</u>	<u>81</u>	<u>1,674,195</u>	<u>78</u>
<b>Non-current assets</b>						
1600	Property, plant and equipment, net	6(5)(8)	330,902	15	376,658	18
1780	Intangible assets		4,937	-	5,148	-
1840	Deferred tax assets		27,222	1	29,493	1
1990	Other non-current assets	6(6) and 8	65,622	3	72,087	3
15XX	<b>Total non-current assets</b>		<u>428,683</u>	<u>19</u>	<u>483,386</u>	<u>22</u>
1XXX	<b>Total assets</b>		<u>\$ 2,272,078</u>	<u>100</u>	<u>\$ 2,157,581</u>	<u>100</u>

(Continued)



**PATEC PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2017 AND 2016**  
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2017		December 31, 2016	
			AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>						
2100	Short-term borrowings	6(7)	\$ 180,311	8	\$ 47,619	2
2120	Current financial liabilities at fair value through profit or loss	6(2)	964	-	-	-
2170	Accounts payable		274,293	12	245,558	11
2200	Other payables	6(10)	188,822	8	114,601	5
2230	Current tax liabilities		21,354	1	16,061	1
2310	Advance receipts		4,491	-	14,222	1
2320	Long-term liabilities, current portion	6(8)	259,667	12	2,183	-
2355	Current lease obligations payable	6(11)	3,647	-	10,050	1
2399	Other current liabilities		33,552	2	53,183	2
21XX	<b>Total current liabilities</b>		<u>967,101</u>	<u>43</u>	<u>503,477</u>	<u>23</u>
<b>Non-current liabilities</b>						
2530	Bonds payable	6(9)	-	-	232,974	11
2540	Long-term borrowings	6(8)	27,232	1	-	-
2570	Deferred tax liabilities	6(21)	6,916	1	8,867	1
2610	Long-term notes and accounts payable	6(11)	6,197	-	6,593	-
2670	Other non-current liabilities	6(12)	3,882	-	4,237	-
25XX	<b>Total non-current liabilities</b>		<u>44,227</u>	<u>2</u>	<u>252,671</u>	<u>12</u>
2XXX	<b>Total liabilities</b>		<u>1,011,328</u>	<u>45</u>	<u>756,148</u>	<u>35</u>
<b>Equity</b>						
<b>Equity attributable to owners of the parent</b>						
<b>Share capital</b>						
3110	Ordinary share	6(14)	383,072	17	375,127	17
<b>Capital surplus</b>						
3200	Capital surplus	6(9)(15)	392,635	17	377,185	18
<b>Retained earnings</b>						
3350	Unappropriated retained earnings	6(16)	409,884	18	414,780	19
<b>Other equity interest</b>						
3400	Other equity interest		( 59,408)	( 3)	( 2,459)	-
3500	Treasury stocks	6(14)	( 36,097)	( 1)	-	-
31XX	<b>Total equity attributable to owners of the parent</b>		<u>1,090,086</u>	<u>48</u>	<u>1,164,633</u>	<u>54</u>
36XX	<b>Non-controlling interest</b>		<u>170,664</u>	<u>7</u>	<u>236,800</u>	<u>11</u>
3XXX	<b>Total equity</b>		<u>1,260,750</u>	<u>55</u>	<u>1,401,433</u>	<u>65</u>
<b>Significant contingent liabilities and unrecognised contract commitments</b>						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 2,272,078</u>	<u>100</u>	<u>\$ 2,157,581</u>	<u>100</u>

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, 2017 AND 2016**  
(Expressed in thousands of New Taiwan dollars)

Items	Notes	2017		2016	
		AMOUNT	%	AMOUNT	%
4000 <b>Operating revenue</b>		\$ 2,073,289	100	\$ 2,009,440	100
5000 <b>Operating costs</b>	6(4)(20)	( 1,461,181)	( 71)	( 1,425,168)	( 71)
5900 <b>Gross profit</b>		<u>612,108</u>	<u>29</u>	<u>584,272</u>	<u>29</u>
<b>Operating expenses</b>	6(20)				
6100 Selling expenses		( 75,797)	( 4)	( 61,815)	( 3)
6200 Administrative expenses		( 193,989)	( 9)	( 192,461)	( 9)
6300 Research and development expenses		( 110,443)	( 5)	( 73,246)	( 4)
6000 <b>Total operating expenses</b>		<u>( 380,229)</u>	<u>( 18)</u>	<u>( 327,522)</u>	<u>( 16)</u>
6900 <b>Operating profit</b>		<u>231,879</u>	<u>11</u>	<u>256,750</u>	<u>13</u>
<b>Non-operating income and expenses</b>					
7010 Other income	6(17)	12,317	1	16,003	1
7020 Other gains and losses	6(18)	( 3,504)	-	( 27,182)	( 1)
7050 Finance costs	6(19)	( 10,946)	( 1)	( 10,645)	( 1)
7000 <b>Total non-operating income and expenses</b>		<u>( 2,133)</u>	<u>-</u>	<u>( 21,824)</u>	<u>( 1)</u>
7900 <b>Profit before income tax</b>		<u>229,746</u>	<u>11</u>	<u>234,926</u>	<u>12</u>
7950 Income tax expense	6(21)	( 69,831)	( 3)	( 72,091)	( 4)
8200 <b>Profit for the year</b>		<u>\$ 159,915</u>	<u>8</u>	<u>\$ 162,835</u>	<u>8</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 Gain (loss) on remeasurements of defined benefit plans		\$ 1,679	-	(\$ 107)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(21)	( 420)	-	28	-
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>					
8361 Exchange differences on translation of foreign financial statements		( 61,398)	( 3)	( 72,414)	( 3)
8300 <b>Other comprehensive loss, net</b>		<u>(\$ 60,139)</u>	<u>( 3)</u>	<u>(\$ 72,493)</u>	<u>( 3)</u>
8500 <b>Total comprehensive income</b>		<u>\$ 99,776</u>	<u>5</u>	<u>\$ 90,342</u>	<u>5</u>
<b>Profit attributable to:</b>					
8610 Owners of parent		\$ 130,247	7	\$ 114,931	6
8620 Non-controlling interest		\$ 29,668	1	\$ 47,904	2
<b>Comprehensive income attributable to:</b>	6(22)				
8710 Owners of parent		\$ 74,179	4	\$ 45,532	3
8720 Non-controlling interest		\$ 25,597	1	\$ 44,810	2
<b>Earnings per share</b>	6(22)				
9750 <b>Basic earnings per share</b>		<u>\$ 3.45</u>		<u>\$ 3.08</u>	
9850 <b>Diluted earnings per share</b>		<u>\$ 3.19</u>		<u>\$ 3.00</u>	

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, 2017 AND 2016  
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent																			
		Ordinary share	Additional paid-in capital	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Employee stock warrants	Stock warrants	Unappropriated retained earnings	Exchange difference on translation of financial statements	Treasury stocks	Total	Non-controlling interest	Total									
<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		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>\$ -</u>	<u>\$ 1,164,633</u>	<u>\$ 236,800</u>	<u>\$ 1,401,433</u>									
<b>2017</b>																					
Balance at January 1, 2017		\$ 375,127	\$ 345,837	\$ 331	\$ 18,892	\$ 12,125	\$ 414,780	\$ ( 2,459 )	\$ -	\$ 1,164,633	\$ 236,800	\$ 1,401,433									
Appropriation of 2016 earnings:																					
Cash dividends	6(16)	-	-	-	-	-	( 75,075 )	-	-	( 75,075 )	-	( 75,075 )									
Due to recognition of equity component of convertible bonds issued		1,535	7,490	-	-	( 442 )	-	-	-	8,583	-	8,583									
Net income for the year		-	-	-	-	-	130,247	-	-	130,247	29,668	159,915									
Other comprehensive income (loss) for the year		-	-	-	-	-	881	( 56,949 )	-	( 56,068 )	( 4,071 )	( 60,139 )									
Share-based payments	6(13)	6,410	18,928	-	( 10,195 )	-	-	-	-	15,143	-	15,143									
Difference between consideration and carrying amount of subsidiaries acquired or disposed		-	-	( 331 )	-	-	( 60,949 )	-	-	( 61,280 )	-	( 61,280 )									
Purchase of treasury share	6(14)	-	-	-	-	-	( 36,097 )	-	-	( 36,097 )	-	( 36,097 )									
Changes in non-controlling interest		-	-	-	-	-	-	-	-	-	( 91,733 )	( 91,733 )									
Balance at December 31, 2017		<u>\$ 383,072</u>	<u>\$ 372,255</u>	<u>\$ -</u>	<u>\$ 8,697</u>	<u>\$ 11,683</u>	<u>\$ 409,884</u>	<u>\$ ( 59,408 )</u>	<u>\$ ( 36,097 )</u>	<u>\$ 1,090,086</u>	<u>\$ 170,664</u>	<u>\$ 1,260,750</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**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
(Expressed in thousands of New Taiwan dollars)

	Notes	2017	2016
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 229,746	\$ 234,926
Adjustments			
Adjustments to reconcile profit (loss)			
Gain (loss) on disposal of property, plant and equipment	6(18)	( 1,265 )	1,861
Interest income	6(17)	( 6,866 )	( 4,868 )
Depreciation	6(5)	58,968	55,951
Interest expense	6(19)	10,946	10,724
Net loss on financial assets/liabilities at fair value through profit or loss	6(2)(18)	1,039	1,346
Share-based payments	6(13)	539	4,510
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		15,402	( 143,612 )
Other receivables		( 9,645 )	( 1,716 )
Inventories		( 91,460 )	( 60,646 )
Prepayments		2,774	( 413 )
Changes in operating liabilities			
Current financial liabilities at fair value through profit or loss		-	( 1,234 )
Accounts payable		28,735	63,909
Other payables		( 26,648 )	28,738
Advance receipts		( 9,731 )	9,203
Other current liabilities		( 19,631 )	( 4,467 )
Other non-current liabilities		( 355 )	( 59 )
Cash inflow generated from operations		182,548	194,153
Interest received		6,866	4,868
Interest paid		( 5,377 )	( 10,490 )
Income tax paid		( 64,218 )	( 71,667 )
Net cash flows from operating activities		<u>119,819</u>	<u>116,864</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Decrease (increase) in other current financial assets		7,898	( 61,169 )
Acquisition of property, plant and equipment		( 36,398 )	( 61,116 )
Proceeds from disposal of property, plant and equipment		5,381	524
Decrease (increase) in other non-current assets-others		6,465	( 651 )
Net cash flows used in investing activities		<u>( 16,654 )</u>	<u>( 122,412 )</u>

(Continued)

PATEC PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings		\$ 243,885	\$ 8,202
Repayment of short-term borrowings		( 117,493 )	( 100,224 )
Payment of lease payable		( 12,119 )	( 11,231 )
Proceeds from long-term borrowings		56,939	-
Repayment of long-term borrowings		( 2,183 )	( 8,338 )
Proceeds from issuing bonds	6(9)	-	244,440
Cash dividends paid	6(16)	( 75,075 )	( 13,547 )
Dividends paid to non-controlling interest		( 33,643 )	-
Exercise of employee share options		14,604	6,648
Payments to acquire treasury shares	6(14)	( 36,097 )	-
Net cash flows from financing activities		<u>38,818</u>	<u>125,950</u>
Effect of exchange rate changes on cash and cash equivalents		( 58,003 )	( 58,990 )
Net increase in cash and cash equivalents		83,980	61,412
Cash and cash equivalents at beginning of year	6(1)	<u>365,730</u>	<u>304,318</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 449,710</u>	<u>\$ 365,730</u>

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, 2017 AND 2016

(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 26, 2018.

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 2017 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10, IFRS 12 and IAS 28, ‘Investment entities: applying the consolidation exception’	January 1, 2016
Amendments to IFRS 11, ‘Accounting for acquisition of interests in joint operations’	January 1, 2016
IFRS 14, ‘Regulatory deferral accounts’	January 1, 2016
Amendments to IAS 1, ‘Disclosure initiative’	January 1, 2016
Amendments to IAS 16 and IAS 38, ‘Clarification of acceptable methods of depreciation and amortisation’	January 1, 2016
Amendments to IAS 16 and IAS 41, ‘Agriculture: bearer plants’	January 1, 2016
Amendments to IAS 19, ‘Defined benefit plans: employee contributions’	July 1, 2014
Amendments to IAS 27, ‘Equity method in separate financial statements’	January 1, 2016
Amendments to IAS 36, ‘Recoverable amount disclosures for non-financial assets’	January 1, 2014
Amendments to IAS 39, ‘Novation of derivatives and continuation of hedge accounting’	January 1, 2014

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
IFRIC 21, 'Levies'	January 1, 2014
Annual improvements to IFRSs 2010-2012 cycle	July 1, 2014
Annual improvements to IFRSs 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	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

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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
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 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
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

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact in relation to a 'right-of-use asset' and a lease liability under IFRS 16, 'Leases' will be disclosed when they are effective.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

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



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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls 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:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2017	December 31, 2016	
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%	85%	Note 1
PATEC	Patec Precision Kft (KFT)	Production and sale of products for automobiles	100%	100%	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2017	December 31, 2016	
PATEC	Patec Medical Supplies Pte. Ltd. (Patec Medical)	Medical device and equipment	60%	-	Note 3
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 2

Note 1: On December 31, 2016, the Board of Directors resolved to acquire 8% share equity of Mainland China subsidiary, Wuxi Jingxin, through another subsidiary, PATEC, causing the shareholding ratio to increase from 85% to 93% and the transaction price was RMB 30,000 thousand. The general manager has been authorised to execute the subsequent process. On July 1, 2017, the Company signed a contract for the abovementioned transaction, and related registrations were completed.

Note 2: On December 21, 2016, the Board of Directors resolved to acquire the share equity of Mainland China subsidiary, PT. API, with USD 17 thousand through another subsidiary, PT. PATEC, causing the shareholding ratio to increase from 81% to 89%.

Note 3: To meet the Group's operating policies, the Company acquired 60% equity shares of PATEC MEDICAL through the subsidiary, PATEC, in the amount of SGD 600 thousand in April 2017.

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, 2017 and 2016, the non-controlling interest amounted to \$170,664 and \$236,800, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		December 31, 2017		December 31, 2016	
		Amount	Ownership (%)	Amount	Ownership (%)
Wuxi Jingxin	China	\$ 62,726	7	\$ 128,782	15
PT. PATEC	Indonesia	92,866	30	102,237	30

Summarized financial information of the subsidiaries:

Balance sheets

	Wuxi Jingxin	
	December 31,	
	2017	2016
Current assets	\$ 1,130,561	\$ 1,081,026
Non-current assets	151,546	155,238
Current liabilities	( 352,938)	( 324,536)
Non-current liabilities	( 33,083)	( 53,183)
Total net assets	\$ 896,086	\$ 858,545

	PT. PATEC	
	December 31,	
	2017	2016
Current assets	\$ 193,518	\$ 200,117
Non-current assets	211,475	259,103
Current liabilities	( 84,937)	( 105,339)
Non-current liabilities	( 10,504)	( 13,090)
Total net assets	\$ 309,552	\$ 340,791

Statements of comprehensive income

	Wuxi Jingxin	
	Years ended December 31,	
	2017	2016
Revenue	\$ 1,479,364	\$ 1,386,294
Profit before income tax	250,738	268,084
Income tax expense	(60,524)	(63,455)
Profit for the period	\$ 190,214	\$ 204,629
Total comprehensive income for the period	\$ 190,214	\$ 204,629
Comprehensive income attributable to non-controlling interest	\$ 20,467	\$ 30,694
Dividends paid to non-controlling interest	\$ 24,547	\$ -

	PT. PATEC	
	Years ended December 31,	
	2017	2016
Revenue	\$ 393,893	\$ 398,771
Profit before income tax	37,557	51,319
Income tax expense	(7,564)	(6,029)
Profit for the period	\$ 29,993	\$ 45,290
Total comprehensive income for the period	\$ 29,993	\$ 45,211
Comprehensive income attributable to non-controlling interest	\$ 8,998	\$ 13,563
Dividends paid to non-controlling interest	\$ 9,096	\$ -

Statements of cash flows

	Wuxi Jingxin	
	Years ended December 31,	
	2017	2016
Net cash provided by operating activities	\$ 104,632	127,368
Net cash provided by (used in) investing activities	8,199 (	68,156)
Net cash used in financing activities	( 134,560) (	40,882)
Effect of exchange rates on cash and cash equivalents	( 8,459) (	34,346)
Decrease in cash and cash equivalents	( 30,188) (	16,016)
Cash and cash equivalents, beginning of year	254,826	270,842
Cash and cash equivalents, end of year	<u>\$ 224,638</u>	<u>\$ 254,826</u>

	PT. PATEC	
	Years ended December 31,	
	2017	2016
Net cash provided by operating activities	\$ 97,870	\$ 68,562
Net cash used in investing activities	( 10,208) (	21,919)
Net cash used in financing activities	( 49,290) (	30,026)
Effect of exchange rates on cash and cash equivalents	( 22,556) (	4,092)
Increase in cash and cash equivalents	15,816	12,525
Cash and cash equivalents, beginning of year	25,406	12,881
Cash and cash equivalents, end of year	<u>\$ 41,222</u>	<u>\$ 25,406</u>

(4) Foreign currency translation

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

(5) Classification of current and non-current items

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

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

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

B. On a regular way purchase or sale basis, financial assets / liabilities at fair value through profit or loss are recognised and derecognised using settlement date accounting.

C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

(8) Accounts receivable

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

(9) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(a) Significant financial difficulty of the issuer or debtor;

(b) A breach of contract, such as a default or delinquency in interest or principal payments;

(c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

- (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;  
or
  - (e) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered.
- C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

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

(10) Derecognition of financial assets

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

(11) 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.

(12) 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 average 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

(13) Leased assets / operating leases (lessee)

A. Based on the terms of a lease contract, a lease is classified as a finance lease if the Group assumes substantially all the risks and rewards incidental to ownership of the leased asset.

- (a) A finance lease is recognised as an asset and a liability at the lease's commencement at the lower of the fair value of the leased asset or the present value of the minimum lease payments.
- (b) The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are allocated to each period over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.
- (c) Property, plant and equipment held under finance leases are depreciated over their estimated useful lives. If there is no reasonable certainty that the Group will obtain ownership at the end of the lease, the asset shall be depreciated over the shorter of the lease term and its useful life.

B. Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(14) Long-term prepaid rent

Long-term prepaid rent is the agreed-upon fee for land use paid by the Group's subsidiary in Indonesia to 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.

(15) Intangible assets - goodwill

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

(16) 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.

(17) 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.

(18) Accounts payable

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

(19) Derecognition of financial liabilities

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

(20) Financial liabilities and equity instruments

Convertible corporate bonds issued by the Company 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 and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ('capital surplus - share options') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

A. Call options and put options embedded in convertible corporate bonds 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. Bonds payable of convertible corporate bonds is initially recognised at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.

C. Conversion options embedded in convertible corporate bonds issued by the Group, 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 amounts of 'financial assets or financial liabilities at fair value through profit or loss' and 'bonds payable - net' as stated above. Conversion options are not subsequently remeasured.

- D. Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.
- 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 book value of common shares issued due to the conversion shall be based on the adjusted book value of the above-mentioned liability component plus the book value of capital surplus - share options.

(21) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

(22) Employee share-based payment

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

(23) 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.

(24) Share capital

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

(25) 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.

(26) Revenue recognition

A. Sales of goods

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

B. Subcontracting revenue

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

(27) Operating segments

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

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Critical judgements, estimates and assumptions concerning uncertainties are addressed below:

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

None.

(2) Critical accounting estimates and assumptions

None.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	December 31,	
	2017	2016
Cash on hand	\$ 498	\$ 449
Demand deposits	377,687	306,786
Time deposits	71,525	58,495
Total	<u>\$ 449,710</u>	<u>\$ 365,730</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. As of December 31, 2017 and 2016, cash and cash equivalents amounting to \$144,395 and \$113,054 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 \$42,169 and \$81,408, and the effective interest rate was 0.94%~3.76% and 0.25%~7.14% in 2017 and 2016, 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,	
	2017	2016
Current items:		
Derivative financial assets - corporate bonds	<u>\$ -</u>	<u>\$ 75</u>
Current items:		
Derivative financial liabilities - corporate bonds	<u>\$ 964</u>	<u>\$ -</u>

- A. The Group recognised net loss of \$1,039 and \$1,346 on financial assets / liabilities designated as at fair value through profit or loss for the years ended December 31, 2017 and 2016, respectively.
- B. Details of the issuance of convertible bonds are shown in Note 6(9).

### (3) Accounts receivable

	December 31,	
	2017	2016
Accounts receivable	\$ 664,787	\$ 680,216
Less: allowance for bad debts	( 1,415)	( 1,442)
	<u>\$ 663,372</u>	<u>\$ 678,774</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,	
	2017	2016
Group 1	\$ 375,799	\$ 372,995
Group 2	189,355	220,685
	<u>\$ 565,154</u>	<u>\$ 593,680</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,	
	2017	2016
Up to 90 days	\$ 54,282	\$ 64,059
91 to 180 days	26,948	13,577
Over 181 days	16,988	7,458
	<u>\$ 98,218</u>	<u>\$ 85,094</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, 2017 and 2016, the Group's accounts receivable that were impaired amounted to \$1,415 and \$1,442, respectively.

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

Individual Provision	2017	2016
At January 1	\$ 1,442	\$ 1,536
Effect of foreign exchange	( 27)	( 94)
At December 31	<u>\$ 1,415</u>	<u>\$ 1,442</u>

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

(4) Inventories

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 182,619	(\$ 1,290)	\$ 181,329
Work in process	80,227	( 66)	80,161
Finished goods	225,492	( 5,073)	220,419
	<u>\$ 488,338</u>	<u>(\$ 6,429)</u>	<u>\$ 481,909</u>

	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>

The cost of inventories recognised as expense for the years ended December 31, 2017 and 2016 was \$1,461,181 and \$1,425,168, respectively, including the amounts of \$123 and \$390, respectively, that the Group reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold for the years ended December 31, 2017 and 2016.



(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, 2017</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)
	<u>\$ 47,124</u>	<u>\$ 294,974</u>	<u>\$ 11,781</u>	<u>\$ 3,053</u>	<u>\$ 4,336</u>	<u>\$ 8,921</u>	<u>\$ 6,469</u>	<u>\$ 376,658</u>
<u>2017</u>								
Opening net book amount	\$ 47,124	\$ 294,974	\$ 11,781	\$ 3,053	\$ 4,336	\$ 8,921	\$ 6,469	\$ 376,658
Additions	-	25,133	10,041	869	-	1,553	4,132	41,728
Disposals	-	( 4,016)	-	-	-	( 100)	-	( 4,116)
Reclassifications	3,475	( 10,264)	( 1,079)	27	-	205	( 3,894)	( 11,530)
Depreciation charge	( 2,248)	( 48,809)	( 3,937)	( 1,221)	( 665)	( 2,088)	-	( 58,968)
Net exchange differences	( 3,974)	( 7,739)	( 494)	( 109)	( 97)	( 696)	239	( 12,870)
Closing net book amount	<u>\$ 44,377</u>	<u>\$ 249,279</u>	<u>\$ 16,312</u>	<u>\$ 2,619</u>	<u>\$ 3,574</u>	<u>\$ 7,795</u>	<u>\$ 6,946</u>	<u>\$ 330,902</u>
<u>At December 31, 2017</u>								
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)
	<u>\$ 44,377</u>	<u>\$ 249,279</u>	<u>\$ 16,312</u>	<u>\$ 2,619</u>	<u>\$ 3,574</u>	<u>\$ 7,795</u>	<u>\$ 6,946</u>	<u>\$ 330,902</u>

	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)
	<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>
<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	<u>\$ 47,124</u>	<u>\$ 294,974</u>	<u>\$ 11,781</u>	<u>\$ 3,053</u>	<u>\$ 4,336</u>	<u>\$ 8,921</u>	<u>\$ 6,469</u>	<u>\$ 376,658</u>
<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)
	<u>\$ 47,124</u>	<u>\$ 294,974</u>	<u>\$ 11,781</u>	<u>\$ 3,053</u>	<u>\$ 4,336</u>	<u>\$ 8,921</u>	<u>\$ 6,469</u>	<u>\$ 376,658</u>

A. The Group leases certain machinery and automobiles, classified as machinery and transportation equipment, under finance lease. As of December 31, 2017 and 2016, the carrying value of the leased assets was \$50,992 and \$54,229, 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, 2017 and 2016, the carrying amount of long-term prepaid rents was \$49,559 and \$55,632, respectively. For the years ended December 31, 2017 and 2016, the rental expense recognised was \$1,438 and \$1,530, 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,	
	2017	2016
Bank borrowings		
Secured borrowings	\$ 74,268	\$ -
Unsecured borrowings	106,043	47,619
	<u>\$ 180,311</u>	<u>\$ 47,619</u>
Interest rate range	2.55%~5.3%	1.38%~11.00%

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

(8) Long-term borrowings

Type of borrowings	Borrowing period	December 31,	
		2017	2016
Long-term bank borrowings-secured			
3 years	Oct. 2014 to Sept. 2017	\$ -	\$ 600
3 years	Jan. 2015 to Nov. 2017	-	654
3 years	Mar. 2015 to Nov. 2017	-	929
2 years	Oct. 2017 to Oct. 2019	56,939	-
		<u>56,939</u>	<u>2,183</u>
Less: current portion		( 29,707)	( 2,183)
		<u>\$ 27,232</u>	<u>\$ -</u>
Interest rate		3.35%	11.13%

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

(9) Bonds payable

	December 31, 2017	December 31, 2016
Bonds payable	\$ 240,900	\$ 250,000
Less: discount on bonds payable	( 10,940)	( 17,026)
Less: Current portion	( 229,960)	-
	<u>\$ -</u>	<u>\$ 232,974</u>

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\$57.2 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, 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. As of December 31, 2017, the bonds totaling \$9,100 (face value) had been converted into 153 thousand shares of common stock.
- 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, 2017, capital surplus—share options amounted to \$11,683. 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, 2017</u>	<u>December 31, 2016</u>
Payables for investment (Note 4)	\$ 105,019	\$ -
Cash dividends payable- non-controlling interest (Note 1 and 2)	-	14,980
Compensation payables (Note 3)	-	27,632
Expense payable and others	83,803	71,989
	<u>\$ 188,822</u>	<u>\$ 114,601</u>

- Note 1: On March 29, 2016, the shareholders of the Mainland China subsidiary, Wuxi Jingxin, resolved to distribute cash dividends amounting to RMB 20,000 thousand, including RMB 3,000 thousand (approximately NTD 14,980) which was distributed to the non-controlling interest and was paid in 2017.
- Note 2: On August 9, 2017, the shareholders of the Mainland China subsidiary, Wuxi Jingxin, resolved to distribute cash dividends amounting to RMB 30,000 thousand. As of December 31, 2017, all the payments have been settled.
- Note 3: 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 judgement of the first instance that the Group should compensate SGD 1,182 thousand and interest expense (about NTD 26,850 thousand). 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. On May 16, 2017, this case reached a settlement, and has paid SGD 1,182 thousand.
- Note 4: 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. As of December 31, 2017, the Company has paid RMB 7,000 thousand for this transaction. Related information is provided in Note 4(3) B.

(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, 2017		
	Total finance lease liabilities	Future finance charges	Present value of finance lease liabilities
<u>Current</u>			
Not later than one year	\$ 4,275	\$ 628	\$ 3,647
<u>Non-current</u>			
(shown as 'long-term notes and accounts payable')			
Later than one year but not later than five years	6,841	644	6,197
	<u>\$ 11,116</u>	<u>\$ 1,272</u>	<u>\$ 9,844</u>

	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>

(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, 2017 and 2016, the net amount of liabilities recognised in the balance sheet was \$3,882 and \$4,237, 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:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Employee stock	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,			
	2017		2016	
	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	1,158,000	\$ 23	1,445,000	\$ 26
Options exercised	( 641,000)	23	( 259,000)	26
Options forfeited	( 85,000)	23	( 28,000)	23
Options outstanding at end of the year	<u>432,000</u>	23	<u>1,158,000</u>	23
Options exercisable at end of the year	<u>432,000</u>	23	<u>450,500</u>	23

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

Issue date <u>approved</u>	Expiry date	December 31, 2017		December 31, 2016	
		No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
2014. 2. 28	2018. 2. 18	432	\$ 23	1,158	\$ 23

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)
	<u>Expected option life</u>	<u>Expected dividends rate</u>	<u>Risk-free dividends rate</u>	<u>Fair value per unit (in dollars)</u>
	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,	
	2017	2016
Equity-settled	\$ 539	\$ 4,510

#### (14) Share capital

A. As of December 31, 2017, the Company has 37,671 thousand shares of ordinary stock outstanding, and the paid-in capital was \$383,072 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,	
	2017	2016
At January 1	37,513	33,867
Exercise of employee share options	641	259
Conversion of convertible bonds	153	-
Stock dividend	-	3,387
Purchase of treasury shares	(636)	-
At December 31	37,671	37,513

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, 2017	
		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, equivalent to 800 thousand shares. As of December 31, 2017, the Company purchase totaling 636 thousand shares in the amount of \$36,097.
- (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.

(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. 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 16, 2017 and June 20, 2016, the shareholders resolved the distribution of earnings for 2016 and 2015 as follows:

	Years ended December 31,			
	2016		2015	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Cash dividend	\$ 75,075	\$ 2.0	\$ 13,547	\$ 0.4
Stock dividend	-	-	33,867	1

- F. Events after balance sheet date:

On March 26, 2018, the Board of Directors proposed the distribution of earnings for 2017 as follows:

	Year ended December 31, 2017	
	Amount	Dividend per share (in dollars)
Cash dividend	\$ 28,672	\$ 0.75
Stock dividend	28,672	0.75
Special reserve	59,408	-

As of March 30, 2018, the abovementioned distribution of 2017 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(20).

(17) Other income

	Years ended December 31,	
	2017	2016
Interest income	\$ 6,866	\$ 4,868
Rent income	1,805	4,625
Other income	3,646	6,510
	<u>\$ 12,317</u>	<u>\$ 16,003</u>

(18) Other gains and losses

	Years ended December 31,	
	2017	2016
Net currency exchange (loss) gain	(\$ 5,317)	\$ 3,186
Gain (loss) on disposal of property, plant and equipment	1,491	( 1,861)
Net loss on financial liabilities at fair value through profit or loss	( 1,039)	( 1,346)
Compensation losses	-	( 27,632)
Miscellaneous income	1,361	471
	<u>(\$ 3,504)</u>	<u>(\$ 27,182)</u>

(19) Finance costs

	Years ended December 31,	
	2017	2016
Interest expenses		
Bank borrowings	\$ 3,617	\$ 10,512
Convertible bonds	5,569	-
Others	1,760	133
Finance costs	<u>\$ 10,946</u>	<u>\$ 10,645</u>

(20) Employee benefit expense

	Years ended December 31,	
	2017	2016
Employee benefit expense		
Wages and salaries	\$ 376,526	\$ 343,963
Employee stock options	539	4,510
Insurance expenses	8,711	11,422
Pension costs	18,722	30,117
Other personnel expenses	26,849	17,486
	<u>\$ 431,347</u>	<u>\$ 407,498</u>
Depreciation expense	<u>\$ 58,968</u>	<u>\$ 55,951</u>

- 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, 2017 and 2016, 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 \$350, 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 2016 as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2016 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,	
	2017	2016
Current tax:		
Current tax on profits for the year	\$ 68,267	\$ 74,452
Prior year income tax underestimation	1,244	624
Total current tax	<u>69,511</u>	<u>75,076</u>
Deferred tax:		
Origination and reversal of temporary differences	320	(2,985)
Income tax expense	<u>\$ 69,831</u>	<u>\$ 72,091</u>

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

	Years ended December 31,	
	2017	2016
Remeasurement on defined benefit obligations	<u>(\$ 420)</u>	<u>\$ 28</u>

C. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2017	2016
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 63,128	\$ 67,948
Prior year income tax underestimation	1,244	624
Effects from items disallowed by tax regulation	5,459	3,281
Effect from Alternative Minimum Tax	-	238
Income tax expense	<u>\$ 69,831</u>	<u>\$ 72,091</u>

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 are as follows:

	Year ended December 31, 2017			
	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	\$ 8,282	(\$ 2,724)	\$ -	\$ 5,558
Loss carryforward	14,722	( 124)	-	14,598
Others	6,489	997	( 420)	7,066
	<u>\$ 29,493</u>	<u>(\$ 1,851)</u>	<u>(\$ 420)</u>	<u>\$ 27,222</u>
Deferred tax liabilities:				
Book-tax difference in the basis of finance lease	( 3,935)	( 756)	-	( 4,691)
Investment income of long-term equity investments	( 4,932)	2,707	-	( 2,225)
	<u>(\$ 8,867)</u>	<u>\$ 1,951</u>	<u>\$ -</u>	<u>(\$ 6,916)</u>

	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>

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

December 31, 2017				
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	-

(22) Earnings per share

	Year ended December 31, 2017		
	<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	<u>\$ 130,247</u>	<u>37,746</u>	<u>\$ 3.45</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	130,247	37,746	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	505	
Domestic convertible bonds	<u>5,569</u>	<u>4,278</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 135,816</u>	<u>42,529</u>	<u>\$ 3.19</u>
	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	<u>\$ 114,931</u>	<u>37,358</u>	<u>\$ 3.08</u>
<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	<u>234</u>	<u>351</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 115,165</u>	<u>\$ 38,437</u>	<u>\$ 3.00</u>

(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 \$26,702 and \$24,575 as rental expenses for the years ended December 31, 2017 and 2016, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31,	
	2017	2016
Not later than one year	\$ 23,836	\$ 23,638
Later than one year but not later than five years	42,512	46,729
Later than five years	17,803	26,296
	<u>\$ 84,151</u>	<u>\$ 96,663</u>

(24) Supplemental cash flow information

	Years ended December 31,	
	2017	2016
Investing activities with no cash flow effects:		
Assets acquired through finance leasing	<u>\$ 5,330</u>	<u>\$ 11,724</u>
Financing activities with no cash flow effects:		
Cash dividends declared but yet to be paid	<u>\$ -</u>	<u>\$ 14,980</u>
Capital increase taken from earnings	<u>\$ -</u>	<u>\$ 33,867</u>

7. RELATED PARTY TRANSACTIONS

Key management compensation

	Years ended December 31,	
	2017	2016
Short-term employee benefits	\$ 30,152	\$ 28,125
Post-employment benefits	740	2,083
Share-based payments	516	2,894
	<u>\$ 31,408</u>	<u>\$ 33,102</u>

## 8. PLEGGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31,</u>		
	<u>2017</u>	<u>2016</u>	
Property, plant and equipment	\$ 95,190	\$ 101,124	Short-term and long-term borrowings and lease payable
Long-term prepaid rents	49,559	55,632	"
Other financial assets			
- current			
- time deposits	144,395	113,054	Short-term borrowings
	<u>\$ 289,144</u>	<u>\$ 269,810</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

(1) 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 \$26,907. At the same day, the Board of Directors resolved to proceed with the registration of retirement of shares, the record date for capital reduction is March 30, 2018.

(2) Information on appropriation of earnings is provided in Note 6(16) 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. 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, other financial assets 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, 2017			
(Foreign currency: functional currency)	Foreign currency amount		Book value
	(in thousands)	Exchange rate	(NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
EUR: RMB	\$ 3,898	7.81	\$ 138,958
USD: RMB	2,969	6.51	88,205
USD: SGD	2,750	1.34	81,683
IDR: USD	53,395,954	0.00007	117,427
<u>Financial liabilities</u>			
<u>Monetary items</u>			
IDR: USD	\$ 18,479,370	0.00007	\$ 40,639
EUR: RMB	1,522	7.81	54,234
December 31, 2016			
(Foreign currency: functional currency)	Foreign currency amount		Book value
	(in thousands)	Exchange rate	(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

- v. Total exchange (loss) 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, 2017 and 2016, amounted to (\$5,246) and \$3,186, respectively.

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

Year ended December 31, 2017					
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%	\$	1,390	\$	-
USD: RMB	1%		882		-
USD: SGD	1%		817		-
IDR: RMB	1%		1,174		-
<u>Financial liabilities</u>					
<u>Monetary items</u>					
IDR: USD	1%	\$	406	\$	-
EUR: RMB	1%		542		-

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: USD	1%		1,179		-
<u>Financial liabilities</u>					
<u>Monetary items</u>					
IDR: USD	1%	\$	962	\$	-

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 \$197 and \$50 or decrease of \$197 and \$50 for the years ended December 31, 2017 and 2016, 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, 2017 and 2016, 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.

<u>Non-derivative</u> <u>financial liabilities:</u>	Up to	Between	Between	Over 5
<u>December 31, 2017</u>	<u>1 year</u>	<u>1 and 2</u>	<u>2 and 5</u>	<u>years</u>
Bonds payable	\$ -	\$ 240,900	\$ -	\$ -
Lease payable	4,275	2,513	4,328	-

<u>Non-derivative</u> <u>financial liabilities:</u>	Up to	Between	Between	Over 5
<u>December 31, 2016</u>	<u>1 year</u>	<u>1 and 2</u>	<u>2 and 5</u>	<u>years</u>
Bond payable	\$ -	\$ -	\$ 250,000	\$ -
Long-term borrowings (including current	2,445	-	-	-
Lease payable	11,517	4,651	2,619	-

- 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. The fair values of the call and put options issued by the Group are included in Level 3.
- C. As of December 31, 2017 and 2016, the Group's financial assets details are provided in Note 6(2).

### 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: Please refer to table 3.
- 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 4.

#### (2) Information on investees

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

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

- A. 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

##### (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, 2017					
	<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	\$123,106	\$ -	\$ 37,817	\$ -	\$ -	\$ 160,923
Parts of motorcycles	-	120,714	-	-	-	120,714
Parts of automobiles	-	273,179	1,398,293	108,055	-	1,779,527
Processing	-	-	12,125	-	-	12,125
	<u>123,106</u>	<u>393,893</u>	<u>1,448,235</u>	<u>108,055</u>	<u>-</u>	<u>2,073,289</u>
Inter-segment revenue	<u>69,946</u>	<u>-</u>	<u>31,129</u>	<u>-</u>	<u>( 101,075)</u>	<u>-</u>
Total segment revenue	<u>\$193,052</u>	<u>\$393,893</u>	<u>\$ 1,479,364</u>	<u>\$108,055</u>	<u>(\$ 101,075)</u>	<u>\$ 2,073,289</u>
Total segment profit (loss)	<u>(\$ 56,650)</u>	<u>\$ 29,993</u>	<u>\$ 190,214</u>	<u>\$ 1,528</u>	<u>(\$ 5,170)</u>	<u>\$ 159,915</u>
Segment income (loss):						
Depreciation	<u>\$ 4,006</u>	<u>\$ 32,215</u>	<u>\$ 24,344</u>	<u>\$ 5,392</u>	<u>(\$ 6,989)</u>	<u>\$ 58,968</u>
Income tax expense	<u>\$ -</u>	<u>(\$ 7,564)</u>	<u>(\$ 60,455)</u>	<u>(\$ 1,593)</u>	<u>(\$ 219)</u>	<u>(\$ 69,831)</u>

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	-	-	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>

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, 2017 and 2016 is as follows:

	Years ended December 31,			
	2017		2016	
	Revenue	Segment	Revenue	Segment
Customer A	\$ 772,101	China	\$ 677,052	China
Customer B	118,980	Indonesia	106,887	Indonesia

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

Year ended December 31, 2017

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	Maximum outstanding balance during the year ended December 31, 2017 (Note 3)	Balance at December 31, 2017 (Note 3)	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		Limit on loans granted to a single party (Note 7)
1	PATEC PTE. LTD.	PT PATEC PRESISI ENGINEERING	Other receivables	Y	\$ 4,456	\$ -	-	3%	2	-	-	\$ -	\$ -	\$ 132,281	\$ 529,124	Note 8
1	PATEC PTE. LTD.	PT. API Precision	Other receivables	Y	5,941	-	-	3%	2	-	-	-	-	132,281	529,124	Note 8
1	PATEC PTE. LTD.	PT. PDF PRESISI ENGINEERING	Other receivables	Y	5,941	-	-	3%	2	-	-	-	-	132,281	529,124	Note 8
2	PT PATEC PRESISI ENGINEERING	PT. API Precision	Other receivables	Y	7,661	4,378	4,378	10%	2	-	-	-	-	32,616	130,466	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, 2017.

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.

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

Year ended December 31, 2017

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, 2017 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2017 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral (Note 6)	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company (Note 7)	Ceiling on total amount of endorsements/ guarantees provided (Note 8)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 8)	Provision of endorsements/ guarantees by subsidiary company to parent (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	218,017	178,242	178,242	59,414	-	16%	436,034	Y	N	N	Note 3
0	PATEC PRECISION INDUSTRY CO., LTD.	Wuxi Jingxin Precision Machining Co., Ltd.	3	218,017	228,307	159,815	-	16,040	15%	436,034	Y	N	Y	Note 3 and 9
0	PATEC PRECISION INDUSTRY CO., LTD.	PT. PATEC	3	218,017	14,854	14,854	-	-	1%	436,034	Y	N	N	Note 3
0	PATEC PRECISION INDUSTRY CO., LTD.	PT. PDF	3	218,017	14,854	14,854	-	-	1%	436,034	Y	N	N	Note 3
0	PATEC PRECISION INDUSTRY CO., LTD.	PT. API	3	218,017	14,854	14,854	-	-	1%	436,034	Y	N	N	Note 3
1	PATEC PTE. LTD.	PT. PATEC PRESISI ENGINEERING	3	264,562	44,561	-	-	-	0%	529,124	N	N	N	Note 3 and 6
1	PATEC PTE. LTD.	PT. API Precision	3	264,562	14,854	-	-	-	0%	529,124	N	N	N	Note 3 and 7
2	PT. PATEC PRESISI ENGINEERING	PT. PDF PRESISI ENGINEERING	2	46,900	10,944	10,944	114	-	5%	93,800	N	N	N	Note 3
2	PT. PATEC PRESISI ENGINEERING	PT. API Precision	2	46,900	14,009	14,009	100	-	6%	93,800	N	N	N	Note 3
2	PT. PATEC PRESISI ENGINEERING	PT. PDF PRESISI ENGINEERING	2	46,900	14,854	14,854	-	-	6%	93,800	N	N	N	Note 3
3	Wuxi Jingxin Precision Machining Co. Ltd.	PATEC PTE. LTD.	4	250,008	34,246	-	-	-	-	833,360	N	Y	N	Note 4

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

(1) The Company is '0'.

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

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

(1) Having business relationship.

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

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

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

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

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

Note 3: The endorsement amount guaranteed by the Company shall not exceed 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 USD\$200,000 as collateral for PT. PATEC PRESISI ENGINEERING.

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

Note 8: Wuxi Jingxin Precision Machining Co., Ltd. pledged certificate of deposit amounting to RMB\$7,300,000 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.  
Note 10 : The endorsement/guarantee amount has over the Company's limit because the net value of the Group's parent company, Patec Precision Industry Co., Ltd., is lower than the net value in the second quarter of 2017 when the parent company's financial statements were reviewed by the independent accountants in the third quarter of 2017.

The Company has proposed an improvement plan. The Company will decrease the amount of endorsement/guarantee to Wuxi Jingxin to RMB 35 million (approximately NTD 155,356 thousand) as resolved by the Board of Directors on November 13, 2017.

Patec Precision Industry Co., Ltd. and Subsidiaries

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital  
Year ended December 31, 2017

Table 3

Expressed in thousands of NTTD  
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2017		Addition (Note 3)		Disposal (Note 3)		Balance as at December 31, 2017	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
PATEC PTE. LTD.	Wuxi Jingxin Precision Machining Co. Ltd.	Investments accounted for using equity method	Note 4	Non-related party								

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

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

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

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

Pattec Precision Industry Co., Ltd. and Subsidiaries  
 Significant inter-company transactions during the reporting periods  
 Year ended December 31, 2017

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Table 4

Transaction		Transaction terms		Amount		Relationship (Note 2)		General ledger account		Percentage of consolidated total operating revenues or total assets (Note 3)	
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
1	Press Automation Technology Pte Ltd.	PATEC PTE.LTD.	2	Sales revenue	\$ 63,469	90~150 days after monthly billings	2	Sales revenue	\$ 63,469	90~150 days after monthly billings	3%
1	Press Automation Technology Pte Ltd	PATEC PTE. LTD.	2	Accounts receivable	30,859	90~150 days after monthly billings	2	Accounts receivable	30,859	90~150 days after monthly billings	1%
2	Wuxi Baida Precision Molding Co., Ltd.	Press Automation Technology Pte Ltd	3	Sales revenue	25,604	90~150 days after monthly billings	3	Sales revenue	25,604	90~150 days after monthly billings	1%
2	Wuxi Baida Precision Molding Co., Ltd.	Press Automation Technology Pte Ltd	3	Accounts receivable	25,604	90~150 days after monthly billings	3	Accounts receivable	25,604	90~150 days after monthly billings	1%

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, 2017

Table 5  
Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Main business activities	Location	Initial investment amount		Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2017 (Note 2(2))	Investment income (loss) recognised by the Company for the year ended December 31, 2017 (Note 2(3))	Footnote
				Balance as at December 31, 2017	Balance as at December 31, 2016						
Patec Precision Industry Co., Ltd.	PATEC PTE LTD.	Holding company	Singapore	\$ 709,809	\$ 708,994	31,287	100%	\$ 1,322,810	\$ 148,314	\$ 148,314	
PATEC PTE LTD.	Press Automation Technology Pte Ltd	Assembly and sale of machinery and equipment	Singapore	354,175	354,175	6,247	100%	275,466	17,735	24,188	
PATEC PTE LTD.	Patec Precision Kft	Manufacturing and sale of elements of automobiles	Hungary	210,643	210,643	-	100%	70,617	1,528	1,837	
PATEC PTE. LTD.	Patec Medical Supplies Pte.Ltd.	Sale of medical devices	Singapore	12,996	-	600	60%	13,164	( 276)	( 166)	
Press Automation Technology Pte Ltd.	PT PATEC PRESISI ENGINEERING	Manufacturing and sale of elements of automobiles and motorcycles	Indonesia	139,483	139,483	4,340	70%	214,670	29,993	23,568	
PT PATEC PRESISI ENGINEERING	PT.PDF Presisi Engineering	Manufacturing and sale of elements of automobiles	Indonesia	37,595	37,595	1,210	89%	25,881	5,658	3,524	
PT PATEC PRESISI ENGINEERING	PT.API Precision	Manufacturing and sale of elements of automobiles	Indonesia	34,314	34,314	1,483	89%	10,297	2,595	1,612	

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, 2017' 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, 2017' 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, 2017' 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, 2017

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	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	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017	Remitted to Mainland China back to Taiwan	Amount remitted from Taiwan to Mainland China/	Amount remitted back to Taiwan for the year ended December 31, 2017	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Net income of investee for the year ended December 31, 2017	Ownership held by the Company (direct or indirect)	Company for the year ended December 31, 2017 (Note 2)	Investment income (loss) recognised by the Company	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017	Footnote
Wuxi Jingxin Precision Machining Co., Ltd.	Manufacturing and sale of elements of automobiles	\$ 176,355			(2)	-	-	-	-	\$ -	\$ 190,214	93%		\$ 170,224	\$ 4,619	\$ 363,662	
Wuxi Baida Precision Molding Co., Ltd.	Manufacturing and sale of elements of automobiles	45,661			(2)	-	-	-	-	-	18,618	93%		16,968	3,125	-	
Yancheng Jingxin Precision Machining Co., Ltd.	Manufacturing and sale of elements of automobiles	22,831			(2)	-	-	-	-	-	951	93%		858	2,300	-	

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, 2017' column, basis for investment income (loss) recognition is the financial statements that are audited by investee companies' CPA for the year ended December 31, 2017.  
Note 3: The numbers in this table are expressed in New Taiwan Dollars.