Airtac International Group and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2014 and 2013 and Independent Auditors' Report

Note: The translation version is intended for reference only. If any inconsistency exists between the Chinese and English versions, the Chinese version shall govern.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Airtac International Group

We have audited the accompanying consolidated balance sheets of Airtac International Group (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2014 and 2013 and the related consolidated statements of comprehensive income for the years ended December 31, 2014 and 2013, as well as the consolidated statements of changes in equity and cash flows for the years ended December 31, 2014 and 2013. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2014 and 2013, and their consolidated financial performance and their consolidated cash flows for the years ended 2014 and 2013, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

March 3, 2015

<u>*Notice to Readers*</u>

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

	December 31, 2014 (Audited)		December 31, 2013 (Audited)	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents（note 4 and 6）	$1,644,721	9	$1,469,694	10
Financial assets at fair value through profit or loss -current（note 4 , 7 and 27）	785,364	4	121,263	1
Debt investments with no active market-current（note 4 , 8 and 29）	64,156	-	-	-
Notes receivable（note 4 , 5 and 9）	1,006,503	5	719,723	5
Trade receivables（note 4 , 5, 9 and 28）	1,771,534	9	1,485,848	10
Other receivables（note 4 and 5）	125,372	1	82,187	-
Inventories（note 4 , 5 and 10）	1,847,481	10	1,543,179	11
Other current assets（note 13 and 14）	185,006	1	99,558	1
Total current assets	7,430,137	39	5,521,452	38
NON-CURRENT ASSETS				
Investments accounted for using equity method（note 4 , 5 and 11）	221,383	1	279,493	2
Property, plant and equipment（note 4 , 12 and 29）	10,429,741	55	8,106,491	56
Goodwill（note 4）	22,253	-	21,496	-
Other intangible assets（note 4）	80,476	-	47,734	-
Deferred tax assets（note 4 and 21）	158,095	1	100,835	1
Long-term prepayments for lease（note 13）	132,108	1	130,767	1
Other non-current assets（note 14）	462,336	3	308,283	2
Total non-current assets	11,506,392	61	8,995,099	62
TOTAL ASSETS	$18,936,529	100	$14,516,551	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans（note 15）	$5,321,066	28	$2,913,797	20
Short-term bills payable（note 15）	70,000	-	130,000	1
Notes payable（note 16）	5,346	-	13,055	-
Trade payables（note 16）	397,249	2	421,780	3
Other payables（note 17）	579,955	3	481,917	4
Current tax liabilities（note 4）	146,162	1	163,808	1
Current portion of long-term loans（note 15 and 29）	23,188	-	22,842	-
Other current liabilities（note 17）	95,858	1	32,261	-
Total current liabilities	6,638,824	35	4,179,460	29
NON-CURRENT LIABILITIES				
Accrued pension liabilities（note 4, 5 and 18）	29,341	-	41,713	-
Long-term loans（note 15 and 29）	1,899,664	10	993,049	7
Deferred tax liabilities（note 4 and 21）	310,887	2	258,744	2
Total non-current liabilities	2,239,892	12	1,293,506	9
Total liabilities	8,878,716	47	5,472,966	38
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY（note 19）				
Share Capital	1,705,000	9	1,705,000	12
Capital surplus	3,906,960	21	3,906,960	27
Retained earnings	3,677,512	19	2,972,093	20
Other equity	615,843	3	315,371	2
Total equity attributable to owners of the Company	9,905,315	52	8,899,424	61
NON-CONTROLLING INTERESTS	152,498	1	144,161	1
Total equity	10,057,813	53	9,043,585	62
TOTAL LIABILITIES AND EQUITY	$18,936,529	100	$14,516,551	100

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

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Years Ended December 31			
	2014		2013	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales	$8,378,961	100	$7,300,291	100
OPERATING COSTS				
Cost of goods sold（note 10 and 20）	(3,775,784)	(45)	(3,264,133)	(45)
GROSS PROFIT	4,603,177	55	4,036,158	55
OPERATING EXPENSES（note 20）				
Selling and marketing expenses	(1,234,776)	(15)	(1,059,692)	(14)
General and administrative expenses	(693,457)	(8)	(581,001)	(8)
Research and development expenses	(286,026)	(4)	(200,714)	(3)
Total operating expenses	(2,214,259)	(27)	(1,841,407)	(25)
PROFIT FROM OPERATIONS	2,388,918	28	2,194,751	30
NON-OPERATING INCOME AND EXPENSES（note 20）				
Other income	18,228	-	13,063	-
Other gains and losses	50,661	1	210,651	3
Finance costs	(69,265)	(1)	(51,708)	-
Total non-operating income and expenses	(376)	-	172,006	3
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	2,388,542	28	2,366,757	33
INCOME TAX EXPENSE（note 21）	(602,430)	(7)	(641,306)	(9)
NET PROFIT FOR THE YEAR	1,786,112	21	1,725,451	24
OTHER COMPREHENSIVE INCOME				
Exchange differences on translating foreign operations	$ 304,087	4	$ 285,963	4
Actuarial gains on defined benefit plans	8,838	-	(1,942)	-
Other comprehensive income for the period, net of income tax	312,925	4	284,021	4
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$2,099,037	25	$2,009,472	28
NET PROFIT ATTRIBUTABLE TO:				
Owner of the Company	$1,770,731	21	$1,710,158	24
Non-controlling interests	15,381	-	15,293	-
	$1,786,112	21	$1,725,451	24
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the Company	$2,080,041	25	$1,995,666	28
Non-controlling interests	18,996	-	13,806	-
	$2,099,037	25	$2,009,472	28
EARNINGS PER SHARE (Note 22)				
Basic	$ 10.39		$ 10.55	
Diluted	$ 10.37		$ 10.53	

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

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company									
		Capital Surplus			Retained Earnings					
	Share Capital	Organization Reconstruction	Additional paid-in capital	Donations	Unappropriated Earnings	Special Reserve	Exchange differences on translating foreign operations	Total	Noncontrolling Interests	Total Equity
BALANCE AT JANUARY 1, 2013	$ 1,500,000	$ 704,640	$ 1,300,768	$ 41,552	$ 1,938,877	$ -	$ 27,921	$ 5,513,758	$ 130,355	$ 5,644,113
Special reserve provided under Rule No.1010012865 issued by the FSC	-	-	-	-	(50,808)	50,808	-	-	-	-
Appropriation of 2012 earnings										
Cash dividends distributed by the Company	-	-	-	-	(570,000)	-	-	(570,000)	-	(570,000)
Share dividends distributed by the Company	105,000	-	-	-	(105,000)	-	-	-	-	-
Net profit for the year ended December 31, 2013		-	-	-	1,710,158	-	-	1,710,158	15,293	1,725,451
Other comprehensive income for the year ended December 31, 2013, net of income tax	-	-	-	-	(1,942)	-	287,450	285,508	(1,487)	284,021
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	1,708,216	-	287,450	1,995,666	13,806	2,009,472
Issue of ordinary shares for cash	100,000	-	1,860,000	-	-	-	-	1,960,000	-	1,960,000
BALANCE AT DECEMBER 31, 2013	1,705,000	704,640	3,160,768	41,552	2,921,285	50,808	315,371	8,899,424	144,161	9,043,585
Special reserve reversed under Rule No.1010012865 issued by the FSC	-	-	-	-	18,052	(18,052)	-	-	-	-
Appropriation of 2013 earnings										
Cash dividends distributed by the Company	-	-	-	-	(1,074,150)	-	-	(1,074,150)	-	(1,074,150)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	(10,659)	(10,659)
Net profit for the year ended December 31, 2014	-	-	-	-	1,770,731	-	-	1,770,731	15,381	1,786,112
Other comprehensive income for the year ended December 31, 2014, net of income tax	-	-	-	-	8,838	-	300,472	309,310	3,615	312,925
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	1,779,569	-	300,472	2,080,041	18,996	2,099,037
BALANCE AT DECEMBER 31, 2014	$ 1,705,000	$ 704,640	$ 3,160,768	$ 41,552	$ 3,644,756	$ 32,756	$ 615,843	$ 9,905,315	$ 152,498	$ 10,057,813

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

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 2,388,542	$ 2,366,757
Adjustments for:		
Depreciation expenses	539,605	423,196
Amortization expenses	11,251	8,088
(Reversal of impairment loss) impairment loss recognized on trade receivables	(1,381)	18,750
Net (gain) on financial assets at fair value through profit or loss	(18,223)	(4,692)
Finance costs	69,265	51,708
Interest income	(18,228)	(13,063)
Share of loss of associates	4,532	12,447
Loss (gain) on disposal of property, plant and equipment	4,966	(28,335)
Write-down of inventories	3,652	17,238
Impairment loss on investments in associates	48,000	-
Amortization of prepayments for lease	3,150	3,089
Changes in operating assets and liabilities:		
Increase in notes receivable	(252,593)	(208,612)
Increase in trade receivables	(225,217)	(371,466)
(Increase) decrease in other receivables	41,064	(20,061)
Increase in inventories	(216,499)	(419,814)
Increase in other current assets	(79,186)	(16,288)
Decrease in notes payable	(7,892)	(1,944)
(Decrease) increase in trade payables	(38,038)	116,347
(Decrease) increase in other payables	(9,550)	176,583
Increase (decrease) in other current liabilities	60,356	(123,181)
Decrease in accrued pension liabilities	(5,673)	(22,725)
Cash generated from operations	2,301,903	1,964,022
Interest received	15,381	13,063
Interest paid	(68,450)	(50,650)
Income tax paid	(717,070)	(497,647)
Net cash generated from operating activities	1,531,764	1,428,788
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets designated as at fair value through profit or loss	(4,071,342)	(657,766)
Proceeds on sale of financial assets designated as at fair value through profit or loss	3,451,904	775,369
Purchase of debt investments with no active market	(193,349)	-
Proceeds on sale of debt investments with no active market	131,359	-

(Continued)

	For the Years Ended December 31	
	2014	2013
Payments for property, plant and equipment	(2,518,198)	(2,751,906)
Proceeds from disposal of property, plant and equipment	9,397	136,262
Increase in refundable deposits	($ 8,522)	(10,804)
Decrease in refundable deposits	6,175	-
Payments for intangible assets	(41,897)	(23,809)
Increase in prepayments for equipment	(151,644)	(130,228)
Net cash used in investing activities	(3,386,117)	(2,662,882)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	2,240,812	-
Repayments of short-term borrowings	-	(212,071)
Repayments of short-term bills payable	(60,000)	(50,000)
Proceeds from long-term loans	1,708,347	780,000
Repayments of long-term loans	(802,842)	(22,501)
Dividends paid to owners of the Company	(1,074,150)	(570,000)
Proceeds from issue of ordinary shares	-	1,960,000
Dividends paid to non-controlling interests	(10,659)	-
Net cash generated from financing activities	2,001,508	1,885,428
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	27,872	(43,442)
NET INCREASE IN CASH AND CASH EQUIVALENTS	175,027	607,892
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,469,694	861,802
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,644,721	$ 1,469,694

（Concluded）

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

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

Airtac International Group (the "Company," the Company and its subsidiaries are collectively referred to as the "Group") was incorporated on September 16, 2009 in British Cayman Islands under reorganization mainly for the purpose of applying for listing on Taiwan Stock Exchange ("TWSE"). Admire Fame International Limited ("Admire Fame"), the Company's parent company decided on December 23, 2009 with the approval of the shareholders to convert all stocks of Admire Fame to the stocks of the Company at the ratio of 1:1 (referred to as "stock swap" hereunder), and decided to dissolve and liquidate Admire Fame in 2010. Following the stock swap and reorganization, the Company becomes the holding company of a group of enterprises and engages in investment. The main businesses of other companies under the Group are set out in Note 4.

The Company's stocks were listed on TWSE in December 2010.

The functional currency of the Company is RMB. For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars since the Company's stocks are listed on the Taiwan Stock Exchange.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 3, 2015.

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

a. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and Governing and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) in issue but not yet effective.

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC, stipulated that the Group should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") endorsed by the FSC and the related amendments to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

New, Amended and Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 "Embedded Derivatives"	Effective for annual periods ended on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011

New, Amended and Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note)
Amendment to IFRS 1 "Government Loans"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Transfer of Financial Assets"	July 1, 2011
IFRS 10 "Consolidated Financial Statements"	January 1, 2013
IFRS 11 "Joint Arrangements"	January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 "Investment Entities"	January 1, 2014
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amendment to IAS 1 "Presentation of Other Comprehensive Income"	July 1, 2012
Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets"	January 1, 2012
IAS 19 (Revised 2011) "Employee Benefits"	January 1, 2013
IAS 28 (Revised 2011) "Investments in Associates and Joint Ventures"	January 1, 2013
Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities"	January 1, 2014
IFRIC 20 "Stripping Costs in Production Phase of a Surface Mine"	January 1, 2013

Note: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after the respective effective dates.

Except for the following, the initial application of the above 2013 IFRSs version has not had any material impact on the Group's accounting policies:

1) IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation - Special Purpose Entities". The Group considers whether it has control over other entities for consolidation. The Group has control over an investee if and only if it has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee and (iii) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

2) IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

3) IFRS 13 "Fair Value Measurement"

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015.

4) Amendment to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendment to IAS 1 requires items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

The Group will apply the above amendments in presenting the consolidated statement of comprehensive income, starting from the year 2015. Items not expected to be reclassified to profit or loss are the actuarial gain (loss) arising from defined benefit plans and share of the actuarial gains (loss) arising from defined benefit plans of associates accounted for using the equity method. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gains (loss) on available-for-sale financial assets, cash flow hedges, and share of the other comprehensive income (except the share of the actuarial gains (loss) arising from defined benefit plans) of associates accounted for using the equity method.

5) Revision to IAS 19 “Employee Benefits”

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminates the “corridor approach” permitted under current IAS 19 and accelerate the recognition of past service costs. The revision requires all remeasurements of the defined benefit plans to be recognized immediately through other comprehensive income in order for the net pension asset or liability to reflect the full value of the plan deficit or surplus. The Group has not determined how to present the remeasurements of defined benefit plans in the consolidated statements of changes in equity.

Furthermore, the interest cost and expected return on plan assets used in current IAS 19 are replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

6) Amendments to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”

The amendments to IFRS 7 require disclosure of information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under enforceable master netting arrangements and similar arrangements.

7) Amendments to IAS 32 “Offsetting Financial Assets and Financial Liabilities”

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realization and settlement”.

8) Annual Improvements to IFRSs: 2009-2011 Cycle

Several standards including IFRS 1 “First-time Adoption of International Financial Reporting Standards”, IAS 1 “Presentation of Financial Statements”, IAS 16 “Property, Plant and Equipment”, IAS 32 “Financial Instruments: Presentation” and IAS 34 “Interim Financial Reporting” were amended in this annual improvement.

The amendments to IAS 1 clarify that an entity is required to present a balance sheet as at the beginning of the preceding period when a) it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassifies items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the consolidated balance sheet at the beginning of the preceding period. The amendments also clarify that related notes are not required to accompany the consolidated balance sheet at the beginning of the preceding period.

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be recognized in accordance with IAS 16 when they meet the definition of property, plant and equipment and otherwise as inventory.

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 “Income Taxes”.

The amendments to IAS 34 clarify that a measure of total liabilities for a reportable segment would be disclosed in interim financial reporting when such amounts are regularly provided to the chief operating decision maker of the Group and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

9) Recognition and measurement of financial liabilities designated as at fair value through profit or loss

In accordance with the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, for financial liabilities designated as at fair value through profit or loss, the amount of change in the fair value attributable to changes in the credit risk of that liability is presented in other comprehensive income and the remaining amount of change in the fair value of that liability is presented in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. If the above accounting treatment would create or enlarge an accounting mismatch, all gains or losses on that liability are presented in profit or loss.

b. New IFRSs in issue but not yet endorsed by FSC

The Group has not applied the following New IFRSs issued by the IASB but not endorsed by the FSC. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced their effective dates.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 4)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception	January 1, 2016
Amendment to IFRS 11 “ Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2017
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount	January 1, 2014

Disclosures for Non-financial Assets”	
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: Prospectively applicable to transactions occurring in annual periods beginning on or after January 1, 2016.

Note 4: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs has not had any material impact on the Group's accounting policies, except for the following:

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

(a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

(b) For debt instruments, if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses.

Except for above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required.

The impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

2) Amendment to IAS 19: Amendment in 2013

The amended IAS 19 states that if contributions from employees or third parties are not linked to service, these contributions affect the remeasurement of the net defined benefit liability (asset). If the contributions are linked solely to service, the employees' service rendered in that period in which they are paid, these contributions may be recognized as a reduction of service cost in the same period. If the contributions depend on the number of years of service, an entity is required to attribute these contributions to service periods as a reduction of service cost.

3) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

In issuing IFRS 13 "Fair Value Measurement", the IASB made consequential amendment to the disclosure requirements in IAS 36 "Impairment of Assets", introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Group is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

4) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 2 "Share-based Payment", IFRS 3 "Business Combinations" and IFRS 8 "Operating Segments" were amended in this annual improvement.

The amended IFRS 2 changes the definitions of "vesting condition" and "market condition" and adds definitions for "performance condition" and "service condition". The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Group or another entity in the same group or the market price of the equity instruments of the Group or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Group as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Group, but also of other entities outside the Group.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss.

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics". The amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segments' assets are regularly provided to the chief operating decision-maker.

IFRS 13 was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

5) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards including IFRS 3, IFRS 13 and IAS 40 "Investment Property" were amended in this annual improvement.

IFRS 3 was amended to clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required to determine whether the investment property acquired is acquisition of an asset or a business combination.

6) Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"

The entity should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the entity.

The amended IAS 16 "Property, Plant and Equipment" requires that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 "Intangible Assets" requires that there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

(a) in which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity's use of the intangible asset will expire upon achievement of a revenue threshold); or

(b) when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

An entity should apply the aforementioned amendments prospectively for annual periods beginning on or after the effective date.

7) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

(a) Identify the contract with the customer;

(b) Identify the performance obligations in the contract;

(c) Determine the transaction price;

(d) Allocate the transaction price to the performance obligations in the contracts; and

(e) Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 is effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

8) Annual Improvements to IFRSs: 2012-2014 Cycle

Several standards including IFRS 5 "Non-current assets held for sale and discontinued operations", IFRS 7, IAS 19 and IAS 34 were amended in this annual improvement.

IFRS 5 was amended to clarify that reclassification between non-current assets (or disposal group) "held for sale" and non-current assets "held for distribution to owners" does not constitute a change to a plan of sale or distribution. Therefore, previous accounting treatment is not reversed. The amendment also explains that assets that no longer meet the criteria for "held for distribution to owners" and do not meet the criteria for "held for sale" should be treated in the same way as assets that cease to be classified as held for sale.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset. In addition, the amendments clarify that the offsetting disclosures are not explicitly required for all interim periods; however, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34 under specific conditions.

IAS 19 was amended to clarify that the depth of the market for high quality corporate bonds used to estimate discount rate for post-employment benefits should be assessed by the market of the corporate bonds denominated in the same currency as the benefits to be paid, i.e. assessed at currency level (instead of country or regional level).

9) Amendment to IAS 1 "Disclosure Initiative"

The amendment clarifies that the consolidated financial statements should be prepared for the purpose of disclosing material information. To improve the understandability of its consolidated financial statements, the Group should disaggregate the disclosure of material items into their different natures or functions, and disaggregate material information from immaterial information.

The amendment further clarifies that the Group should consider the understandability and comparability of its consolidated financial statements to determine a systematic order in presenting its footnotes.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuingly assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by the FSC.

b. Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

c. Classification of Current and Non-current Assets and Liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within twelve months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. 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.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of Consolidation

1) Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries). Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Attribution of total comprehensive income to non-controlling interests

Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2) Subsidiary included in consolidated financial statements

The consolidated entities were as follows:

		% of Ownership	
Name of investing company	**Name of subsidiary**	**December 31, 2014**	**December 31, 2013**
Airtac International Group	Airtac Trading（Hong Kong） Limited	100%	100%
	Airtac Industrial（Hong Kong） Limited	100%	100%
	Instant Reach International Limited	100%	100%
	Airtac Holding（Singapore） Pte. Ltd.	100%	100%
Airtac Trading（Hong Kong） Limited	Jianliang（Shanghai） Trading Co., Ltd.	100%	100%
Airtac Industrial（Hong Kong） Limited	Ningbo Airtac Automatic Industrial Co., Ltd.	100%	100%
	Guangdong Airtac Automatic Industrial Co., Ltd.	100%	100%
	Airtac（China） Co., Ltd.	100%	100%
Instant Reach International Limited	ATC（Italia） S.R.L.	100%	100%
	Airtac Industrial Co., Ltd.	53.66%	53.66%
Airtac Holding（Singapore） Pte. Ltd.	Airtac International（Singapore） Pte. Ltd.	100%	100%
	Airtac Co., Ltd.	100%	100%
Airtac International（Singapore） Pte. Ltd.	Airtac Industrial （Malaysia） Sdn. Bhd.	100%	100%

Airtac Trading (Hong Kong) Limited, Airtac Industrial (Hong Kong) Limited, Instant Reach International Limited and Airtac Holding (Singapore) Pte. Ltd. are primarily holding companies. Jianliang (Shanghai) Trading Co., Ltd. was established on September 11, 2006 with an operation period of 30 years and engages primarily in the wholesale and agency of industrial control components, pneumatic components, hydraulic components, pneumatic whole set equipment, wind power tools, electric tools, low-voltage electric appliances, and hand tools, import and export of the aforementioned products and support services. Ningbo Airtac Automatic Industrial Co., Ltd. was established on August 16, 2001 with an operation period of 50 years, and engages primarily in the production of pneumatic and hydraulic components, Actuator components, air preparation components, and pneumatic accessories. Guangdong Airtac Automatic Industrial Co., Ltd. (previously Guangzhou Airtac Automatic Industrial Co., Ltd.) was established on December 31, 2006 with an operation period of 50 years, and engages primarily in the production of pneumatic and hydraulic control components, Actuator components, air preparation components, and pneumatic accessories. Airtac (China) Co., Ltd. was established on May 6, 2011 with an operation period of 50 years, and engages primarily in the production, R&D, distribution, storage of industrial control components, pneumatic components, hydraulic components, pneumatic whole set equipment, wind power tools, electric tools, low-voltage electric appliances, and hand tools, import and export of the aforementioned products and support services. Airtac Industrial Co., Ltd. was established on May 9, 1989 and engages primarily in the processing and sales of machinery and automated machines, manufacturing, processing and sales of hydraulic/pneumatic parts and components, and import and export trade of the aforementioned products. ATC (Italia) S.R.L. was established on June 10, 2008 and engages primarily in the production and sales of pneumatic and hydraulic control components. Airtac International (Singapore) Pte. Ltd. was established on August 11, 2011 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components. Airtac Co., Ltd. was established on April 18, 2013 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components. Airtac Industrial（Malaysia）Sdn. Bhd. was established on July 16, 2013 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components.

e. Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries, associates, joint ventures or branches operations in other countries or currencies used different with the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made item by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average.

g. Investments in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the associate's profit or loss and other comprehensive income. The Group also recognizes the changes in the Group's share of equity of associates attributable to the Group.

Any cost of acquisition in excess of the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included in the carrying amount of the investment and is not amortized.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

h. Property, Plant and Equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Properties in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Freehold land is not depreciated.

Depreciation is recognized using the straight-line method. Each part of a property, plant and equipment item that is significant to the total cost of the item is depreciated separately. The estimated useful lives, residual values and depreciation method are audited at the end of each reporting period, with any changes in estimates accounted for prospectively.

Any gain or loss on the disposal or retirement of a property, plant and equipment item is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

i. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributable goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

j. Intangible Assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis. The estimated useful life residual value, and amortization method are audited at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life. When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognizes an intangible asset at fair value upon initial recognition. The intangible asset is subsequently measured at cost less accumulated amortization and any accumulated impairment loss.

2) Derecognition of intangible assets

Gains or losses arising from the derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

k. Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units in case of the Group can use a reasonable and consistent basis of allocation, otherwise, corporate assets are allocated to the smallest group of cash-generating units.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial Instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis/settlement date basis.

a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset may be designated as at fair value through profit or loss upon initial recognition if:

i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

ii) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

iii) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

ii. Loan and receivable

Loans and receivables (including trade receivables, cash and cash equivalents, and debt investments with no active market) system using the effective interest method at amortized cost amount after deduction of impairment loss is measured by the extent of the interest of short-term receivables are recognized non-materiality except in the case.

Cash equivalents include self-made within three months from the date of highly liquid investments which are readily convertible to known amounts of cash and very little risk of changes in value of deposits and commercial paper, used to meet short-term cash commitments.

b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as notes and trade receivables and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables, and other situation.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is 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.

For financial assets measured at amortized cost, 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 was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Equity Instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3) Financial Liabilities

a) Subsequent measurement

Financial liabilities using the effective interest method at amortized cost measured at amortized debt instrument using the effective interest method and means to calculate the cost of allocating interest income over the relevant period. The effective interest rate on the debt instruments means the expected life or appropriate, a shorter period, the amount of the estimated future cash receipts (including all fees paid or received and the points are part of the overall effective interest rate, transaction costs and all other premiums or discounts) after discounting, exactly equal to the net carrying amount of the interest rate initially recognized.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

m. Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale if the seller can reliably estimate future returns and recognizes a liability for returns based on previous experience and relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

e) The transaction costs incurred or to be incurred can be measured reliably.

2) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established and if it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

n. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents arising under operating leases are recognized as an expense in the period in which they are incurred.

o. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p. Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

q. Retirement Benefit Costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method. All actuarial gains and losses on the defined benefit obligation are recognized immediately in other comprehensive income. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the consolidated balance sheets represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Curtailment or settlement gains or losses on the defined benefit plan are recognized when the curtailment or settlement occurs.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the stockholders approve the retention of earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current period's income tax expenses.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to use the benefits of the temporary differences and are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3)Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are audited on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Estimated impairment of notes and trade receivables and other receivables

When there is objective evidence that an impairment indicator, the combined company will consider the estimation of future cash flows. The amount of impairment loss based on the carrying amount of the asset and the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the effective discounted at the original interest rate of the financial asset between the measure. If the actual future cash flows are less than expected, a material impairment loss may arise.

b. Write-down of inventories

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

c. Impairment of investment in the associate

The Group immediately recognizes impairment loss on its net investment in the associate when there is any indication that the investment may be impaired and the carrying amount may not be recoverable. The Group's management evaluates the impairment based on the estimated future cash flow expected to be generated by the associate, including growth rate of sale and capacity of production facilities estimated by the associate's management. The Group also takes into consideration the market conditions and industry development to evaluate the appropriateness of assumptions.

The Group did not recognize any impairment on investments accounted for using equity method for the years ended December 31, 2014.

d. Recognition and measurement of defined benefit plans

Accrued pension liabilities and the resulting pension expenses under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and long-term average future salary increase. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

6. CASH AND CASH EQUIVALENTS

	December 31, 2014	December 31, 2013
Cash on hand	$ 1,717	$ 1,974
Checking accounts and demand deposits	1,022,670	611,638
Cash equivalent		
Commercial papers	-	449,744
Time deposits with original maturities less than three months	620,334	406,338
	$ 1,644,721	$ 1,469,694

The market rate intervals of cash in bank and bank overdrafts at the end of the reporting period were as follows:

	December 31, 2014	December 31, 2013
Bank balance	0.01%-0.39%	0.01%-0.39%
Commercial papers	-	0.60%
Time deposits	3.00%-3.50%	2.60%-4.15%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2014	December 31, 2013
Financial assets at FVTPL- current		
Financial assets designated as at FVTPL		
Structured deposits	$ 785,364	$ 121,263

The Group signed a contract of structural time deposits. The structured time deposits contract contains an embedded derivative not closely related to the host contract. The Group designated the entire contract as a financial assets at fair value through profit or loss.

At the end of the reporting period, outstanding structured deposits were as follow:

December 31, 2014

Nature of financial instrument	Contract period	Amount of the contract	Fair value
Structured deposits	2014.11.18~2015.01.15	$ 105,404	$ 105,987
Structured deposits	2014.11.26~2015.01.26	25,460	25,569
Structured deposits	2014.12.05~2015.01.06	50,920	51,080
Structured deposits	2014.12.27~2015.01.19	101,840	102,014
Structured deposits	2014.12.25~2015.01.26	50,920	50,959
Structured deposits	2014.11.11~2015.01.06	101,840	102,496
Structured deposits	2014.11.14~2015.01.06	101,840	102,456
Structured deposits	2014.12.08~2015.01.09	127,300	127,657
Structured deposits	2014.12.19~2015.02.02	117,116	117,146
		$ 782,640	$ 785,364

December 31, 2013

Nature of financial instrument	Contract period	Amount of the contract	Fair value
Structured deposits	2013.11.11~2014.01.13	$ 49,190	$ 49,495
Structured deposits	2013.11.11~2014.01.13	49,190	49,495
Structured deposits	2013.12.05~2014.01.06	22,136	22,273
		$ 120,516	$ 121,263

8. **DEBT INVESTMENTS WITH NO ACTIVE MARKET -CURRENT**

	December 31, 2014	December 31, 2013
Time deposits with original maturities more than three months	$ 64,156	$ -

The market interest rates of the time deposits with original maturity more than 3 months were 3.05%-3.25% per annum as of December 31, 2014.

Refer to Note 29 for information relating to debt investments with no active market pledged as security.

9. **NOTES RECEIVABLE AND TRADE RECEIVABLES**

	December 31, 2014	December 31, 2013
Notes receivable		
Notes receivable	$ 1,007,016	$ 720,274
Less: Allowance for impairment loss	(513)	(551)
	$ 1,006,503	$ 719,723
Trade receivables		
Trade receivables	$ 1,837,832	$ 1,550,244
Less: Allowance for impairment loss	(66,298)	(64,396)
	$ 1,771,534	$ 1,485,848

The average credit period on sales of goods was from 30 to 90 days. The Group recognized an allowance for impairment loss of 100% against all receivables over 365 days because historical experience had been that receivables that are past due beyond 365 days were not recoverable. Allowance for impairment loss were recognized against trade receivables between 30 days and 365 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

Before accepting any new customer, the Group will assess the potential customer's credit quality and set the credit line of the customer. Inspect credit line and rating of customers regularly.

The Group serves a large consumer base; therefore, the concentration of credit risk is limited.

There is no trade receivables balances that were past due at the end of the reporting period.

Movements in the allowance for impairment loss recognized on the notes receivable and trade receivables were as follows:

	For the Year Ended December 31	
	2014	**2013**
Balance at January 1	$ 64,947	$ 43,729
Add: Allowance for impairment losses recognized on receivables	-	18,750
Less: Impairment losses reversed	(1,381)	-
Less: Amounts written off as uncollectible	(10)	-
Effect of exchange rate changes	3,255	2,468
Balance at December 31	$ 66,811	$ 64,947

Trade receivables that are assessed not to be impaired individually are further assessed for impairment on a collective basis.

10. INVENTORIES

	December 31, 2014	December 31, 2013
Raw materials	$ 541,463	$ 373,889
Finished goods	811,496	632,100
Work in progress	494,522	537,190
	$ 1,847,481	$ 1,543,179

As of December 31, 2014 and 2013, the allowance for inventory devaluation was $27,860 thousand and $47,224 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2014 and 2013 was $3,775,784 thousand and $3,264,133 thousand, respectively. The inventory write-downs of $3,652 thousand and $17,238 thousand, and loss on disposal of inventory of $4,524 thousand and $6,392 thousand were included in the cost of sales for the years ended December 31, 2014 and 2013, respectively.

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates

	December 31, 2014	December 31, 2013
Unlisted company		
AMA Tech Corp.	$ 221,383	$ 279,493

As the end of the reporting period, the proportion of ownership and voting rights in associates held by the Group were as follows:

Name of Associate	December 31, 2014	December 31, 2013
AMA Tech Corp.	20%	20%

At December 31, 2014, the carrying amounts of the Group's interests in listed investments were higher than their respective recoverable amount, based on the value in use of the investments was calculated with method of Golden Model. The management of the Group carried out impairment review by comparing their respective recoverable amount with the carrying amount. The recoverable amount of an investment in an associate is assessed for each associate. In determining the value in use of the investments, the Group estimated the present value of the estimated future cash flows expected to arise from the operations of the investments and from the ultimate disposal, by using discount rates ranging 14.7%. Based on the assessments, the recoverable amounts of the Group's interests in AMA Tech Corp. was less than their carrying amounts. Hence, impairment losses of $48,000 thousand was recognized in profit or loss for the year ended December 31, 2014.

Impairment loss recognized on the Group's investment in associates was as follows:

	For the Year Ended December 31	
Name of Associate	2014	2013
AMA Tech Corp.	$ 48,000	$ -

The summarized financial information in respect of the Group's associates is set out below:

	December 31, 2014	December 31, 2013
Total assets	$ 897,475	$ 929,414
Total liabilities	$ 16,708	$ 25,969

	For the Year Ended December 31	
	2014	2013
Revenue	$ 1,756	$ 7,378
Profit (loss) for the year	($ 22,677)	($ 62,236)

Investments accounted for by the equity method and the share of profit or loss and other comprehensive income of the investment was calculated based on the financial statements that have been audited.

12. **PROPERTY, PLANT AND EQUIPMENT**

	Land	Bulidings	Machinery and Equipment	Transportation Equipment	Office facilities and other equipment	Property in construction	Total
Cost							
Balance at January 1, 2013	$ 159,957	$ 3,113,642	$ 1,950,433	$ 196,064	$ 463,111	$ 897,103	$ 6,780,310
Additions	883,186	18,311	596,264	45,036	212,798	1,010,772	2,766,367
Disposals	-	(107,686)	(48,766)	(34,744)	(6,510)	-	(197,706)
Reclassification	-	343,074	-	-	-	(343,074)	-
Effect of foreign currency exchange differences	5,873	137,604	101,632	13,636	140,808	23,869	423,422
Balance at December 31, 2013	$1,049,016	$3,504,945	$ 2,599,563	$ 212,992	$ 810,207	$ 1,588,670	$ 9,772,393
Accumulated depreciation							
Balance at January 1, 2013	$ -	$ 348,628	$ 621,390	$ 57,865	$ 179,350	$ -	$ 1,207,233
Depreciation expenses	-	94,472	190,123	40,541	98,060	-	423,196
Disposals	-	(21,444)	(40,536)	(22,624)	(5,175)	-	(89,779)
Effect of foreign currency exchange differences	-	14,624	21,568	3,288	85,772	-	125,252
Balance at December 31, 2013	$ -	$ 436,280	$ 792,545	$ 79,070	$ 358,007	$ -	$ 1,665,902
Carrying amount at December 31, 2013	$1,049,016	$ 3,068,665	$ 1,807,018	$ 149,922	$ 452,200	$ 1,588,670	$ 8,106,491
Cost							
Balance at January 1, 2014	$ 1,049,016	$3,504,945	$ 2,599,563	$ 219,992	$ 810,207	$ 1,588,670	$ 9,772,393
Additions	-	12,793	560,799	44,995	184,252	1,803,460	2,606,299
Disposals	-	-	(26,840)	(10,588)	(36,159)	-	(73,587)
Reclassification	-	1,125,515	-	(4,969)	-	(1,120,546)	-
Effect of foreign currency exchange differences	-	116,757	96,697	8,024	(1,271)	87,121	307,328
Balance at December 31, 2014	$ 1,049,016	$4,760,010	$ 3,230,219	$ 257,454	$ 957,029	$ 2,358,705	$12,612,433
Accumulated depreciation							
Balance at January 1, 2014	$ -	$ 436,280	$ 792,545	$ 79,070	$ 358,007	$ -	$ 1,665,902
Depreciation expenses	-	106,286	249,056	47,766	136,497	-	539,605
Disposals	-	-	(22,303)	(5,560)	(31,361)	-	(59,224)
Effect of foreign currency exchange differences	-	23,626	20,312	3,066	(10,595)	-	36,409
Balance at December 31, 2014	$ -	$ 566,192	$ 1,039,610	$ 124,342	$ 452,548	$ -	$ 2,182,692
Carrying amount at January 1, 2014	$ 1,049,016	$ 3,068,665	$1,807,018	$ 140,922	$ 452,200	$1,588,670	$ 8,106,491
Carrying amount at December 31, 2014	$1,049,016	$ 4,193,818	$2,190,609	$ 133,112	$ 504,481	$2,358,705	$10,429,741

There was no impairment indication for property, plant and equipment. The Group did not recognize any impairment loss for the years ended December 31, 2014 and 2013.

The above items of property, plant and equipment were depreciated on a straight-line basis over the estimated useful life of the asset:

Buildings and structures	
Main Buildings	40-50 years
Engineering systems	10-20 years
Machinery and equipment	4-20 years
Transportation equipment	2- 5 years
Office equipment and other equipments	2-15 years

Refer to Note 29 for the carrying amount of property, plant and equipment pledged by the Group to secure bank loans.

13. **PREPAYMENTS FOR LEASE**

	December 31, 2014	December 31, 2013

Current asset	$ 3,260	$ 3,148
Non-current asset	$ 132,108	$ 130,767

The prepayments for leases is applicable to the land use right located in Mainland China.

14. OTHER ASSETS

	December 31, 2014	December 31, 2013
Current		
Excess VAT paid	$ 107,667	$ -
Prepayments	48,461	56,047
Prepaid expenses	25,121	34,153
Prepayments for lease	3,260	3,148
Others	497	6,210
	$ 185,006	$ 99,558
Non-current		
Prepayments for equipment	$ 445,288	$ 293,644
Refundable deposits	17,048	14,639
	$ 462,336	$ 308,283

15. LOANS

(1) Short-term loans

	December 31, 2014	December 31, 2013
Unsecured loans		
Line of credit loans	$ 5,321,066	$2,913,797

The range of interest rate on bank loans was 1.16%-2.40%, and 1.10%-1.748% per annum as of December 31, 2014 and 2013, respectively.

(2) Short-term bills payable

	December 31, 2014	December 31, 2013
Commercial paper	$ 70,000	$ 130,000

Outstanding short-term bills payable were as follows:

December 31, 2014

Promissory Institutions	Nominal amount	Discount amount	Carrying amount	Interest rate
International Bills	$ 30,000	$ -	$ 30,000	0.72%
Grand Bills	10,000	-	10,000	0.87%
Mega Bills	30,000	-	30,000	0.80%
	$ 70,000	$ -	$ 70,000	

December 31,2013

Promissory Institutions	Nominal amount	Discount amount	Carrying amount	Interest rate
China Bills	$ 50,000	$ -	$ 50,000	0.69%
Grand Bills	50,000	-	50,000	0.82%
Taiwan Finance	30,000	-	30,000	0.98%

	$ 130,000	$ -	$ 130,000

The payables of the commercial paper have not been discounted, because the effect was not material.

(3) Long-term loans

	December 31, 2014	December 31, 2013
Secured loans		
Repay principal between November, 2008 and August, 2023 based on annuity method and pay interest on a monthly basis. (1.506%)	$ 213,049	$ 235,891
Between July, 2013 and July, 2015 (with interest rate of 1.50%),the repayment of the principal will be made once on the due day, but that was advance repayment at May,2014	-	780,000
Between May, 2014 and May 2019 (with interest rate of 1.709%)	1,720,000	-
Total	1,933,049	1,015,891
Deduct: Current portion	(23,188)	(22,842)
Deduct: Syndication loan charge fee	(10,197)	-
Long-term loans	$ 1,899,664	$ 993,049

In April, 2014, the Group signed a $2,950,000 thousand syndicated loan (the Loan) with Mega International Commercial Bank and 7 other participating banks. The Loan is effective in 18 months after the first draw and the undrawn facilities will be automatically cancelled as the effective term terminated. The principal will be payable after two years from the first draw, May 15, 2014, in 7 semiannually installments. The first to the sixth installment will be calculated at a repayable amount equal to 7.5% of the outstanding principal prior to the day before the first installment and the 55% remainder principal will be repaid in full on the maturity date. Pursuant to the loan agreement, financial ratios must comply with predetermined financial covenants on December 31, 2014.

Refer to Note 29 for the information relating to the Group's assets pledged as collateral bank loans.

16. NOTES PAYABLE AND TRADE PAYABLES

The Group's average credit terms of purchasing goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within pre-agreed credit terms.

17. OTHER LIABILITIES

	December 31, 2014	December 31, 2013
Other payables		
Payables for purchase of equipment	$ 159,540	$ 66,037
Salaries and bonus	366,206	339,255
Others	54,209	76,625
	$ 579,955	$ 481,917

Other current liabilities

	December 31, 2014	December 31, 2013
Other taxes	$ 51,934	$ 3,093
Account collected in advance	43,353	28,366
Others	571	802
	$ 95,858	$ 32,261

18. **RETIREMENT BENEFIT PLANS**

(1) Defined contribution plans

Airtac Industrial Co. of the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Jianliang (Shanghai) Trading Co., Ltd., Ningbo Airtac Automatic Industrial Co., Guangdong Airtac Automatic Industrial Co. and Airtac (China) Co., Ltd. of the Group shall contribute amounts of a certain ratio of employees' monthly salaries and wages to a pension fund according to local regulations.

The pension costs recognized in total comprehensive income under the defined contribution plan amounted to $106,322 thousand and $73,588 thousand for the years ended December 31, 2014 and 2013, respectively.

(2) Defined benefit plans

Airtac Industrial Co. of the Group adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. Airtac Industrial Co. contribute amounts equal to 3% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

The plan assets are invested in domestic (foreign) equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund the return generated by employees' pension contribution should not be below the interest rate for a 2-year time deposit with local banks.

The Group operates the "Retirement Procedure" which was defined benefit plans for qualifying employees of Guangdong Airtac Automatic Industrial Co., Ltd., its subsidiary in China. The "Retirement Procedure" was all of settlements this year.

The Group, Instant Reach International Limited, Airtac Trading (Hong Kong) Limited, Airtac Holding（Singapore） Pte. Ltd., Airtac Industrial (Hong Kong) Limited, ATC （Italia） S.R.L., Airtac International （Singapore）Pte. Ltd., Ningbo Airtac Automatic Industrial Co., Ltd., Airtac (China) Co., Ltd., Airtac Co., Ltd. and Airtac Industrial （Malaysia）Sdn. Bhd. do not have retirement benefit plans.

The actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by qualifying actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2014	2013
Discount rate	2.00%	1.75-3.75%
Expected rate of salary increase	3.50%	3.50-5.00%
Expected return on plan assets	2.00%	1.50%

The assessment of the overall expected rate of return was based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation, by reference to the aforementioned use of the plan assets and the impact of the related minimum return.

Amounts recognized in profit or loss in respect of these defined benefit plans are as follows:

	For the Year Ended December 31	
	2014	2013
Current service cost	$ 889	$ 1,879
Interest cost	1,331	1,354
Expected return on plan assets	(304)	(255)
Losses (gains) arising from curtailment or settlement	434	(23,995)
	$ 2,350	($ 21,017)
An analysis by function		
Operating cost	$ -	$ -
Marketing expenses	-	-
Administration expenses	2,350	(21,017)
Research and development expenses	-	-
	$ 2,350	($ 21,017)

Actuarial gains and (losses) recognized in other comprehensive income for the years ended December 31, 2014 and 2013 was $8,838 thousand and ($1,942) thousand, respectively. The cumulative amount of actuarial gains and (losses) recognized in other comprehensive income as of December 31, 2014 and 2013 was $4,165 thousand and ($4,673) thousand, respectively.

The amount included in the consolidated balance sheet arising from the Group's obligation in respect of its defined benefit plans was as follows:

	December 31, 2014	December 31, 2013
Present value of funded defined benefit obligation	$ 40,359	$ 55,055
Fair value of plan assets	(11,018)	(13,342)
Deficit	29,341	41,713
Past service cost not yet recognized	-	-
Net liability arising from defined benefit obligation	$ 29,341	$ 41,713

Movements in the present value of the defined benefit obligations were as follows:

	For the Year Ended December 31	
	2014	2013
Opening defined benefit obligation	$ 55,055	$ 73,907
Current service cost	889	1,879
Interest cost	1,331	1,354
Actuarial losses (gains)	(12,471)	2,621
Liabilities extinguished on settlements	434	(23,995)
Exchange differences on foreign plans	(552)	252
Benefits of plan assets paid	(3,198)	-
Benefits paid	(1,129)	(963)
Closing defined benefit obligation	$ 40,359	$ 55,055

Movements in the fair value of the plan assets were as follows:

	For the Year Ended December 31	
	2014	2013
Opening fair value of plan assets	$ 13,342	$ 12,414
Expected return on plan assets	304	255
Actuarial losses	(18)	(95)
Contributions from the employer	588	768
Benefits paid	(3,198)	-
Closing fair value of plan assets	$ 11,018	$ 13,342

The major categories of plan assets at the end of the reporting period for each category were disclosed based on the information announced by Bureau of Labor Funds, Ministry of Labor:

	December 31, 2014	December 31, 2013
Equity instruments	48	27
Debt instruments	29	27
Others	23	46
	100	100

The Group chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to IFRSs:

	December 31, 2014	December 31, 2013
Present value of defined benefit obligation	$ 40,359	$ 55,055
Fair value of plan assets	($ 11,018)	($ 13,342)
Deficit	$ 29,341	$ 41,713
Experience adjustments on plan liabilities	$ 10,249	($ 6,568)
Experience adjustments on plan assets	$ -	$ -

The Group expects to make a contribution of $552 thousand and $768 thousand, respectively to the defined benefit plans during the annual period beginning after 2014 and 2013.

19. EQUITY

a. Share capital

Ordinary shares

	December 31, 2014	December 31, 2013
Numbers of shares authorized (in thousands)	200,000	200,000
Shares authorized	$ 2,000,000	$ 2,000,000
Number of shares issued and fully paid (in thousands)	170,500	170,500
Shares issued	$ 1,705,000	$ 1,705,000

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and carry a right to dividends. Originally the Group's registered capital and paid-in capital was both US$20 million. Starting on April 17, 2010, the Group's paid-in capital of US$20 million was converted into NT$ 647,000 thousand (in 64,700,000 shares with a par value of NT$ 10 per share) at the exchange rate of 1:32.35. The Group held a general shareholders' meeting on June 29, 2010, in which, the shareholders approved a proposal to capitalize NT$ 683,000 thousand of capital surplus passed by the board of directors in its meeting on May 27, 2010. The capitalization resulted in the issue of 68,300,000 shares with a par value of NT$ 10 per share. The board of directors also passed a proposal in its meeting on October 20, 2010 to make cash offering of 17,000,000 shares with a par value of NT$ 10 per share. The shareholders approved a proposal to capitalize 10,500,000 new shares of capital surplus with a par value of NT$ 10 per share passed by the board of directors in its meeting on May 22, 2013. The board of directors passed a proposal of cash increase by issuing 10,000,000 new shares with a par value of NT$ 196 at premium in its meeting on August 12, 2013 and the paid-in capital was NT$ 1,705,000 thousand.

b. Retained earnings and dividend policy

Retained earnings

	December 31, 2014	December 31, 2013
Unappropriated earnings	$ 3,640,591	$ 2,925,958
Special reserve	32,756	50,808
Other comprehensive income	4,165	(4,673)
	$ 3,677,512	$ 2,972,093

Other comprehensive income are actuarial gains and losses on defined benefit plan of the Group.

Under the Company's Articles of Incorporation, the Company should make appropriations from its net income (less any deficit) in the following order:

Set aside special reserve in accordance with laws and regulations governing public companies or the requirements of the competent authorities; next, 2% ~ 5% of the annual earnings proposed to be distributed is set aside as employee bonus; the remainder, if any, may be distributed as stock dividends or cash dividends or both in accordance with the applicable laws and regulations and in consideration of the year's profit situation and the Company's capital structure. Unless it is otherwise decided by the shareholders' meeting and board of directors' meeting, the amount of earnings distributed shall not be less than 60% of the year's after-tax earnings.

For the years ended December 31, 2014 and 2013, the bonus to employees were estimated $61,687 thousand and $71,521 thousand, respectively. The bonus to employees represented 3.5% and 4%, respectively, of net income. Material differences between these estimated amounts and the amounts proposed by the board of directors on or before the consolidated financial statements are authorized for issue are adjusted in the year the bonus were recognized. If there is a change in the proposed amounts after the consolidated financial statements are authorized for issue, the differences are recorded for as a change in accounting estimate in the following year.

If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the fair value of the share. For the calculation of the number of shares, the fair value of the shares refer to the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

The Company appropriates or reverses a special reserve in accordance with Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC on April 6, 2012 and the directive entitled "Questions and Answers on Special Reserves Appropriated Following the Adoption of IFRSs". Distributions can be made out of any subsequent reversal of the debit to other equity items. The Group also appropriates and reverses a special reserve in accordance with Rule No. 1030006415 issued by the FSC.

The appropriations of earnings, including the bonus to employees for 2013 and 2012, have been approved in the stockholders' meeting on May 29, 2014 and May 22, 2013. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Year 2013	**For Year 2012**	**For Year 2013**	**For Year 2012**
Special reserve provided	$ -	$ 50,808	$ -	$ -
Special reserve reversed	18,052	-	-	-
Cash dividends	1,074,150	570,000	6.3	3.8
Stock dividends	-	105,000	-	0.7

	For the Year Ended 2013		**For the Year Ended 2012**	
	Cash Dividends	**Stock Dividends**	**Cash Dividends**	**Stock Dividends**
Bonus to employees	$ 71,836	$ -	$ 23,406	$ -

The appropriations of earnings for 2012 were proposed in accordance with the Company's financial statements for the year ended December 31, 2012, which were prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the Generally Accepted Accounting Standard in the Republic of China ("ROC GAAP"), and by reference to the balance sheet for the year ended December 31, 2012, which was prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers (revised) and International Financial Reporting Standards.

	For The Year Ended 2013	**For The Year Ended 2012**

	Bonus to Employees	Remuneration of Directors and Supervisors	Bonus to Employees	Remuneration of Directors and Supervisors
Amounts approved in shareholders' meetings	$ 71,836	$ -	$ 23,406	$ -
Amounts recognized in respective financial statements	71,521	-	20,430	-
Difference amounts	$ 315	$ -	$ 2,976	$ -

The differences between the approved amounts of the bonus to employees and the remuneration to directors and supervisors in shareholders' meetings and the accrual amounts reflected in the financial statements for the years ended December 31, 2013 and 2012 were primarily due to changes in estimates had been adjusted to profit and loss for the years ended December 31, 2014 and 2013, respectively.

The appropriations of earnings for 2014 had been proposed by the Company's board of directors on March 3, 2015. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Special reserve	$ 45,568	$ -
Cash dividends	818,400	4.8
Share dividends	85,250	0.5

The appropriations of earnings, the bonus to employees, and the remuneration to directors and supervisors for 2014 are subject to the resolution of the shareholders' meeting to be held on May 28, 2015.

Information on the bonus to employees, directors and supervisors approved in shareholders' meetings is available on the Market Observation Post System website of the Taiwan Stock Exchange.

c. Other equity items

Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2014	2013
Balance at January 1	$ 315,371	$ 27,921
Exchange differences on translating foreign operations	314,931	297,715
Share of exchange difference of associates accounted for using the equity method	(14,459)	(10,265)
Balance at December 31	$ 615,843	$ 315,317

The relating exchange differences arising from the net assets of the Group's foreign operations which are translated from the functional currency to expression currency (i.e. TWD) are recognized in exchange differences on translating foreign operations of other comprehensive income.

20. **NET PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS**

Net income from continuing operations includes:

a. Other income

	For the Year Ended December 31	
	2014	2013
Interest income	$ 18,228	$ 13,063

b. Other gains and losses

	For the Year Ended December 31	
	2014	2013
Net foreign exchange gains (losses)	($ 43,629)	$ 115,116
Net gain arising on financial assets designated as at FVTPL	18,223	4,692
Government grants	149,707	69,445
Share of the profit or loss of associates (Note 10)	(4,532)	(12,447)
Gain (loss) on disposal of property, plant and equipment	(4,966)	28,335
Impairment loss recognized on investments in associates	(48,000)	-
Others	(16,142)	5,510
	$ 50,661	$ 210,651

c. Financial cost

	For the Year Ended December 31	
	2014	2013
Interest on bank loans	$ 69,265	$ 51,708

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2014	2013
Capitalized interest	$ 22,771	$ 5,873
Capitalization rates	1.76%	1.33%

d. Depreciation and amortization

	For the Year Ended December 31	
	2014	2013
An analysis of deprecation by function		
Operating costs	$ 312,108	$ 238,401
Selling and marketing expenses	100,911	82,690
General and administration expenses	94,193	75,505
Research and development expenses	32,393	26,600
	$ 539,605	$ 423,196
An analysis of amortization by function		
Operating costs	$ 584	$ 674

	For the Year Ended December 31	
	2014	2013
Selling and marketing expenses	654	327
General and administration expenses	6,387	4,875
Research and development expenses	3,626	2,212
	$ 11,251	$ 8,088

e. Employee benefits expense

	For the Year Ended December 31	
	2014	2013
Post-employment benefits (Note 18)		
Defined contribution plans	$ 106,322	$ 73,588
Defined benefit plans	2,350	(21,017)
	108,672	52,571
Other employee benefits	2,013,785	1,666,503
Total employee benefits expense	$ 2,122,457	$ 1,719,074
An analysis of employee benefits expense by function		
Operating costs	$ 868,418	$ 769,926
Operating expenses	1,254,039	949,148
	$ 2,122,457	$ 1,719,074

f. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2014	2013
Foreign exchange gains	$ 62,630	$ 168,523
Foreign exchange losses	(106,259)	(53,407)
	($ 43,629)	$ 115,116

21. **INCOME TAXS**

a. Income tax recognized in profit or loss

The major components of tax expense were as follow:

	For the Year Ended December 31	
	2014	2013
Current tax		
In respect of the current period	$ 599,710	$ 544,038
Adjustments for prior periods	(371)	(627)
	599,339	543,411
Deferred tax		
In respect of the current period	3,091	97,895
Income tax expense recognized in profit or loss	$ 602,430	$ 641,306

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31

	2014	2013
Profit before tax from continuing operations	$2,388,542	$ 2,366,757
Income tax expense calculated at the statutory rate	$ 617,758	$ 645,435
Nondeductible expenses in determining taxable income	253	4,359
Income tax on unappropriated earnings	-	2,710
Tax-exempt income	(917)	(797)
Unrecognized deductible temporary differences	(2,196)	2,207
Research and development expenses deducting income tax	(11,731)	(11,850)
Physical handicapped salaries deducting income tax	(366)	(176)
Adjustments for prior years' tax	(371)	(627)
Income tax expense recognized in profit or loss	$ 602,430	$ 641,306

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in ROC, while the applicable tax rates used by subsidiaries in China are 25% and 15%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of 2015 appropriations of earnings is uncertain, the potential income tax consequences of 2014 unappropriated earnings are not reliably determinable.

b. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2014

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Others	Closing Balance
Deferred Tax Assets					
Temporary differences					
Write-down of inventories	$ 6,985	($ 2,750)	$ 103	$ -	$ 4,338
Allowance for impaired receivables	14,826	649	533	-	16,008
Defined benefit obligation	1,604	610	1	-	2,215
Unrealized gross profits	46,303	1,678	1,686	-	49,667
Others	7,117	5,066	(1,841)	-	10,342
	76,835	5,253	482	-	82,570
Tax losses	24,000	48,971	2,554	-	75,525
	$ 100,835	$ 54,224	$ 3,036	$ -	$158,095
Deferred Tax Liabilities					
Accrual dividends withholding income tax	$ 258,744	$ 57,315	$ 11,102	($ 16,274)	$310,887

For the year ended December 31, 2013

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Others	Closing Balance
Deferred Tax Assets					
Temporary differences					
Write-down of inventories	$ 4,579	$ 2,106	$ 300	$ -	$ 6,985
Allowance for impaired receivables	10,069	4,110	647	-	14,826
Defined benefit obligation	3,022	(1,552)	134	-	1,604
Unrealized gross profits	32,834	11,406	2,063	-	46,303
Others	20,975	(14,716)	858	-	7,117
	71,479	1,354	4,002	-	76,835

Tax losses	22,350	400	1,250	-	24,000
	$ 93,829	$ 1,754	$ 5,252	$ -	$ 100,835
Deferred Tax Liabilities					
Accrual dividends withholding income tax	$ 149,070	$ 99,649	$ 10,025	$ -	$ 258,744

c. Deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets

	For the Year Ended December 31	
	2014	**2013**
Deductible temporary differences		
Write-down of inventories	$ -	$ 6,929
Allowance for impaired receivables	225	4,131
	$ 225	$ 11,060

d. Information about unused investment credits, unused loss carry-forward and tax-exemption

Loss carryforwards as of December 31, 2014 comprised of:

Unused Amount	**Expiry Year**
$ 12,400	2018
49,351	2019
50,841	2023
173,837	2024
79,611	None
$ 366,040	

As of December 31, 2014, profits attributable to the following expansion projects were exempted from income tax for a five-year period:

Expansion of Construction Project	**Tax-exemption Period**
29 Machinery and Equipment Manufacturing	2012.01.01-2016.12.31

e. Income tax assessments

The income tax returns of the Company and subsidiaries, except Instant Reach International Limited are exempted from income tax, Airtac International Group Taiwan Branch, Airtac Industrial Co., Ltd and ATC (Italia) S.R.L. have been respectively examined and cleared by the ROC tax authority and Italian taxing authority through 2013,2012 and 2008. The other subsidiaries have also filed business income tax returns by the deadlines set by the local governments.

22. **EARNINGS PER SHARE**

The earnings and weighted-average number of ordinary shares outstanding on the computation of earnings per share were as follow:

Net profit for the period

	For the Year Ended December 31	
	2014	2013
Profit for the period attributable to owners of the Company	$ 1,770,731	$ 1,710,158
Earnings used in the computation of basic earnings per share	1,770,731	1,710,158
Effect of dilutive potential ordinary shares	-	-
Earnings used in the computation of diluted earnings per share	$ 1,770,731	$ 1,710,158

Weighted average number of ordinary shares outstanding (in thousand shares)

Weighted average number of ordinary shares in computation of basic earnings per share	170,500	162,167
Effect of dilutive potential ordinary shares:		
Employee dividends	224	296
Weighted average number of ordinary shares used in computation of dilutive earnings per share	170,724	162,463

If the Company offered to settle bonuses paid to employees in cash or shares, the Company assumed the entire amount of the bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

23. **GOVERNMENT GRANTS**

The government grants indicate the governmental subsidies received by subsidiaries in Mainland China from the local finance bureau.

24. **NON-CASH TRANSACTIONS**

The Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statement of cash flows during the period of the years ended December 31, 2014 and 2013.

a. The Group acquired property, plant and equipment with an aggregate fair value of $2,606,299 thousand during the period of the year ended December 31, 2014. Other trade payables increase NT$88,101 thousand in total. The cash paid of the Group for acquision of property, plant and equipment was $2,518,198 thousand (see the Note 12).

b. The Group acquired property, plant and equipment with an aggregate fair value of $2,766,367 thousand during the period of the year ended December 31, 2013. Other trade payables increase $ 14,461 thousand in total. The cash paid of the Group for acquision of property, plant and equipment was $2,751,906 thousand (see the Note 12).

25. **OPERATING LEASE AGREEMENTS**

The Group as lessee

Operating leases relate to purpose of office leasing with lease terms between 1 and 10 years. The Group does not have a bargain purchase option to acquire the purpose of office leasing at the expiration of the lease periods.

As of December 31, 2014 and 2013, the Group had paid refundable deposits of $6,366 thousand and $6,363 thousand in operating lease agreements, respectively.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31, 2014	December 31, 2013
Not later than one year	$ 38,107	$ 31,367
Later than one year and not later than five years	45,404	41,091
Later than five years	3,030	2,861
	$ 86,541	$ 75,319

26. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from 2010.

The capital structure of the Group consists of net debt borrowings offset by cash and cash equivalents and equity of the Group comprising issued capital, reserves, retained earnings, other equity and non-controlling interests.

The Group is not subject to any externally imposed capital requirements.

Key management personnel of the Group review the capital structure on a semi-annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Fair value of financial instruments not carried at fair value

The management of the Group considers that the carrying amounts of financial assets and liabilities not measured at fair value are close to the fair value.

2) Fair value measurements recognized in the consolidated balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

(a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

December 31, 2014

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Structured deposits	$ -	$ 785,364	$ -	$ 785,364

December 31, 2013

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Structured deposits	$ -	$ 121,263	$ -	$ 121,263

There were no transfers between the level 1 and level 2 during the period of the years ended December 31, 2014 and 2013.

3) Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair value of financial assets and liabilities are defined as follows:

(a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to listed market prices. Where such prices were not available, valuation techniques were applied. The estimates and assumptions of financial assets used by the Group were consistent with those that market participants would use in setting a price for financial instruments.

(b) The fair values of derivative instruments were calculated using quoted prices. Where such prices were not available, a discounted cash flow analysis was performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. The estimates and assumptions of financial assets used by the Group were consistent with those that market participants would use in setting a price for financial instrument.

(c) The fair values of other financial assets and financial liabilities (excluding those described above) were determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

b. Categories of financial instruments

	December 31, 2014	December 31, 2013
Financial assets		
Financial assets at FVTPL		
Designated as at FVTPL	$ 785,364	$ 121,263
Loans and receivables (Note 1)	4,612,286	3,757,452
Financial liabilities		
Measured at amortized cost (Note 2)	8,296,468	4,976,440

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, trade receivables, and other receivables.

Note 2: The balances included financial liabilities measured at amortization cost, which comprise short-term loans, short-term bills payables, notes payable, trade payables, other payables, and long-term loans (including current portion).

c. Financial risk management objectives and policies

The Group's main financial instruments include cash and cash equivalents, notes and trade receivables, other receivables, short-term bills payable, notes and trade payables, other payables and loans. The finance department of the Group provides service to business departments, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1. Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see Note (1) below) and interest rates (see Note (2) below).

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

(1) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Note 31.

a) Sensitivity analysis

The Group was mainly exposed to the currency USD.

The following table details the Group's sensitivity to a 1% increase and decrease in the functional currency against the USD. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the functional currency strengthen 1% against the USD. For a 1% weakening of the functional currency against the USD, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2014	**2013**
Profit and losses	$ 45,514	$ 25,900

This was mainly attributable to the exposure outstanding on USD receivables and payables, which were not hedged at the end of the reporting period.

(2)Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow loans at both fixed and floating interest rates. To manage this risk, the Group maintains an appropriate mix of fixed and floating rate borrowings. The Group periodically evaluates hedging activities, view it with interest and consistent with the established risk appetite, using hedging strategies to ensure the most cost-effective.

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31, 2014	**December 31, 2013**
Fair value risk		
-Financial assets	$ 684,490	$ 856,082
-Financial liabilities	5,238,392	2,896,843
Cash flow risk		
-Financial assets	1,022,670	611,638
-Financial liabilities	2,075,526	1,162,845

a) Sensitiveness analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher or lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2014 and 2013 would increase or decrease by $10,529 thousand and $5,512 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits and borrowings.

2. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are audited and approved by the risk management committee annually.

The Group did transactions with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any other counterparty did not exceed 1% of gross monetary assets at any time during the years ended December 31, 2014 and 2013.

The Group's concentration of credit risk by geographical locations was mainly in Mainland China, which accounted for 83.09% and 83.15% of the total trade receivables as of December 31, 2014 and 2013, respectively.

3. Liquidity

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank loans as a significant source of liquidity. As of December 31, 2014 and 2013, the Group had available unutilized short-term bank loan facilities set out in (2) below.

(1) Liquidity and interest rate risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2014

	Callable or shorter than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Longer than 5 years
Non-derivative financial liabilities					
Non-interest bearing	$ -	$ 823,010	$ 159,540	$ -	$ -
Variable interest rate liabilities	-	-	175,862	1,899,664	-
Fixed interest rate liabilities	-	70,000	5,168,392	-	-
	$ -	$ 893,010	$5,503,794	$1,899,664	$ -

December 31, 2013

	Callable or shorter than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Longer than 5 years
Non-derivative financial liabilities					
Non-interest bearing	$ -	$ 850,715	$ 66,037	$ -	$ -
Variable interest rate liabilities	-	-	169,796	993,049	-
Fixed interest rate liabilities	-	130,000	2,766,843	-	-
	$ -	$ 980,715	$3,002,676	$ 993,049	$ -

(2) Financing facilities

	December 31, 2014	December 31, 2013
Unsecured bank loans （re-examined annually）		
-Amounts used	$ 5,391,066	$ 3,043,797
-Amounts unused	2,007,509	2,439,414
	$ 7,398,575	$ 5,483,211
Secured bank loans		
-Amounts used	$ 1,933,049	$ 1,015,891
-Amounts unused	1,230,000	-
	$ 3,163,049	$ 1,015,891

28. **TRANSACTIONS WITH RELATED PARTIES**

Balances transactions, revenue and expenses between the Group and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(1) Operating transaction

	For the Year Ended December 31	
	2014	2013

Sales of goods		
Other related parties (the responsible person of the party is the director of the Group)	$ 6,013	$ 4,241

The sales prices and payment terms to related parties were not significantly different from those of sales to third parties.

The trade receivables from related parties on the date of balance sheet were as follows:

	December 31, 2014	December 31, 2013
Trade Receivables		
Other related parties (the responsible person of the party is the director of the Group)	$ 2,460	$ 728

No expense was recognized for the years ended December 31, 2014 and 2013 for allowance for impaired trade receivables with respect to the amounts owed by related parties.

(2) Compensation of key management personnel

The compensation to directors and other key management personnel were as follows:

	For the Year Ended December 31	
	2014	2013
Short-term employee benefits	$ 123,246	$ 107,641

The compensation to directors and other key management personnel were determined by the Remuneration Committee of Airtac in accordance with the individual performance and the market trends.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank loans and the electricity tariff guarantee:

	December 31, 2014	December 31, 2013
Pledge deposits (classified as debt investment with no active market)	$ 6,263	$ -
Land	1,049,016	1,049,016
Buildings, net	261,595	270,896
	$ 1,316,874	$ 1,319,912

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group were as follows:

	December 31, 2014	December 31, 2013
Acquisition of property, plant and equipment	$ 1,098,062	$ 2,269,735

31. **EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES**

The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2014

	Foreign currency	Exchange rate	Carrying amount
Financial assets			
Monetary items			
USD	$ 64	30.16 (USD: NTD)	$ 1,979
USD	61,966	6.12 (USD: RMB)	1,930,728
			$ 1,932,707
Financial liabilities			
Monetary items			
USD	208,104	6.12 (USD: RMB)	$ 6,484,099

December 31, 2013

	Foreign currency	Exchange rate	Carrying amount
Financial assets			
Monetary items			
USD	$ 698	29.81 (USD: NTD)	$ 20,813
USD	49,371	6.10 (USD: RMB)	1,480,654
			$ 1,501,467
Financial liabilities			
Monetary items			
USD	136,425	6.10 (USD: RMB)	$ 4,091,485

32. **DISCLOSED ITEMS**

(1) Information about significant transactions and investees:

1. Loans provided to other parties (Table 1)

2. Endorsements/guarantees given to other parties (None)

3. Marketable securities held (excluding investments in subsidiaries, associates and joint controlled entities) (None)

4. Purchases or sales of the same marketable securities amounting to at least NT$300 million or 20% of the paid-in capital. (None)

5. Acquisition of real estate at costs of at least NT $300 million or 20% of the paid-in capital (Table 3)

6. Disposal of real estate at prices of at least NT$300 million or 20% of the paid-in capital (None)

7. Purchases or sales with related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 4)

8. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 5)

9. Derivative transactions (Note 7)

10. Intercompany relationships and significant intercompany transactions (Table 7)

11. Information for investees (Table 2)

(2) Information for investments in Mainland China

1. Information for any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 6)

2. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Table 1 and 7)

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements/guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance, the ending balance, the interest rate range, and the total of current interest with respect to loans provided.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

31. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 “Operating Segments” were as follows:

Pneumatic components - direct sales
- distributors

a. Segment revenues and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Revenues		Profit Before Tax	
	Years ended December 31		Years ended December 31	
	2014	2013	2014	2013
Pneumatic components				
-Direct sales	$6,512,061	$5,719,568	$2,392,077	$2,174,686
-Distributors	1,866,900	1,580,723	690,298	601,066
Total amounts of continuing operations	$8,378,961	$7,300,291	3,082,375	2,775,752
Share of profits of associates accounted for using the equity method			(4,532)	(12,447)
Interest income			18,228	13,063
Gain (Loss) on disposal of property, plant and equipment			(4,966)	28,335
Net exchange gains (losses)			(43,629)	115,116
Net gain arising on financial assets designated as at FVTPL			18,223	4,692
HQ admin. cost and directors' salaries			(559,892)	(506,046)
Finance costs			(69,265)	(51,708)
Impairment loss on investments in associates			(48,000)	-
Profit before income tax from continuing operations			$2,388,542	$2,366,757

The segment revenues were accounted for the transactions with external customers. No inter-segment sales occurred for the years ended December 31, 2014 and 2013.

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, gain recognized on the disposal of interest in former associates, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of financial instruments, exchange gain or loss, valuation gain or loss on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets

	December 31, 2014	December 31, 2013
Segment assets		
Pneumatic components		
-Direct sales	$ 14,363,024	$ 11,073,154

	December 31, 2014	December 31, 2013
-Distributors	4,114,162	3,063,069
Total segment total assets	18,477,186	14,136,223
Unallocated assets	459,343	380,328
Consolidated total assets	$ 18,936,529	$ 14,516,551

For the purpose of monitoring segment performance and allocating resources between segments:

All assets were allocated to reportable segments other than interests in associates accounted for using the equity method, other financial assets, and current and deferred tax assets. Goodwill was allocated to reportable segments. Assets used jointly by reportable segments were allocated on the basis of the revenues earned by individual reportable segments.

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

LOANS PROVIDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars and Foreign Currencies, Unless Specified Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note1)	Ending Balance (Note1)	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits	Note
													Item	Value			
0	Airtac International Group	ATC (Italia) S.R.L	Other receivables	Yes	EUR 4,000 (TWD 153,880)	EUR 4,000 (TWD 153,880)	EUR 2,000 (TWD 76,940)	-	Short-term financing needs	$ -	Revolving fund	$ -	-	-	$ 3,962,126	$ 3,962,126	Note 2
0	Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd	Other receivables	Yes	USD 59,500 (TWD1,853,895)	USD 55,000 (TWD 1,713,685)	USD 43,800 (TWD 1,364,717)	1.58%	Short-term financing needs	-	Revolving fund	-	-	-	3,962,126	3,962,126	Note 2
0	Airtac International Group	Airtac International （Singapore） Pte. Ltd.	Other receivables	Yes	USD 12,000 (TWD 373,895)	USD 7,000 (TWD 218,106)	USD 7,000 (TWD 218,106)	-	Short-term financing needs	-	Revolving fund	-	-	-	3,962,126	3,962,126	Note 2
0	Airtac International Group	Airtac Co., Ltd	Other receivables	Yes	USD 5,000 (TWD 155,790)	USD 5,000 (TWD 155,790)	USD 1,243 (TWD 38,726)	-	Short-term financing needs	-	Revolving fund	-	-	-	3,962,126	3,962,126	Note 2
0	Airtac International Group	Airtac Industrial （Malaysia） Sdn. Bhd.	Other receivables	Yes	USD 2,000 (TWD 62,316)	USD 2,000 (TWD 62,316)	USD 330 (TWD 10,281)	-	Short-term financing needs	-	Revolving fund	-	-	-	3,962,126	3,962,126	Note 2

Note 1: Conversion to TWD used the spot exchange rate on December 31, 2014, that is, 1USD＝31.1579TWD, 1EUR＝38.4701TWD.

Note 2: According to Company’s Loans to Others Procedure, the limits on loans provided to other parties is 40% of the Group’s net worth at the end of the period.

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

INFORMATION FOR INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars and Foreign Currencies, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount: December 31, 2014 (Note1)	Original Investment Amount: December 31, 2013 (Note1)	December 31, 2014: Shares	December 31, 2014: %	December 31, 2014: Carrying Amount	Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
Airtac International Group	Airtac Industrial (Hong Kong) Limited	Hong Kong	General investment	USD 71,000 RMB 64,000 (TWD 2,538,099)	USD 66,000 RMB 64,000 (TWD 2,382,309)	31,000,000	100	$ 10,197,158	$ 2,129,921	$ 2,129,921	2
	Airtac Trading (Hong Kong) Limited	Hong Kong	General investment	USD 7,000 (TWD 218,105)	USD 7,000 (TWD 218,105)	7,000,000	100	417,992	9,292	9,292	2
	Instant Reach International Limited	British Virgin Island	General investment	USD 8,840 (TWD 275,436)	USD 8,840 (TWD 275,436)	1	100	268,292	2,915	2,915	2
	Airtac Holding (Singapore) Pte. Ltd.	Singapore	General investment	USD 11,000 (TWD 342,737)	USD 11,000 (TWD 342,737)	10,000,000	100	231,910	(39,533)	(39,353)	2
	AMA Tech Corp.	Tucheng District, New Taipei City	Metal manufacturing	TWD 286,400	TWD 286,400	20,000,000	20	221,383	(22,677)	(4,532)	
Instant Reach International Limited	Airtac Industrial Co., Ltd	Tucheng District, New Taipei City	Processing, sales and import/export of machines and components	TWD 139,503	TWD 139,503	12,340,650	53.66	208,416	17,551	-	
	ATC (Italia) S.R.L	Via Mauro Macchi n.27, 20124 Milano (MI)	Production and sales of pneumatic and hydraulic control components	EUR 3,000 (TWD 115,410)	EUR 3,000 (TWD 115,410)	3,000,000	100	17,746	(13,642)	-	
Airtac Holding (Singapore) Pte. Ltd.	Airtac International (Singapore) Pte. Ltd.	Singapore	Production and sales of pneumatic control components and accessories	USD 9,500 (TWD 296,000)	USD 9,500 (TWD 296,000)	9,500,000	100	228,004	(17,334)	-	
	Airtac CO., Ltd.	Japan	Production and sales of pneumatic control components and accessories	JPY 98,000 (TWD 25,950)	JPY 98,000 (TWD 25,950)	2,000	100	(5,851)	(21,245)	-	
Airtac International (Singapore) Pte. Ltd.	Airtac Industrial (Malaysia) Sdn. Bhd.	Malaysia	Production and sales of pneumatic control components and accessories	MYR 1,000 (TWD 8,693)	MYR 400 (TWD 3,477)	1,000,000	100	3,644	(4,136)	-	

Note1：Conversion to TWD used the spot exchange rate on December 31, 2014, that is, 1 USD＝31.1579 TWD, 1 EUR＝38.4701 TWD, 1 JPY＝0.2648 TWD, 1 RMB= 5.0920 TWD, 1 MYR＝8.6926 TWD.

Note2：The amount was eliminated upon consolidation.

Note3：Please refer to Table 6 for information on investment in mainland China.

TABLE 3

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

ACQUISITION OF REAL ESTATE AT COSTS OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Acquiring company	Title of property	Transaction date or occurrence date	Transaction amount	Payment	Counterparty	Relationship	Where the counterparty is a related party, the previous transfer information				Pricing reference and basis	Purpose of acquisition and use	Other agreements
							Owner	Relationship with issuer	Date of transfer	Amount			
Airtac International Group	Plant	2013.11.04-2014.12.31	$ 1,626,337	N/A	Self-building	-	-	-	-	$ -	N/A	Manufacturing, research and development purpose	

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

PURCHASES OR SALES WITH RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Purchaser (Seller)	Counterparty	Relationship	Transaction				Non-arm's Length Transaction and Reasons		Notes/Trade Payables/ Receivable		Note
			Purchase (Sale)	Amount	% of Total	Payment Term	Unit Price (Note)	Payment Terms (Note)	Balance	% to Total	
Ningbo Airtac Automatic Industrial Co., Ltd	Airtac (China) Co., Ltd.	The same parent company	Sales	$ 3,321,288	81	T/T 120 days	$ -	-	$ 771,265	54	
Ningbo Airtac Automatic Industrial Co., Ltd	Guangdong Airtac Automatic Industrial Co., Ltd	The same parent company	Sales	338,490	8	T/T 120 days	-	-	63,900	5	
Ningbo Airtac Automatic Industrial Co., Ltd	Airtac Industrial Co., Ltd	The same ultimate parent company	Sales	158,578	4	T/T 120 days	-	-	55,330	4	
Ningbo Airtac Automatic Industrial Co., Ltd	Airtac International (Singapore) Pte. Ltd.	The same ultimate parent company	Sales	174,495	4	T/T 120 days	-	-	62,637	4	
Guangdong Airtac Automatic Industrial Co., Ltd	Airtac (China) Co., Ltd.	The same parent company	Sales	1,225,499	87	T/T 120 days	-	-	240,022	65	
Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd	Sub-subsidiary company	Sales	156,364	72	T/T 120 days	-	-	54,189	70	

Note: The sales prices and payment terms to related parties were not significantly different from those of sales to the third parties.

TABLE 5

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2014
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Name	Related Party	Relationship	Ending Balance	Turnover rate (%)	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Ningbo Airtac Automatic Industrial Co., Ltd	Airtac (China) Co., Ltd.	The same parent company	$ 771,265	4	$ -	-	$ 514,200	$ -
Guangdong Airtac Automatic Industrial Co., Ltd	Airtac (China) Co., Ltd.	The same parent company	240,022	4	-	-	168,998	-

TABLE 6

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

INFORMATION FOR INVESTMENTS IN MAINLAND CHINA
FOR THE YEARS ENDED DECEMBER 31, 2014
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company Name	Main Businesses and Products	Paid-in Capital (Note 2)	Method of Investment	Accumulated Investment Outflow from Taiwan as of January 1, 2014	Investment Flow for the Period		Accumulated Investment Outflow from Taiwan as of December 31, 2014	Net income of Investee Company	% of Ownership – Direct or Indirect investment	Investment Gain (Loss) Recognized for the Period (Note 1)	Carrying Amount as of December 31, 2014	Accumulated Inward Remittance of Earnings as of December 31, 2014	Note
					Outflow	Inflow							
Ningbo Airtac Automatic Industrial Co., Ltd	Production of pneumatic control components and auxiliary components	USD 37,000 (TWD 1,152,842)	N/A	N/A	$ -	$ -	N/A	$ 910,995	100	$ 893,195	$ 5,050,638	N/A	
Guangdong Airtac Automatic Industrial Co., Ltd	Production of pneumatic control components and auxiliary components	USD 6,000 (TWD 186,947)	N/A	N/A	-	-	N/A	224,182	100	226,880	1,829,805	N/A	
Airtac (China) Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	USD 18,000 RMB 126,000 (TWD 1,202,434)	N/A	N/A	-	-	N/A	1,068,972	100	1,068,972	3,603,242	N/A	
Jianliang (Shanghai) Trading Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	USD 7,000 (TWD 218,105)	N/A	N/A	-	-	N/A	9,871	100	9,871	415,665	N/A	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2014	Investment Amounts Authorized by Investment Commission, MOEA	Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
N/A	N/A	N/A

Note 1: The amount was calculated based on financial statements audited by a multinational accounting firm having a cooperative relationship with an accounting firm in Taiwan.

Note 2: Conversion to TWD used the spot exchange rate on December 31, 2014, that is, 1 USD=31.1579 TWD, 1RMB=5.0920 TWD.

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Company Name	Counter Party	Nature of Relationship (Note)	Transaction Details: Financial Statement Account	Amount	Payment Terms	% of Consolidated Sales or Assets
0	Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd	1	Trade receivables	$ 54,189	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd	1	Other receivable	1,364,717	General terms and conditions	7%
		Ningbo Airtac Automatic Industrial Co., Ltd	1	Interest receivable	11,533	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd	1	Interest income	23,514	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd	1	Sales revenue	156,364	General terms and conditions	2%
		Ningbo Airtac Automatic Industrial Co., Ltd	1	Purchase of property, plant and equipment	23,961	General terms and conditions	-
		ATC (Italia) S.R.L	1	Other receivable	76,940	General terms and conditions	-
		Airtac Industrial （Malaysia）Sdn. Bhd.	1	Other receivable	10,281	General terms and conditions	-
		Airtac Co., Ltd.	1	Other receivable	39,509	General terms and conditions	-
		Airtac International (Singapore) Pte. Ltd.	1	Other receivable	218,106	General terms and conditions	1%
		Guangdong Airtac Automatic Industrial Co., Ltd	1	Trade receivables	22,995	General terms and conditions	-
		Guangdong Airtac Automatic Industrial Co., Ltd	1	Sales revenue	58,570	General terms and conditions	1%
1	Jianliang (Shanghai) Trading Co., Ltd.	Airtac (China) Co., Ltd	3	Sales of property, plant and equipment	25,698	General terms and conditions	-
2	Ningbo Airtac Automatic Industrial Co.,Ltd	Airtac International Group	2	Other payable	1,364,717	General terms and conditions	7%
		Airtac International Group	2	Interest payable	11,533	General terms and conditions	-
		Airtac International Group	2	Interest expense	23,514	General terms and conditions	-
		Airtac International Group	2	Sales of property, plant and equipment	23,961	General terms and conditions	-
		Airtac International Group	2	Cost of goods sold	156,364	General terms and conditions	2%
		Airtac International Group	2	Trade payables	54,189	General terms and conditions	-
		Airtac (China) Co., Ltd	3	Trade receivables	771,265	General terms and conditions	4%
		Airtac (China) Co., Ltd	3	Sales revenue	3,321,288	General terms and conditions	40%
		Guangdong Airtac Automatic Industrial Co., Ltd	3	Sales revenue	338,490	General terms and conditions	4%
		Guangdong Airtac Automatic Industrial Co., Ltd	3	Cost of goods sold	12,625	General terms and conditions	-
		Guangdong Airtac Automatic Industrial Co., Ltd	3	Trade receivables	63,900	General terms and conditions	-
		Guangdong Airtac Automatic Industrial Co., Ltd	3	Sales of property, plant and equipment	30,038	General terms and conditions	-

No.	Company Name	Counter Party	Nature of Relationship (Note)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Sales or Assets
		Airtac Industrial Co., Ltd	3	Sales revenue	$ 158,711	General terms and conditions	2%
		Airtac Industrial Co., Ltd	3	Trade receivables	55,330	General terms and conditions	-
		Airtac Industrial Co., Ltd	3	Cost of goods sold	36,641	General terms and conditions	-
		ATC (Italia) S.R.L	3	Sales revenue	77,410	General terms and conditions	1%
		ATC (Italia) S.R.L	3	Trade receivables	35,104	General terms and conditions	-
		Airtac International (Singapore) Pte. Ltd.	3	Cost of goods sold	11,115	General terms and conditions	-
		Airtac International (Singapore) Pte. Ltd.	3	Trade receivables	62,637	General terms and conditions	-
		Airtac International (Singapore) Pte. Ltd.	3	Sales revenue	174,908	General terms and conditions	2%
		Airtac Co., Ltd.	3	Cost of goods sold	18,047	General terms and conditions	-
		Airtac Co., Ltd.	3	Sales revenue	12,670	General terms and conditions	-
3	Guangdong Airtac Automatic Industrial Co., Ltd	Ningbo Airtac Automatic Industrial Co., Ltd	3	Sales revenue	12,625	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd	3	Cost of goods sold	338,490	General terms and conditions	4%
		Ningbo Airtac Automatic Industrial Co., Ltd	3	Purchase of property, plant and equipment	30,038	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd	3	Trade payables	63,900	General terms and conditions	-
		Airtac (China) Co., Ltd	3	Trade receivables	240,022	General terms and conditions	1%
		Airtac (China) Co., Ltd	3	Sales revenue	1,225,499	General terms and conditions	15%
		Airtac Industrial Co., Ltd	3	Sales revenue	60,814	General terms and conditions	1%
		Airtac Industrial Co., Ltd	3	Trade receivables	19,777	General terms and conditions	-
		Airtac International Group	2	Trade payables	22,995	General terms and conditions	-
		Airtac International Group	2	Cost of goods sold	58,570	General terms and conditions	1%
		ATC (Italia) S.R.L	3	Sales revenue	23,519	General terms and conditions	-
		Airtac International (Singapore) Pte.Ltd.	3	Trade receivables	27,232	General terms and conditions	-
		Airtac International (Singapore) Pte.Ltd.	3	Sales revenue	81,661	General terms and conditions	1%
4	Airtac Industrial Co., Ltd	Ningbo Airtac Automatic Industrial Co., Ltd	3	Sales revenue	36,641	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd	3	Cost of goods sold	158,711	General terms and conditions	2%
		Ningbo Airtac Automatic Industrial Co., Ltd	3	Trade payables	55,330	General terms and conditions	-
		Guangdong Airtac Automatic Industrial Co., Ltd	3	Cost of goods sold	60,814	General terms and conditions	1%
		Guangdong Airtac Automatic Industrial Co., Ltd	3	Trade payables	19,777	General terms and conditions	-

No.	Company Name	Counter Party	Nature of Relationship (Note)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Sales or Assets
		Instant Reach International Limited	3	Dividends payable	$ 12,343	General terms and conditions	-
5	ATC (Italia) S.R.L	Airtac International Group	2	Other payable	76,940	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd	3	Cost of goods sold	77,410	General terms and conditions	1%
		Ningbo Airtac Automatic Industrial Co., Ltd	3	Trade payables	35,104	General terms and conditions	-
		Guangdong Airtac Automatic Industrial Co., Ltd	3	Cost of goods sold	23,519	General terms and conditions	-
6	Airtac (China) Co., Ltd	Ningbo Airtac Automatic Industrial Co., Ltd	3	Trade payables	771,265	General terms and conditions	4%
		Ningbo Airtac Automatic Industrial Co., Ltd	3	Cost of goods sold	3,321,288	General terms and conditions	40%
		Jianliang (Shanghai) Trading Co., Ltd.	3	Purchase of property, plant and equipment	25,698	General terms and conditions	-
		Guangdong Airtac Automatic Industrial Co., Ltd	3	Trade payables	240,222	General terms and conditions	1%
		Guangdong Airtac Automatic Industrial Co., Ltd	3	Cost of goods sold	1,225,499	General terms and conditions	15%
7	Airtac International Group (Singapore) Pte.Ltd.	Ningbo Airtac Automatic Industrial Co., Ltd	3	Trade payables	62,637	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd	3	Cost of goods sold	174,908	General terms and conditions	2%
		Ningbo Airtac Automatic Industrial Co., Ltd	3	Sales revenue	11,115	General terms and conditions	-
		Airtac International Group	2	Other payable	218,106	General terms and conditions	1%
		Guangdong Airtac Automatic Industrial Co., Ltd	3	Cost of goods sold	81,661	General terms and conditions	1%
		Guangdong Airtac Automatic Industrial Co., Ltd	3	Trade payables	27,232	General terms and conditions	-
8	Airtac Co., Ltd.	Ningbo Airtac Automatic Industrial Co., Ltd	3	Sales revenue	18,047	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd	3	Cost of goods sold	12,670	General terms and conditions	-
		Airtac International Group	2	Other payable	39,059	General terms and conditions	-
9	Airtac Industrial （Malaysia）Sdn. Bhd.	Airtac International Group	2	Other payable	10,281	General terms and conditions	-
10	Instant Reach International Limited	Airtac Industrial Co., Ltd	3	Dividends receivable	12,343	General terms and conditions	-

Note：No 1. Represents the transactions from parent company to subsidiary.

No 2. Represents the transactions from subsidiary to parent company.

No 3. Represents the transactions from subsidiary to subsidiary.