Ticker Symbol: 1590

AIRTAC INTERNATIONAL GROUP

Annual Report 2014

Printed on March 31, 2015

Market Observation Post System: http://mops.twse.com.tw

AirTAC Website: http://www.airtac.com/

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1. Letter to Shareholders

Dear Shareholders,

1.1 Foreword

The demand of Chinese market has gradually recovered. The benefit of AirTAC's continuous development of new products and establishment of sales network has emerged. AirTAC dedicated to increase the market shares to accelerate the rapid growth of the revenue. In addition, the extended usage of automation in manufacturing process enhanced the labor efficiency and the improved sales combination of the products made. Although Company encounter the industry severe price war challenges in 2014, but the group consolidated revenue and profit performance also create new high record in 2014.

1.2 2014 Business Overview:

(1) Business performance

In 2014, AirTAC reported consolidated revenue of TWD 8,378,961,000, an increase of TWD 1,078,670,000 or 15% as compared to the revenue of TWD 7,300,291,000 in 2013. Our consolidated net income after tax amounted to TWD 1,786,112,000, which was increased by TWD 60,661,000 or 4% as compared to net income of TWD 1,725,451,000 in 2013. The earnings per share in 2014 was TWD 10.39, and the net value per share was TWD 58.10 with stockholders' equity of TWD 9,905,315,000. To sum up, the Group's 2014 consolidated revenue has reached record-high levels since the Company's inception.

(2) Financial and profit analysis

In 2014, our group consolidated non-operating expenses amounted to TWD 376,000, an decrease of TWD 172,382,000 or 100.22% as compared to the income of TWD 172,006,000 in 2013. The main reason is because of the reduction of exchange net profit of TWD 158,745,000 and disposal of property, plant and equipment, net profit decrease by TWD 33,301,000；In addition, our 2014 return on assets was 10.99% and our return on stockholders' equity in the year was 18.70%.

(3) R&D

In R&D, AirTAC continues to shore up the high market shares of our mid-end products used in traditional industries and has been endeavoring in the development of mid-to-high end products in recent years. We plan to roll out about five to ten series of new products every year in the next three years to double the breadth of our product lines. Aside from new product R&D, we also spend heavily on production automation and process improvement to enhance our competitiveness. The 2014 R&D expenditure amounted to TWD 286,026,000, accounting for 3.41% of the year's consolidated revenue, and increasing by TWD 85,312,000 or 42.50% as compared to TWD 200,714,000 in 2013. In the continuing efforts to strengthen our R&D capability, we plan to increase our R&D spending to 3~4% of the year's consolidated net operating income in the future.

1.3 Summary of 2015 Business Plan:

Besides capacity expansion, the Company acquired the land in Tainan for establishing the Tainan plant, plans to set up a second R&D center in Taiwan in order to develop precision pneumatic components and other new products. In addition, the Company plans continuously to add sales branches and Kunshan logistic center in order to improve operational efficiency. As for the expansion of overseas operations, we will improve the operation of the Japanese and Malaysian sales companies, and will expand the operation scale of AirTAC Singapore and ATC Italia to capture more market shares and enhance the Company's profitability, and plans to establish Thailand sales subsidiary in 2015. In view of the world economic situation, changes in the industrial, business environments, supply, demand and market competition, and in consideration of our business with existing clients around the world and progress in new clients development, estimated sales in 2015 will increase more than 20% over 2014.

Industrial automation systems advance rapidly. With the goals of seeking stable, sustainable operation and maximum benefits for shareholders, we will continue to develop new clients, develop new products, upgrade production technologies and improve production processes to shore up our overall competitiveness. We also aim for higher profits through improved operating efficiency coupled with effective cost control. In the future, the Company will set up operating unit in Indonesia and Vietnam etc., and also further develop electric cylinders and other related new products, and use the dense marketing system in China and world to distribute others automation-related components and products to increase shareholder’s return rate. Even future general economic and market demands have business cycle, but base on automation upgrade is the trend of future industries and AirTAC disperses sales proportion of each industry and offer customers a lower product price, higher product quality and better sales service to enhance our competitiveness and also to obtain competitors’ market share, that will reduce adverse effect of business cycle.

We believe that with the full support of our 4,100 strong colleagues around the world and shareholders, AirTAC will gain record achievements in the exploration and development of industrial automation in the future.

Lastly wish you all health and success!

Chairman Wang Shih-Chung

President Lan Shun-Cheng

CFO Tsao Yung-Hsiang

2. Company Overview

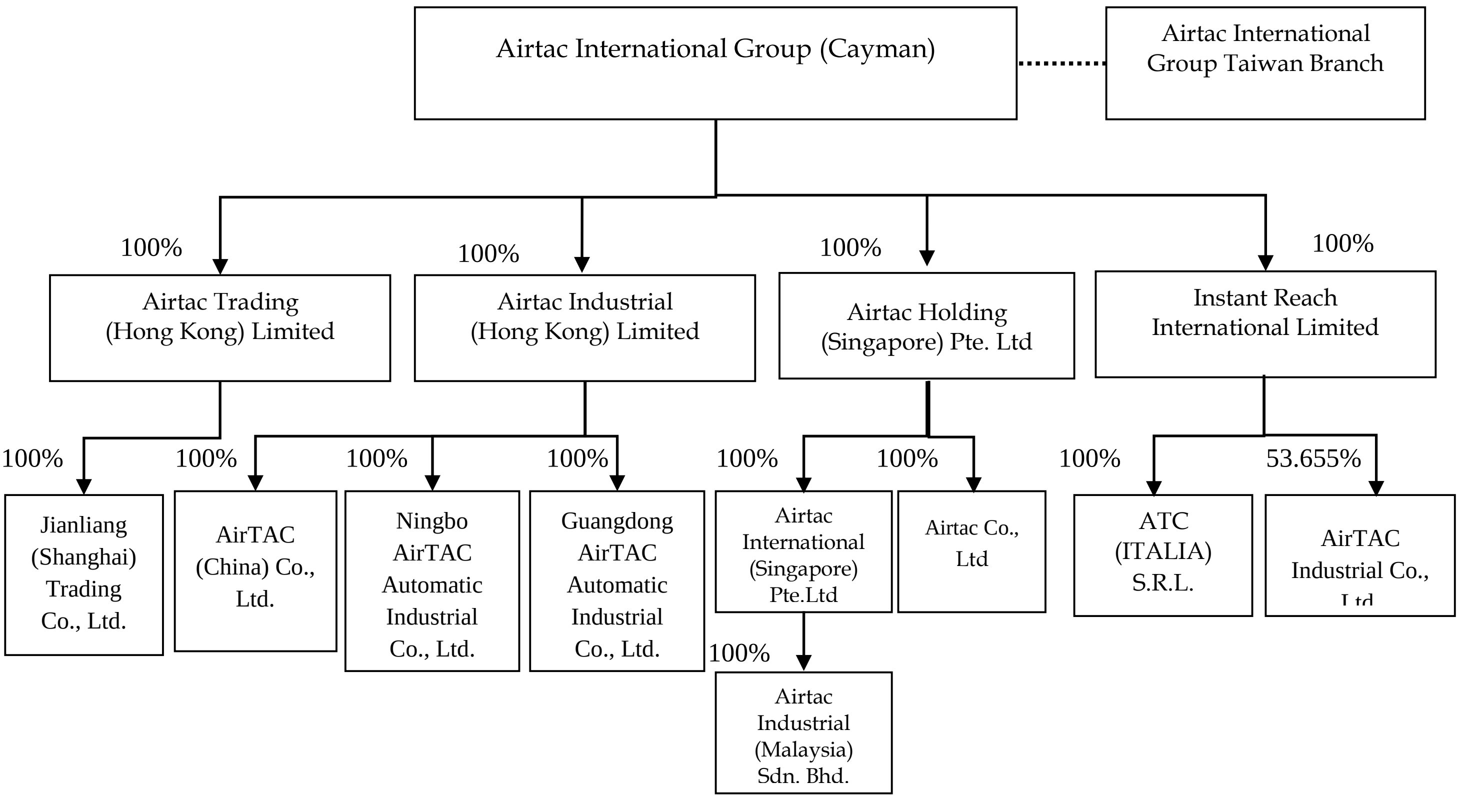
2.1 Company Introduction

2.1.1 Date of establishment and introduction of the Group

AirTAC International Group (referred to the "Company" or the "Group" hereinafter) started out as AirTAC Industrial Co. Ltd. (originally named Cheng Chi Enterprise Co., Ltd.), which was established in May 1989 and manufactured mainly solenoid valves in its early stage. Now AirTAC International Group offers cylinders of special specifications and more than 40 series and hundreds of varieties of valve products, including solenoid valve, pneumatic valve, manual value, hand-draw valve, mechanical valve, and throttle valve. Ningbo AirTAC Automatic Industrial Co. Ltd. was established in 2001 to produce cylinders and air source treatment units for industrial automation applications in automotive, machinery, metallurgy, electronics, textile, porcelain, medical instruments and devices, and food packaging. AirTAC International Group was incorporated on September 16, 2009 in Cayman Islands as the holding company for the group enterprises and was listed in Taiwan Stock Exchange on December 13, 2010.

As a leading manufacturer of pneumatic preparation components, the Company provides clients with total pneumatic solutions with its vertically integrated processes. The Company's turnkey services, from product design, R&D to volume production, greatly shorten the lead time in product development and the production process for extensive applications in industrial automation.

2.1.2 Organizational structure



2.2 Milestones

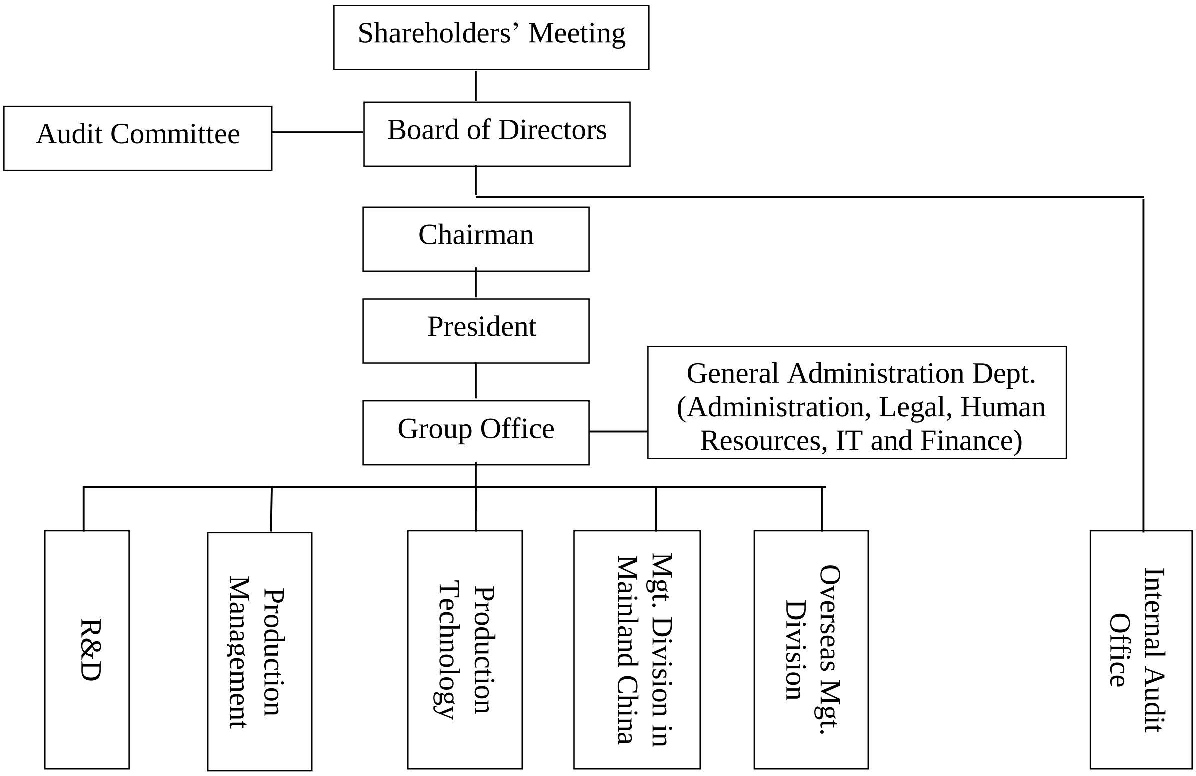
Date	Milestone
1989	AirTAC established in Taipei, Taiwan to manufacture mainly valve products.
1990	Launched the brand “AirTAC”.
1992	Introduced air preparation units and pneumatic cylinders.
1995/07	Established an operation in Guangzhou, AirTAC’s first establishment in China.
1998/07	Established Guangzhou Jianliang Automatic Industrial Co. in Guangzhou, AirTAC’s first plant in China.
2001/08	Established Ningbo AirTAC Automatic Industrial Co. in Jejiang Ningbo Fenghua Economic Development Zone.
2003/07	The phase 1 plant construction of Ningbo AirTAC Automatic Industrial Co. was completed and in use of mass production.
2005	Adopted ERP system to implement full-scale information management.
2006	Established Guangzhou AirTAC Automatic Industrial Co. in 2006, changed its name to Guangdong AirTAC Automatic Industrial Co. in 2010.
2006/09	Established Jianliang (Shanghai) Trading Co.
2008/05	Established ATC (Italia) as the European sales headquarters.
2009/09	Established AirTAC International Group in Cayman Islands as the Group’s holding company and to apply for IPO
2010/12	IPO in Taiwan
2011/8	Established Southeast Asian Sales Headquarters in Singapore.
2012/1	Founded Airtac (China) Co., Ltd., currently has 57 sales branches in Mainland China.
2012/5	Guangdong AirTAC Automatic Industrial Co., Ltd. relocated to the new plants in Foshan.
2012/7	Expanded and established the R&D Center in Ningbo.
2012/7	Established AirTAC International Group Taiwan Branch and prepared to build the plants in Tainan
2013/4	Established the Japanese Sales Center
2013/7	Established the Malaysian Sales Center
2015/4	AirTAC International Group Taiwan Branch Tainan Plant first phase project completed and started trial production

2.3 Risks: Please refer to Section 7 Review of Financial Conditions, Operating Results, and Risk Management.

3. Corporate Governance Report

3.1 Organization

3.1.1 Organizational structure



3.1.2 Divisions

Division	Responsibility
Chairman	Decide policy instructions, goals and directions for Company's business and appoint key managerial officers.
President	Manage all affairs of the Company and implement decisions made by the board of directors.
Internal Audit Office	In charge of internal audit tasks.
General Administration Department	Draft strategies and development directions for product sales, customer service and market development. In charge of tasks relating to legal, human resources management and investment management of the Group. In charge of tasks relating to fund management and accounting.
Production Management	In charge of production management of pneumatic actuator, pneumatic control components and air preparation components.
Production Technology	In charge of process technology for the production of pneumatic actuator, pneumatic control components and air preparation units.
R&D	In charge of research, design and improvement of pneumatic actuator, pneumatic control components and air preparation components.
Mgt. Division in Mainland China	In charge of market development in China.
Overseas Mgt. Division	In charge of market development outside China.

3.2 Directors, Supervisors and Management Team

3.2.1 Directors and Supervisors

1. Directors

March 30, 2015; Unit: Shares, %

Title	Nationality or Registration Place	Name	Election (Duty) date	Term	First Election Date	Shares held when elected		Shares currently held		Shares held by spouse and minor children		Shares held in the name of others		Education/work experience	Other positions	Other officer, director or supervisor who is the spouse or a relative within the second degree		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation-ship
Chairman	ROC	Wang Shih-Chung	2013/5/22	3 years	2009/12/24	—	—	—	—	4,446,231	2.61	29,394,425	17.24	▪ Chairman of AirTAC International Group	Note 1	None	None	None
Director	ROC	Lan Shun-Cheng	2013/5/22	3 years	2009/12/24	3,093,613	2.06	3,310,165	1.94	—	—	9,271,550	5.44	▪ President of AirTAC International Group	▪ Director of AirTAC Industrial Co. Ltd.	None	None	None
Director	PRC	Wang Hai-Ming	2013/5/22	3 years	2009/12/24	—	—	—	—	447,225	0.27	10,695,559	6.27	▪ Vice Chairman of Ningbo Airtac	Note 2	None	None	None
Director	ROC	Lin Chiang-Ti	2013/5/22	3 years	2010/4/17	1,052,737	0.70	1,126,428	0.66	—	—	—	—	▪ CEO of AirTAC International Group	Note 3	None	None	None
Director	ROC	Chen Jui-Lung	2013/5/22	3 years	2013/5/22	5,000,065	3.33	5,360,769	3.14	—	—	—	—	▪ GM of Guang Yang Industrial Works	▪ Director of Amersen Bioscience Inc.	None	None	None
Director	ROC	Tsao Yung-Hsiang	2013/5/22	3 years	2013/5/22	45,000	0.03	48,150	0.03	15,000	0.01	—	—	▪ CFO of AirTAC International Group	Note 4	None	None	None
Independent director	ROC	Chang Bao-Guang	2013/5/22	3 years	2010/4/17	—	—	—	—	—	—	—	—	▪ Professor of Accounting, Tamkang University	▪ Supervisor of Taiwan Accounting Association	None	None	None
Independent director	ROC	Chiang Chih-Chun	2013/5/22	3 years	2010/4/17	—	—	—	—	—	—	—	—	▪ Chief Attorney of Latham & Watkins LLP	▪ Financial and Economic Law Consultant of the Straits Exchange Foundation for the Taiwanese Businessmen in Mainland China ▪ Chairman of Consumers' Foundation, Chinese Taipei(CFCT)	None	None	None
Independent director	Malaysia	Leong Kam-Son	2013/5/22	3 years	2010/4/17	—	—	—	—	—	—	—	—	▪ Former Operation Partner of J W Childs ▪ Former President of Asia/Pacific Operations of York International Corporation ▪ Partner and Director of HLL Partners	None	None	None	None

Note 1: Chairman of Ningbo AirTAC Automatic Industrial Co., Ltd., AirTAC (China) Co., Ltd., Jianliang (Shanghai) Trading Co., Ltd., AirTAC Industrial Co., Ltd., Airtac Industrial (Hong Kong) Limited, Airtac Trading (Hong Kong) Limited, Instant Reach International Limited., Airtac Holding (Singapore) Pte. Ltd., Airtac International (Singapore) Pte. Ltd. ,and Director of Guangdong AirTAC Automatic Industrial Co., ATC (ITALIA) S.R.L. and Airtac Co., Ltd., 12 companies in total.

Note 2: Director of Ningbo AirTAC Automatic Industrial Co., Ltd., AirTAC (China) Co., Ltd., Jianliang (Shanghai) Trading Co., Ltd., Guangdong AirTAC Automatic Industrial Co., and Instant Reach International Limited, 5 companies in total.

Note 3: Director of Ningbo AirTAC Automatic Industrial Co., Ltd., Director of AirTAC (China) Co., Ltd., Director / GM of Jianliang (Shanghai) Trading Co., Ltd., Chairman of Guangdong AirTAC Automatic Industrial Co., Ltd., Director of Instant Reach International Limited., Director/GM of ATC (ITALIA) S.R.L., GM of Airtac International (Singapore) Pte., Ltd., Representative Director / GM of Airtac Co., Ltd. and Director/GM of Airtac Industrial (Malaysia) Sdn., Bhd., GM of AirTAC Industrial Co., Ltd. and GM of AirTAC International Group (CAYMAN) Taiwan Branch Tainan Plant., 11 companies in total.

Note 4: Director of AirTAC (China) Co., Ltd., Director of Jianliang (Shanghai) Trading Co., Ltd., Chairman of ATC (ITALIA) S.R.L., Supervisor of Ningbo AirTAC Automatic Industrial Co., Ltd., Supervisor of Guangdong AirTAC Automatic Industrial Co., Ltd., Supervisor of AirTAC Industrial Co., Ltd., Supervisor of Airtac Co., Ltd., Director of Airtac Industrial(Malaysia)Sdn.Bhd. and Director of AMA Tech, 9 companies in total.

2. Supervisors: The Company does not have supervisors, but has set up an Audit Committee on April 28, 2010.

3. All directors of the Company are natural persons. The Company does not have legal-person director.

Directors and Supervisors

Criteria / Name	Has at least 5 years of work experience and meet one of the following professional qualifications			Meet the independence criteria (Note)										Number of other public companies in which the director also serves as an independent director
	An instructor or higher position in the department of commerce, law, finance, accounting or other department related to the business needs of the Company in a public or private junior college or university	A judge, public prosecutor, attorney, accountant, or other professional or technical specialist related to the needs of the Company who has passed a national examination and received a certificate therefore	Having work experience in commerce, law, finance, or accounting or a profession necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10	
Wang Shih-Chung			✓	✓						✓	✓	✓	✓	0
Lan Shun-Cheng			✓				✓			✓	✓	✓	✓	0
Wang Hai-Ming			✓	✓			✓			✓	✓	✓	✓	0
Lin Chiang-Ti			✓			✓	✓	✓		✓	✓	✓	✓	0
Chen Jui-Lung			✓	✓	✓		✓	✓		✓	✓	✓	✓	0
Tsao Yung-Hsiang			✓			✓	✓	✓		✓	✓	✓	✓	0
Chang Bao-Guang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chiang Chih-Chun	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Leong Kam-Son			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: If the director or supervisor meets any of the following criteria in the two years before being elected or during the term of office, please check "√" the corresponding boxes:

(1) Not an employee of the Company or any of its affiliates;
(2) Not a director or supervisor of the Company or any of its affiliates (the same does not apply if the person is an independent director of the Company or its parent company, or any subsidiary in which the Company holds, directly and indirectly, more than 50% of the voting shares).
(3) Not a natural-person shareholder whose shareholding, together with those of his/her spouse, minor children, and shares held under others' names, exceed 1% of the total number of outstanding shares of the Company, or ranks the person in the top ten shareholders of the Company.
(4) Not a spouse, relative within second degree of kinship, or lineal relative within fifth degree of kinship of any of the persons in the preceding three paragraphs.
(5) Not a director, supervisor or employee of a juristic-person shareholder that holds directly 5% or more of the total number of outstanding shares of the Company or ranks in the top five shareholders.
(6) Not a director, supervisor, manager or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.
(7) Not a professional or an owner, partner, director, supervisor, manager or a spouse of the abovementioned who provides commercial, legal, financial, accounting services or consultation to the Company or an affiliate of the Company.
(8) Not having a marital relationship or a relative within the second degree of kinship to any other director of the Company.
(9) Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.
(10) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the R.O.C.

3.2.2 President, Vice Presidents, Assistant Vice Presidents, Department and Branch Heads

March 30, 2015 Unit: Shares, %

Title	National	Name	Election (Duty) date	Shares held		Shares held by spouse and children		Shares held in the name of others		Education/work experience	Other positions	Manager who is the spouse or a relative within the second degree		
				Shares	%	Shares	%	Shares	%			Title	Name	Relationship
President	ROC	Lan Shun-Cheng	2009.12.31	3,310,165	1.94	—	—	9,271,550	5.44	▪ President of AirTAC International Group	Note 1	—	—	—
President of Jianliang (Shanghai), Airtac Singapore, Airtac Japan, ATC, Airtac Malaysia, AirTAC Taiwan and AirTAC Tainan	ROC	Lin Chiang-Ti	2011.1.1	1,126,428	0.66	—	—	—	—	▪ CEO of AirTAC International Group	Note 2	—	—	—
President of AirTAC China , AirTAC Ningbo and AirTAC Guangdong	PRC	Li Hui-Wen	2011.1.1	—	—	—	—	—	—	▪ Production Manager of Xiamen Ametek Factory Manager of Xiamen Lisheng Electronic	—	—	—	—
President of AirTAC Taiwan	ROC	Lin Yong-Feng	2013.11.4	3,113,251	1.83	38,520	0.02	—	—	▪ Production VP of Ningbo AirTAC	Note 3	—	—	—
Executive Deputy GM of AirTAC China	PRC	Xu Guan-Hua	2013.1.1	—	—	—	—	—	—	▪ Marketing Director of Jianliang Company	—	—	—	—
Vice President of AirTAC Guangdong	ROC	Huang Yao-De	2015.1.1	8,000	—	—	—	—	—	▪ Assistant Manager of AirTAC Guangdong	—	—	—	—
Vice President of R&D Center	ROC	Hsiao Yu-Chien	2013.7.1	—	—	—	—	—	—	▪ Assistant Manager of the R&D Center	—	—	—	—
Deputy Sales GM of AirTAC China	PRC	Zhang Xian-Ming	2013.1.1	—	—	—	—	—	—	▪ GM of AirTAC China Sales Branch	—	—	—	—
Deputy Sales GM of AirTAC China	PRC	Zhou Hong-Yuan	2012.2.1	656,603	0.38	—	—	—	—	▪ Deputy GM of AirTAC China	Note 4	—	—	—
Deputy Sales GM of AirTAC China	PRC	Dai Jia-Xing	2015.1.1	—	—	—	—	—	—	▪ Sales Director of AirTAC China	—	—	—	—
Chief Financial Officer	ROC	Tsao Yung-Hsiang	2010.5.27	48,150	0.03	15,000	0.01	—	—	▪ Assistant Finance VP of Paragon Technologies ▪ Chairman's special assistant of Niko-SEM ▪ Auditing assistant manager of Deloitte Taiwan	Note 5	—	—	—
Chief Audit officer	ROC	Lin Chian-Ming	2009.12.24	20,520	0.01	—	—	—	—	▪ Assistant manager of Cashbox (Shanghai) Audit Office ▪ Consultant to Enterprise Management Department of Deloitte & Touche	—	—	—	—

Note 1: Director of AirTAC International Group and Director of AirTAC Industrial Co. Ltd, 2 companies in total.

Note 2: Director of AirTAC International Group, Director of ATC (ITALIA) S.R.L, Director of AirTAC (China) Co., Ltd., Director of Ningbo AirTAC Automatic Industrial Co., Chairman of Guangdong AirTAC Automatic Industrial Co., Director of Instant Reach International Ltd., Representative Director of AirTAC Co., Ltd, Director of Airtac Industrial (Malaysia) Sdn,, Bhd and Director of Jianliang (Shanghai) Trading Co.Ltd, 9 companies in total.

Note 3: Director of Ningbo AirTAC Automatic Industrial Co., Director of Guangdong AirTAC Automatic Industrial Co. Ltd., Supervisor of AirTAC (China) Co., Ltd. and Supervisor of Jianliang (Shanghai) Trading Co. Ltd , 4 companies in total.

Note 4: Director of AirTAC (China) Co., Ltd.

Note 5: Director of AirTAC International Group, Director of AirTAC (China) Co., Ltd., Director of Jianliang (Shanghai) Trading Co., Ltd., Director of ATC (ITALIA) S.R.L, Supervisor of Ningbo AirTAC Automatic Industrial Co., Supervisor of Guangdong AirTAC Automatic Industrial Co. Ltd., Supervisor of Airtac Industrial Co., Ltd., Supervisor of Airtac Co., Ltd., Director of Airtac Industrial (Malaysia) Sdn.Bhd. and Director of AMA Tech, 10 companies in total.

3.2.3 Remunerations to directors, supervisors, president, and vice presidents in recent years

(1) Remuneration of directors (including independent directors)

In TWD 1,000

Title	Name	Director's remuneration								Ratio of total (A), (B), (C), and (D) to after-tax income (%)		Pay received as an employee												Ratio of total (A), (B), (C), (D), (E), (F) and (G) to after-tax income		Remuneration received from investees other than subsidiaries
		Remuneration (A)		Pension (B)		Profit sharing (C)		Business expense (D)				Salary, bonus and special allowance (E)		Pension (F)		Profit sharing & bonus (G)				Shares subscribable under employee stock options (H)		Obtain restrict employee new stock numbers (I)				
		AirTAC	All companies in consolidated statements	AirTAC	All companies in consolidated statements	AirTAC	All companies in consolidated statements	AirTAC	All companies in consolidated statements	AirTAC	All companies in consolidated statements	AirTAC	All companies in consolidated statements	AirTAC	All companies in consolidated statements	AirTAC		All companies in consolidated statements		AirTAC	All companies in consolidated statements	AirTAC	All companies in consolidated statements	AirTAC	All companies in consolidated statements	
																Cash bonus	Stock bonus	Cash bonus	Stock bonus							
Chairman	Wang Shih-Chung	—	10,879	—	—	—	—	—	381	—	0.63%		23,495	—	—	13,367	—	—	—	—	—	—	—	—	2.69%	—
Director	Lan Shun-Cheng																									
Director	Wang Hai-Ming																									
Director	Lin Chiang-Ti																									
Director	Chen Jui-Lung																									
Director	Tsao Yung-Hsiang																									
Independent Director	Chang Bao-Guang																									
Independent Director	Chiang Chih-Chun																									
Independent Director	Leong Kam-Son																									

Remuneration Table

Remuneration to respective director	Name of Director			
	Total (A+B+C+D)		Total (A+B+C+D+E+F+G)	
	AirTAC International	All companies in consolidated statements	AirTAC International	All companies in consolidated statements
< $2,000,000	–	Wang Shih-Chung, Lan Shun-Cheng, Wang Hai-Ming, Lin Chiang-Ti, Chen Jui-Lung, Tsao Yung-Hsiang, Chang Bao-Guang, Chiang Chih-Chun, Leong Kam-Son	–	Lan Shun-Cheng, Chen Jui-Lung, Chang Bao-Guang, Chiang Chih-Chun, Leong Kam-Son
$2,000,000 ~ <$5,000,000	–	–	–	Wang Hai-Ming
$5,000,000 ~ <$10,000,000	–	–	–	Tsao Yung-Hsiang
$10,000,000 ~ <$15,000,000	–	–	–	Wang Shih-Chung, Lin Chiang-Ti
$15,000,000 ~ <$30,000,000	–	–	–	–
$30,000,000 ~ <$50,000,000	–	–	–	–
$50,000,000 ~ <$100,000,000	–	–	–	–
$100,000,000 or higher	–	–	–	–
Total	–	9 persons	–	9 persons

(2) Remuneration of supervisors: Not applicable. Since the Company does not have supervisors.

(3) Remuneration of president and vice presidents

In TWD 1,000; 1,000 shares; %

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary (A)</th><th colspan="2">Pension (B)</th><th colspan="2">Bonus and special allowance (C)</th><th colspan="4">Employee bonus (D)</th><th colspan="2">Ratio of total (A), (B), (C), and (D) to after-tax income（%）</th><th colspan="2">Shares subscribable under employee stock options</th><th colspan="2">Shares suscribable under limited employee rights offering</th><th rowspan="3">Remuneration received from investees other than subsidiaries</th></tr>
<tr><th rowspan="2">AirTAC International</th><th rowspan="2">All companies in consolidated statements</th><th rowspan="2">AirTAC International</th><th rowspan="2">All companies in consolidated statements</th><th rowspan="2">AirTAC International</th><th rowspan="2">All companies in consolidated statements</th><th colspan="2">AirTAC International</th><th colspan="2">All companies in consolidated statements</th><th rowspan="2">AirTAC International</th><th rowspan="2">All companies in consolidated statements</th><th rowspan="2">AirTAC International</th><th rowspan="2">All companies in consolidated statements</th><th rowspan="2">AirTAC International</th><th rowspan="2">All companies in consolidated statements</th></tr>
<tr><th>Cash bonus</th><th>Stock bonus</th><th>Cash bonus</th><th>Stock bonus</th></tr>
<tr><td>President</td><td>Lan Shun-Cheng</td><td rowspan="10">–</td><td rowspan="10">39,091</td><td rowspan="10">–</td><td rowspan="10">–</td><td rowspan="10">–</td><td rowspan="10">3,812</td><td rowspan="10">–</td><td rowspan="10">–</td><td rowspan="10">37,170</td><td rowspan="10">–</td><td rowspan="10">–</td><td rowspan="10">4.48%</td><td rowspan="10">–</td><td rowspan="10">–</td><td rowspan="10">–</td><td rowspan="10">–</td><td rowspan="10">–</td></tr>
<tr><td>President of Jianliang (Shanghai), Airtac Singapore, Airtac Japan, ATC, Airtac Malaysia, Airtac Taiwan and Airtac Tainan</td><td>Lin Chiang-Ti</td></tr>
<tr><td>President of AirTAC China, AirTAC Ningbo and AirTAC Guangdong</td><td>Li Hui-Wen</td></tr>
<tr><td>Vice President of AirTAC Tainan</td><td>Lin Yong-Feng</td></tr>
<tr><td>Executive Deputy GM of AirTAC China</td><td>Xu Guan-Hua</td></tr>
<tr><td>Vice President of AirTAC Guangdong</td><td>Huang Yao-De</td></tr>
<tr><td>Vice President of R&D Center</td><td>Hsiao Yu-Chien</td></tr>
<tr><td>Deputy Sales GM of AirTAC China</td><td>Zhang Xian-Ming</td></tr>
<tr><td>Deputy Sales GM of AirTAC China</td><td>Zhou Hong-Yuan</td></tr>
<tr><td>Deputy Sales GM of AirTAC China</td><td>Dai Jia-Xing</td></tr>
</table>

Remuneration Table

Remuneration to respective president or vice president	Name of president or vice president	
	AirTAC International	All companies in consolidated statements
< $ 2,000,000	—	Lan Shun-Cheng
$ 2,000,000 ~ <$ 5,000,000	—	—
$ 5,000,000 ~ <$ 10,000,000	—	Xu Guan-Hua, Huang Yao-De, Hsiao Yu-Chien, Zhang Xian-Ming, Zhou Hong-Yuan, Dai Jia-Xing
$ 10,000,000 ~ <$ 15,000,000	—	Lin Chiang-Ti, Lin Yong-Feng
$ 15,000,000 ~ <$ 30,000,000	—	Li Huai-Wen
$ 30,000,000 ~ <$ 50,000,000	—	—
$ 50,000,000 ~ <$ 100,000,000	—	—
$ 100,000,000 or higher	—	—
Total	— persons	10 persons

(4) Names of managers receiving employee bonus

March 31, 2015

	Title	Name	Stock bonus	Cash bonus	Total	Ratio of total bonus to after-tax income (%)
Manager	President	Lan Shun-Cheng	—	39,388	39,388	2.21%
	President of Jianliang (Shanghai), Airtac Singapore, Airtac Japan, ATC, Airtac Malaysia, Airtac Taiwan and Airtac Tainan	Lin Chiang-Ti				
	President of AirTAC China, AirTAC Ningbo and AirTAC Guangdong	Li Hui-Wen				
	President of AirTAC Taiwan	Lin Yong-Feng				
	Executive Deputy GM of AirTAC China	Xu Guan-Hua				
	Vice President of AirTAC Guangdong	Huang Yao-De				
	Vice President of R&D Center	Hsiao Yu-Chien				
	Deputy Sales GM of AirTAC China	Zhang Xian-Ming				
	Deputy Sales GM of AirTAC China	Zhou Hong-Yuan				
	Deputy Sales GM of AirTAC China	Dai Jia-Xing				
	Chief Financial Officer	Tsao Yung-Hsiang				
	Chief Audit officer	Lin Chian-Ming				

3.2.4 Total remuneration to directors, supervisors, president, and vice presidents as a percentage of net income paid by the Company and all companies in consolidated statements in the two most recent years, remuneration policies, standards, and packages, the procedure for determining remuneration, and correlation with operating performance:

(1) Total remuneration to directors, supervisors, president, and vice presidents as a percentage of net income paid by the Company and all companies in consolidated statements:

In TWD 1,000

Item	2013		2014	
	Amount	%	Amount	%
Director	42,967	2.49%	48,122	2.69%
President and vice presidents	86,001	4.98%	78,843	4.41%
Consolidated profit	1,725,451	100.00%	1,786,112	100%

Note: Remuneration to directors includes their pay as an employee. Thus total pays for president and vice presidents could be redundantly calculated.

(2) Remuneration policies, standards, and packages, the procedure for determining remuneration, and correlation with operating performance and risks:

① Remuneration to directors is decided based on their other positions in the Company, the extent of participation in Company operations and their contribution value.

② Remuneration to president and vice presidents is decided based on their position, contribution to the Company, and industry standards in accordance with the Company's personnel rules.

3.3 Implementation of Corporate Governance

3.3.1 Operation of the Board of Directors

The board of directors held 7 meetings in 2014. The attendance records of directors are as follows:

Title	Name	Number of attendance in person	Number of attendance by proxy	Actual attendance rate (%)	Remark
Chairman	Wang Shih-Chung	7	0	100%	None
Director	Lan Shun-Cheng	7	0	100%	None
Director	Wang Hai-Ming	7	0	100%	None
Director	Lin Chiang-Ti	7	0	100%	None
Director	Chen Jui-Lung	7	0	100%	None
Director	Tsao Yung-Hsiang	7	0	100%	None
Independent director	Chang Bao-Guang	7	0	100%	None
Independent director	Chiang Chih-Chun	7	0	100%	None
Independent director	Leong Kam-Son	7	0	100%	None

Notes:

1. In case there were matters under Article 14-3 of the Securities and Exchange Act, or any independent director expressed dissenting or reserve opinions on any material resolution adopted at a board of directors meeting, where there is a record or written statement of such opinion, describe the date and term of the board of directors' meeting, motion, the opinions of all independent directors and actions taken by the Company in response to the opinions of independent directors: None.
2. In case a director recused himself from participating in a matter before the board because of a conflict of interest, describe the name of director, motion, reason for recusal and participation in voting: "Case of appointing Company Taiwan Branch Tainan Plant General Manager" discussed in third year 11th Board Meeting, Director Mr. Lin Chiang-Ti avoid according to the provisions, cannot exercise its voting right or to exercise voting right on behalf of the other person.

Title	Name	Number of attendance in person	Number of attendance by proxy	Actual attendance rate (%)	Remark

3. At the same year and recent years strengthen the goal and execution situation of Executive Board functions to assess:
(1) The Company believes that healthy and efficient board of directors is the foundation of good corporate governance. Under this principle, the Company set up the Audit Committee and Remuneration Committee to assist the Board in carrying out his duties, and to expose important decisions of Board of Directors on the company's website.
(2) Company will refer to the regulation of "public company Board of Directors discussion method", set "Board of Directors discussion rules" in order to follow.
(3) In order to let Directors and Managers get protection in executing their tasks, Company buy "Directors and managers liability insurance" every year.

3.3.2 Operation of Audit Committee

The Audit Committee held 7 meetings in 2014. The attendance records of independent directors are as follows:

Title	Name	Number of attendance in person	Number of attendance by proxy	Actual attendance rate (%)	Remark
Independent director	Chang Bao-Guang	7	0	100%	None
Independent director	Chiang Chih-Chun	7	0	100%	None
Independent director	Leong Kam-Son	7	0	100%	None

Notes:
1. In case there were matters under Article 14-5 of the Securities and Exchange Act, or resolutions passed by more than two-thirds of all directors but not by the audit committee, describe the date and term of the board of directors' meeting, motions, resolution adopted by the audit committee, and actions taken by the Company based on the opinions of the audit committee: None.
2. In case an independent director recused himself from participating in a matter before the board because of a conflict of interest, describe the name of independent director, motion, reason for recusal and participation in voting: None.
3. Communication between independent directors and chief audit officer and CPA: The Company's chief audit officer attends all audit committee's meetings to communicate with committee members and report regularly the audit plan and implementation result; CPA would sit in the meetings of audit committee if necessary. In addition to the foregoing, at the usual time the Audit Executives and Accountants could also make direct contact with the Independent Directors as necessary and have good communication situation.

3.3.3 Implementation of corporate governance and departure from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and Reasons

Evaluation criteria	Status of Operations			Departure from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary Description	
1. Whether the Company has set and disclose corporate governance in accordance with "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies".	✓		The Company has set and disclose corporate governance on Company website in accordance with "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies".	No major difference
2. Equity structure and shareholders' equity (1) Whether the Company has set internal operating procedures to handling shareholder proposals, inquiries, disputes and litigation, and implemented in accordance with procedures.	✓		(1) Staff is assigned and an e-mail box is set up to handle suggestions and disputes of the shareholders, and implemented in accordance with procedures.	No major difference
(2) Whether the Company has controlled major shareholders in actual control and the ultimate controller of major shareholders.	✓		(2) Staff is assigned to manage related information so the list of major shareholders and final decision-makers is available at all times.	No major difference
(3) Whether the Company has set and implemented the risk-control mechanism and the firewall with the affiliated enterprises.	✓		(3) A "Procedure for Engaging in Transaction with Group Enterprises, Specific Companies and Related Parties" has been established to clearly stipulate business and financial dealings with affiliates as a risk control mechanism.	No major difference
(4) Whether the Company has set internal rules prohibiting company insiders from trading securities using information not disclosed to the market.	✓		(4) The Company has set "The Management Rules of Prevention of Insider Trading" prohibiting company insiders from trading securities using information not disclosed to the market.	No major difference
3. Composition and responsibility of the board of directors (1) Whether the board of directors has taken diversification policy formulation and implementation of execution for composition of the members of directors.	✓		(1) "Rules for Election of Director" of the Company has mentioned the composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs, including but not limited to gender, age, nationality, culture and professional knowledge and skills.	No major difference

Evaluation criteria	Status of Operations			Departure from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary Description	
(2) In addition to set up Remuneration Committee and Audit Committee by law, whether the Company has voluntarily set up other functional committees.		✓	(2) The Company has set up Remuneration Committee and Audit Committee, as for setting up other functional committees is otherwise authorized by the Board by demand.	No major difference
(3) Whether the Company has formulated rules and procedures for board of directors performance assessments, and conducted regularly scheduled performance assessments each year.		✓	(3) The Company has not yet set board performance assessment rules, will assess to set up depending on the needs in the future.	No major difference
(4) Whether the Company has conducted regularly scheduled assessments of the independence of CPA.	✓		(4) The board of the Company has conducted regularly scheduled assessments to the independence of CPA according to Norms of Professional Ethics Guidelines and Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and obtained the declaration of independence made by certified public accountants.	No major difference
4. Whether the Company has maintained channels of communication with the stakeholders and designated stakeholders section on the Company's website and to properly respond to the issues of important corporate social responsibility concerning to the stakeholders.	✓		Staff is assigned and an e-mail box is set up to handle public relations and the affairs of stakeholders.	No major difference
5. Whether the Company has engaged a professional shareholder services agent to handle shareholders meeting matters.	✓		The Company has engaged shareholders services agency department of China trust Commercial Bank to handle shareholders meeting matters.	No major difference
6. Disclosure of information (1) Whether the Company has set up a website to disclose financial and corporate governance information.	✓		(1) The Company has disclosed financial and corporate governance information on the Company's website.	No major difference

Evaluation criteria	Status of Operations			Departure from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary Description	
(2) Whether the Company has adopted any other ways to disclose information (such as the setup of an English website, appointment of the specific person in charge of information collection and disclosure, adoption of the spokesperson system, disclosing the institutional investor road shows on the company website).	✓		(2) The Company has set up a website in Chinese and foreign languages and update the information regularly. The Company also has a spokesperson system in place and observed applicable regulations and the established system. The Company holds investors conference from time to time and posts the contents of investors' conferences on Market Observation Post System and company website.	No major difference
7. Whether the Company has any other important information that aids the understanding of status of corporate governance (e.g. employee benefits, employee care, investor relations, rights of stakeholders, continuing education of directors and supervisors, risk management policy and risk assessment criteria, execution of customer policy, purchase of liability insurance for directors and supervisors).	✓		(1) The Company has established the Procedure for Distributing Employee Performance Bonus and Procedure for Retirement Incentives. (2) All of the board of directors and independent directors of the Company have professional background and practical experience of the industry. The Company will provide related information of the regulations depending on the needs. (3) Except for special circumstances, all directors and independent directors would attend board meetings and directors are avoid from voting on motions they have stake, and can't represent other Director exercise its voting right. (4) The Company purchases liability insurance for its directors and managers.	No major difference
8. Whether the Company has corporate governance self-evaluation report or corporate governance assessment report prepared by another professional institution.		✓	The Company's self-evaluation did not find major discrepancies in corporate governance or departure from the Corporate Governance Practice Principles for TWSE/GTSM Listed Companies.	No major difference

3.3.4 If the Company has a remuneration committee in place, the composition, duties, and operation of the remuneration committee:

1. Members of the Remuneration Committee

Title	Requirements / Name	With Minimal Five-Year Working Experience and Following Qualifications			Condition of Independence (Note 1)										Number of other public companies in which the director also serves as an independent director	Remark (Note 2)
		Lecturer or other positions of Business, Legal, Finance, Accounting, or other required relating majors in college	With authorized accreditations of specialized careers and technical personnel like judge, procurator, lawyer, accountant	Working experience on business, legal, finance, accounting	1	2	3	4	5	6	7	8	9	10		
Independent director	Chang Bao-Guang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	✓
Independent director	Chiang Chih-Chun	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	✓
Independent director	Leong Kam-Son			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	✓

Note 1: If the director or supervisor meets any of the following criteria in the two years before being elected or during the term of office, please check "√" the corresponding boxes:

(1) Not an employee of the Company or any of its affiliates;

(2) Not a director or supervisor of the Company or any of its affiliates (the same does not apply if the person is an independent director of the Company or its parent company, or any subsidiary in which the Company holds, directly and indirectly, more than 50% of the voting shares).

(3) Not a natural-person shareholder whose shareholding, together with those of his/her spouse, minor children, and shares held under others' names, exceed 1% of the total number of outstanding shares of the Company, or ranks the person in the top ten shareholders of the Company.

(4) Not a spouse, relative within second degree of kinship, or lineal relative within third degree of kinship of any of the persons in the preceding three paragraphs.

(5) Not a director, supervisor or employee of a juristic-person shareholder that holds directly 5% or more of the total number of outstanding shares of the Company or ranks in the top five shareholders.

(6) Not a director, supervisor, manager or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.

(7) Not a professional or an owner, partner, director, supervisor, manager or a spouse of the abovementioned who provides commercial, legal, financial, accounting services or consultation to the Company or an affiliate of the Company.

(8) Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.

Note 2: Members status conform to Article 6, Paragraph 5 of the "Regulation governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company whose Stock is listed on the Stock Exchange or Traded Over the Counter".

2. Operation of the Remuneration Committee

(1) The remuneration committee of the Company consists of 3 members.

(2) Term of the committee members: May 22, 2013~May 21, 2016. The remuneration committee held 2 meetings in the most recent years. The attendance records of members are as follows:

Title	Name	Number of attendance in person	Number of attendance by proxy	Actual attendance rate (%)	Remark
Convener	Chang Bao-Guang	3	0	100%	None
Committee Member	Chiang Chih-Chun	3	0	100%	None
Committee Member	Leong Kam-Son	3	0	100%	None
Notes: 1. In case there were matters passed not by or amended by the board of directors, describe the date, term, motions and resolution of the board of directors' meeting, and actions taken by the Company based on the opinions of the remuneration committee (In case the remuneration passed by the board of directors' meeting exceeds the suggestion of the remuneration committee, describe the difference and reason): None. 2. In case any member of the remuneration committee expressed dissenting or reserve opinions on any resolution adopted at the meeting of remuneration committee with a record or written statement, describe the date, term and motions of the meeting of remuneration committee, and actions taken by the Company on the opinions of the remuneration committee: None.					

3.3.5 Fulfillment of corporate social responsibilities (CSR): systems and measures that the Company has adopted with respect to environmental protection, community participation, contribution to society, service to society, social and public interests, consumer rights and interests, human rights, safety and health, and other corporate social responsibilities and activities, and the state of implementation

Evaluation Criteria	Implementation Status			Differences with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies ("CSR Best Practice Principles") and Reasons
	Yes	No	Summary Description	
1. Implementation of Corporate Governance				
(1) Whether the Company has set its corporate social responsibility policy and examines the results of the implementation.	✓		(1) The Company creates "people-oriented, profit-sharing, mutual development, social responsibility" business culture to commend corporate social responsibility policy. The Company has been an avid supporter of public interest activities, actively promoting and participating in activities in Taiwan and China designed to help people in need.	In compliance with the CSR Best Practice Principles.
(2) Whether the Company has conducted CSR education and training on a regular basis.	✓		(2) The Company regularly uses internal education training, meetings or employee public activities do advocating; The Company has also established the procedure for employee performance review to assess the performance and moral character of employees, and put in place an employee reward and disciplinary system.	In compliance with the CSR Best Practice Principles.
(3) Whether the Company has dedicated organization for the promotion and execution of corporate social responsibility, and does Board of Directors authorize High Management handling and report to Board of Directors the handling situation.	✓		(3) The Company has a charity team to take charge of the "Sunshine Actions" program that aims to provide emergency relief, support disadvantaged children, show loving care to underprivileged groups, vitalize education, and nourish humanity in society in the hope to perform its obligations as a good corporate citizen and give back to the society. The Board of Directors also authorize to handle through the relevant standards, Company report to the Directors (including independent Directors) implementation situation.	In compliance with the CSR Best Practice Principles.
(4) Whether the Company has set a reasonable salary remuneration policy to be integrated with the employee performance review system and corporate social responsibility, and set up obviously effective employee reward and disciplinary system.	✓		(4) The Company consider the salary standard in all industry and area, proceed to set up generous salary compensation policies, and to integrate reward and disciplinary system with corporate social responsibility into employee handbook.	In compliance with the CSR Best Practice Principles.

2. Fostering a Sustainable Environment (1) Whether the Company has endeavored to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment.	✓		(1) The Company conducts regular maintenance check of electric equipment and major energy-consuming equipment to prevent tripping, fuming, dripping, leakage and malfunction, thereby enhancing the energy efficiency. In the efforts to reduce environmental load, the Company has retired 14 units of fuel crucible furnace and replace them with electric furnace to improve energy efficiency and reduce the emission of sulfur dioxide and other pollutants.	In compliance with the CSR Best Practice Principles.
(2) Whether the Company has established proper environmental management systems based on the characteristics of their industries.	✓		(2) Besides carrying out refuse sorting, recycling, reduction and reutilization in support of government policies and environmental hygiene regulations, the Company also carries out energy measurement and statistics in waste management. At the same time, the Company provides personnel performing energy statistics work with professional training to hone their skills and knowledge and make sure all energy statistics generated are true, clear and accurate.	In compliance with the CSR Best Practice Principles.
(3) Whether the Company has monitored the impact of climate change on its operations and should establish company strategies for energy conservation and carbon and greenhouse gas reduction.	✓		(3) In response to government's call for energy conservation and carbon reduction, the Company would adjust its production plan as deemed fit to reduce power consumption during peak demand. The Company would post signs at appropriate spots to remind the employees of water and electricity conservation and educate employees about energy conservation and environmental protection laws and knowledge to raise their awareness and sense of responsibility to environmental protection. The Company has drawn up energy conservation targets and implement energy saving measures and tackle the environmental issues from four aspects, i.e. production plan, technology upgrade, management statistics, and worksite, and promotion and education.	In compliance with the CSR Best Practice Principles.
3. Preserving Public Welfare (1) Whether the Company has complied with relevant labor laws and regulations, protects the legal rights and interests of employees, and has in place appropriate management methods and procedures.	✓		(1) The Company abides by the local labor laws and regulations by paying labor and health insurance premiums, pensions, social and medical insurance, and makes contribution to housing provident fund to protect the basic rights of an employee. Employee recruitment, discharge, and salary management	In compliance with the CSR Best Practice Principles.

			and related procedures all follow the Company's pay and human resources management rules.	
(2) Whether the Company has built complaint mechanism and channel to be treated properly.	✓		(2) The Company set up staff email, internal communication software, as complaint channel to company Executives, related matters to be handled by a dedicated unit and upon checking true conduct disciplinary.	In compliance with the CSR Best Practice Principles.
(3) Whether the Company has provided safe and healthy work environments for its employees, and organizes training on safety and health for its employees on a regular basis.	✓		(3) The Company believes that only mentally and physically healthy employees could produce efficient and high-quality performance in work. Thus the Company endeavors to provide employees with a safe and healthy work environment. The Company has an employee lounge at worksite and arranges annual employee travel activities. In the aspect of work safety, the Company carries out safety management in accordance with the machinery production safety standards and draws up a comprehensive safety management system to identify hazardous factors at work and undertake troubleshooting. Through continuous education, training and promotion, the Company imparts employees with emergency response capability and raises their awareness to work safety. The Company also establishes prevention and tracking system for work injury to build a safe work environment in the hope to reduce the incidence of work-related accidents, thereby alleviating any adverse impact on Company assets and employee safety. Recreation Areas are equipped in the Company. Leisure activities are held by specially-assigned person and annual travels are arranged for employees.	In compliance with the CSR Best Practice Principles.
(4) Whether the Company has established periodical communication system between the Company and the employees and the employees being timely informed of the operational change which may cause major impact.	✓		(4) Meetings with managers and employees are held periodically to effectively carry out the communication system. Employees will be informed of all the changes on the company policies and regulations through announcement, notification, internal communication letter or emails issued by the Company.	In compliance with the CSR Best Practice Principles.
(5) Whether the Company has established an effective capacity development of career training program for employees.	✓		(5) The Company set up annual staff training programs according to the functions and the ability to staff positions, periodically conduct internal and external training regular staff SEPT suitability of internal and external training company.	In compliance with the CSR Best Practice Principles.

(6) Whether the Company has established relevant consumer protection policies and grievance procedures for R&D, procurement, production, operation and service processes, etc.	✓		(6) To make sure consumer complaints are handled and corrective and preventive actions are taken in a timely manner, the Company has set up a department to handle customer complaint and rigorously observes the internal after-sale service management rules in accepting, handling, and following up customer complaints and file related information afterwards. The Company also conducts consumer satisfaction survey in January and July each year so as to obtain valid customer feedback on services relating to delivery, service, quality, quantity and price, and use the information as important basis for improving the quality of after-sale service.	In compliance with the CSR Best Practice Principles.
(7) Whether the Company has complied with applicable laws and international norms for marketing and labeling of products and services.	✓		(7) The Company's products have an ISO 9001 quality system certification and CE certification, and products are all in line with ROHS environmental protection requirements.	In compliance with the CSR Best Practice Principles.
(8) Whether the Company has accessed the impact of the suppliers' past record of the environment and social before the conduct with suppliers.	✓		(8) The Company has developed supplier management approach whether the impact of the inclusion of environmental and social record evaluation for suppliers.	In compliance with the CSR Best Practice Principles.
(9) Whether the Company has the terms in the contracts with the main suppliers containing whether the suppliers such as a violation of their corporate social responsibility policy, and have significant influence on the environment and society, may at any time terminate or cancel the contract.	✓		(9) The Company has supplier management approach, evaluate supplier social reputation into assessment, and if its products have environment prohibited substances unqualified, the company can not proceed procurement.	In compliance with the CSR Best Practice Principles.
4. Enhancing Information Disclosure (1) Whether the Company has disclosed relevant and reliable corporate social responsibility related information on the Company's website and Market Observation Post System.	✓		(1) The Company reveals performance of corporate social responsibility in annual report and discloses CSR operation and sponsorship activities on its website.	In compliance with the CSR Best Practice Principles.
5. If the Company has established its corporate social responsibility guidelines in accordance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies (the "CSR Best Practice Principles"), describe the operational status and differences with the CSR Best Practice Principles: The Company is in the process of drafting its corporate social responsible guidelines and relevant rules.				
6. Other important information to facilitate better understanding of the Company's implementation of corporate social responsibility: None.				
7. The Company's product or corporate social responsibility report that has passed the examination of a certification institution: None.				

3.3.6 The state of the Company's performance with respect to honest and good faith management and the adoption of related measures: The Company operates by the principle of honesty and conducts business in compliance with applicable laws and regulations.

Evaluation criteria	Implementation Status			Differences with Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Yes	No	Summary Description	
1. Establishing a policy on ethical corporate management:				
(1) Whether the Company has Specified the Company's policy on ethical corporate management in its official charter and material documents, including the board and management's commitment to its implementation.	✓		(1) The Company has formulated the Employee Handbook and regulation of rewards and punishment for ethical behaviors. The HQ of the Company is in charge of the establishment of the policy on ethical corporate management and each operation center is supposed to implement the related policy. And the audit department is responsible for supervision.	In compliance with the Ethical Corporate Management Best Practice Principles.
(2) Whether the Company has set up and implemented a program to prevent dishonest behavior, including its operation, guidelines, breaches of discipline and appeal system.	✓		(2) The Company's Employee Handbook has clearly specified the punishments against law breaking, offering and accepting bribes, offering or accepting unreasonable gifts or hospitality, or other inappropriate benefits with clear channels of appeal, and trainings of related principles are carried out for employees.	In compliance with the Ethical Corporate Management Best Practice Principles.
(3) Whether the Company has adopted the prevention measures for the Subparagraphs of Paragraph 2, Article 7 of Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies or which business activities within their business scope which are possibly at a higher risk of being involved in an unethical conduct.	✓		(3) The Company has set up an accounting system and internal control system for business activities that are at higher risk to dishonest behavior. The Company has no under-the-table accounts or secret accounts. The aforementioned systems are reviewed periodically to ensure that they are working and measures are implemented.	In compliance with the Ethical Corporate Management Best Practice Principles.
2. Implementation of ethical corporate management	✓			
(1) Whether the Company has assessed the integrity of the record of counterparties, and entered into contracts with counterparties with the terms of integrity act provisions.			(1) The Company has set Supplier Management Measures, if there are any doubts about the credibility of the supplier, can not make purchases. The Company's Supplier Agreement states that all suppliers shall not offer bribes to the employees of the Company. The Company will pursue	In compliance with the Ethical Corporate Management Best Practice Principles.

Evaluation criteria	Implementation Status			Differences with Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Yes	No	Summary Description	
			responsibilities and terminate the business relationship with the bribing supplier.	
(2) Whether the Company has set the dedicated (part-time) units belonging to the board of directors to promote business integrity management and regularly report to the board of its implementation.	✓		(2) The Company's Employee Handbook stipulates that employees shall not engage in bribery, corruption, harassment towards suppliers. Commendation and awards are granted to those who have outstanding ethical performances, which is an auditing item of the internal auditors, and report to the board of directors.	In compliance with the Ethical Corporate Management Best Practice Principles.
(3) Whether the Company has set up and implement policies to prevent conflict of interests and providing channels to report such conflict.	✓		(3) The Company has promulgated policies like Ethical Corporate Management Principle and Employee Handbook to prevent conflict of interests.	In compliance with the Ethical Corporate Management Best Practice Principles.
(4) Whether the Company has built an effective accounting system and internal control system to carry out ethical corporate management, with internal auditors auditing the process or to engage a certified public accountant to carry out the audit.	✓		(4) The Company has established an effective accounting system and internal control system. In addition, internal auditors schedule regular audits according the level of risks. The internal audit unit has periodically examined the Company's compliance with the accounting systems and internal control systems, and has engaged a certified public accountant to carry out the audit.	In compliance with the Ethical Corporate Management Best Practice Principles.
(5) Whether the Company has periodically organized internal and external training for integrity management.	✓		(5) The Company has stipulated requirements of staff integrity in the Employee Handbook as the trainings of employee entry and in-service.	In compliance with the Ethical Corporate Management Best Practice Principles.
3. Operating situation of whistle-blowing system				
(1) Whether the Company has adopted a concrete whistle-blowing system, established a convenient whistle-blowing channel and dedicated appropriated personnel appointed to handle the objects.	✓		(1) The reporting channels include mailboxes and internal communication software for employee complaints to senior managers (e.g. CEO, GM of each subsidiary). If any violation is found, the responsible department will conduct investigation with punishment being meted in accordance with the severity of the offense.	In compliance with the Ethical Corporate Management Best Practice Principles.
(2) Whether the Company has established standard investigation operating procedures and related security mechanism for case acceptance.	✓		(2) The Company has appointed dedicated unit to handle related affairs and confidentiality of the identity of whistle-blowers and the content of reported cases.	In compliance with the Ethical Corporate Management Best Practice Principles.

<table>
<tr><th rowspan="2">Evaluation criteria</th><th colspan="3">Implementation Status</th><th rowspan="2">Differences with Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary Description</th></tr>
<tr><td>(3) Whether the Company has adopted measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.</td><td>✓</td><td></td><td>(3) The Company has adopted measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.</td><td>In compliance with the Ethical Corporate Management Best Practice Principles.</td></tr>
<tr><td>4. Strengthening information disclosure

(1) Whether the Company has disclosed related information on ethical corporate management on the Company’s website and Market Observation Post System.</td><td>✓</td><td></td><td>(1) The Company’s culture, operate policies are posted on the Company’s website and are duly updated; Disclosing related information on ethical corporate management on Market Observation Post System.</td><td>In compliance with the Ethical Corporate Management Best Practice Principles.</td></tr>
<tr><td colspan="5">5. Should the Company promulgate its own ethical corporate management principles in accordance with the “Ethical Corporate Management for TWSE/GTSM-listed Companies”, describe differences between real practices and the principles established: None.</td></tr>
<tr><td colspan="5">6. Other important information to facilitate understanding of the Company’s implementation of ethical corporate management practices:
(1) The Handbook for the Meeting of Board of Directors of the Company states the Director recusing policy against conflict of interest. In case a director has any conflict of interest, he shall recuse himself from participating in voting or voting as a proxy of other Directors.
(2) The Internal Trading Prevention Policy of the Company states that employees shall not reveal or ask related colleague for internal major information of the Company.
(3) The Company’s “Rules of Business Integrity” has been implemented after the Board of Directors through the implementation, any amendments thereto in the same fashion, not to mention the meeting of the shareholders.</td></tr>
</table>

3.3.7 Ways to inquire the Company’s corporate governance best-practice principles or related rules:

The Company has set the Code of Corporate Governance and the relevant rules, and approved by board of directors. The related content has been uploaded to the Company website to facilitate the investing public inquiry.

3.3.8 Other significant information that will provide a better understanding of the state of the Company’s implementation of corporate governance: None.

3.3.9 Implementation Status of Internal Control Systems

(1) Statement on Internal Controls

AirTAC International Group

Statement on Internal Controls

March 3, 2015

The Company states the following with regard to its internal control systems for 2014 based on the results of self-evaluation:

1. The Company is fully aware that the establishment, implementation, and maintenance of the internal control systems are the responsibility of the board of directors and management. The purpose is to make sure the target achieved and reasonable assurance on business operation effects/efficiency (profits, performance and asset security), reliable, timely, transparent reports in accordance with the related statements & laws.
2. An internal control system has its inherent limitations. No matter how perfect is its design, an effective internal control system can only provide reasonable assurance for the attainment of the three goals described above. Moreover, the effectiveness of internal control systems could change along with the changes in environment and circumstances. However the Company's internal control system is equipped with the function of self-monitoring, that the Company will take immediate action once a deficiency is identified.
3. The Company determines whether the design and implementation of its internal control systems are effective based on the criteria provided in the *Regulations Governing Establishment of Internal Control Systems by Public Companies* (referred to as the "Governing Regulations" hereunder). Said criteria divide internal control into five elements based on the process of management control: 1. Control Environment, 2. Risk Assessment and Response, 3. Control Operation, 4. Information and Communication, and 5. Supervision. Each element contains several items. Please refer to the Governing Regulations.
4. The Company has evaluated the validity of the design and implementation of its internal control systems based on the aforesaid criteria.
5. Based on the results of aforementioned evaluation, it is found that the internal control systems of the Company for the year ended December 31, 2014 (including the supervision and management of subsidiaries) was effective in design and implementation, that it reasonably assures the accomplishment of aforesaid goals. The understanding of the achieved results of the internal control system design and execution works that business operation effects/efficiency, reliable, timely, transparent reports in accordance with the related statements & laws and reasonably ensure the above targets to meet.
6. This Statement shall become a major part of the Company's annual report and be made public. Any false representation or concealment in this Statement shall be subjected to legal consequences as stipulated in Articles 20, 32, 171 and 174 of the *Securities and Exchange Act*.
7. This statement has been passed by the Company's board of directors in a meeting held on March 3, 2015, where all of the nine attending directors have agreed to the contents of this statement.

AirTAC International Group

Chairman: Wang Shih-Chung

President: Lan Shun-Cheng

(2) Where a CPA was engaged to examine the internal control systems, disclose the CPA examination report: N/A.

3.3.10 Any legal sanctions against the Company or its internal personnel, or any disciplinary action taken by the Company against its own personnel for violation of internal controls, during the most recent fiscal year and up to the date of annual report, major deficiencies associated with the sanction and status of improvement actions taken: None.

3.3.11 Important resolutions and implementation adopted in shareholders' meetings in the most recent year and the current year up to the date of annual report:

Date	Important resolutions adopted in shareholders' meetings	Implementation
2014/5/29	1. Acknowledge the operating report and consolidated financial statements of the Company and subsidiaries for the year 2013	Concluded statements passed.
	2. Passed the distribution of dividend for the year of 2013	Concluded statements passed to execute according to shareholders meeting.
	3. Passed the amendments of the Procedure of Acquisition or Disposal of Fixed Assets, Procedure of Transaction of Derivatives	Concluded statements passed to operate according to the procedures of amendments.

3.3.12 Important resolutions adopted in board of directors meetings in the most recent year and the current year up to the date of annual report:

Date	Important resolutions adopted in board of directors meetings
2014/3/4	1. Acknowledge the operating report and consolidated financial statements of the Company and subsidiaries for the first half of 2013 2. Passed the distribution of dividends for the year 2013 3. Passed the amendment of relative operation method of the Company's management policy 4. Passed the statement on the internal control system 5. Approval of the time and place of the Company's annual general meeting of the shareholders 2014, deadline of transferring and motion of the shareholders' meeting
2014/4/14	Passed the distribution ratio of dividend for employees for the year of 2014
2014/5/14	Acknowledge the consolidated financial statements of the Company and subsidiaries for the first quarter of 2014
2014/5/29	Passed the interest base date for the distribution of dividends for the year 2013
2014/8/14	Acknowledge the consolidated financial statements of the Company and subsidiaries for the first half of 2014
2014/11/4	Acknowledge the consolidated financial statements of the Company and subsidiaries for the first three quarters of 2014
2014/12/17	1.Passed the consolidated financial budget and operating report of the Company and subsidiaries for the year of 2015 2.Passed the distribution ratio of dividend for employees for the year of 2015 3.Passed 2015 corporate auditing plans 4.Passed the amendment of Internal Control Systems 5.Passed the setup and amendment of the related corporate management guidance
2015/3/3	1.Acknowledge the operating report and consolidated financial statements of the Company and subsidiaries for the first half of 2014

Date	Important resolutions adopted in board of directors meetings
	2. Passed the distribution of dividends for the year 2014 3.Passed the transfer of earnings to share capital and issuing new shares 4.Passed the amendment to the Company's Articles of Association 5.Passed the amendment of relative operation method of the Company's management policy 6.Passed the statement on the internal control system 7.Approval of the time and place of the Company's annual general meeting of the shareholders 2015, deadline of transferring and motion of the shareholders' meeting 8.Passed the purchasing of responsibility insurances of board members
2015/4/13	Passed the amendments of the procedure rules of the corporate shareholders' meeting and the election of board members

3.3.13 The major content of any dissenting opinion of any director or supervisor regarding any material resolution passed by the board of directors, where there is a record or written statement of such opinion, for the most recent fiscal year and up to the date of annual report: None.

3.3.14 Information on persons in connection with the Company

(1) Summary of resignations/dismissals of persons in connection with the Company (including chairman, president, accounting chief, chief financial officer, chief audit officer and R&D chief) during the most recent fiscal year and up to the date of annual report: No resignation removal of the persons in connection with the Company.

(2) Certifications obtained by the persons in connection with the disclosure of financial information

Certificate	Number of people	
	Internal audit	Financial
CPA	0	4
CICPA	0	2
CIA	1	0

3.4 Information on CPA Professional Fees

3.4.1 CPA fees information

Name of accounting firm	Name of CPA		Audit period	Remark
Deloitte & Touche Taiwan	HSIEN MING CHUNG	WENG BO REN	2014	None

In 1,000 TWD

Bracket \ Fee item		Audit fees	Non-audit fees	Total
1	<$2,000,000	—	—	—
2	$2,000,000 (inclusive)～$4,000,000	2,700	—	2,700
3	$4,000,000 (inclusive)～$6,000,000	—	—	—
4	$6,000,000 (inclusive)～$8,000,000	—	—	—
5	$8,000,000 (inclusive)～$10,000,000	—	—	—
6	>$10,000,000 (inclusive)	—	—	—

3.4.2 When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm is one quarter or more of the audit fees paid thereto: None.

In 1,000 TWD

Name of accounting firm	Name of CPA	Audit fees	Non-audit fees					Audit period	Remark
			System design	Business registration	Human resources	Others	Subtotal		
Deloitte & Touche	HSIEN MING-CHUNG, WENG BO-REN	2,700	—	—	—	—	—	2014	Note

Note: The aforesaid CPA fees do not include fees of RMB 2,100,000 (equivalent to TWD 10,693,000, according to the exchange rate of 5.092 in the end of 2014) paid to Deloitte Touche Tohmatsu in China in 2014.

3.4.3 When the Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous year: N/A

3.4.4 When the audit fees paid for the current year are lower than those for the previous fiscal year by 15 percent or more: N/A.

3.5 Information on Changes of CPA: N/A.

3.6 Employment of Company's Chairman, President, Managerial Officers in Charge of Finance or Accounting at the Auditing CPA Firm or its Affiliates in the Most Recent Year: None.

3.7 Transfer of Equity Interest and/or Pledge of or Change in Equity Interest by a Director, Supervisor, Managerial Officer, or Shareholder Holding more than Ten Percent Equity in the Most Recent Year and up to the Date of Annual Report:

(1) Change in equity interest of directors, supervisors, managers and major shareholders (the Company does not have supervisors)

Unit: shares

Title	Name	2014		Current year due March 30, 2015	
		Increase (decrease) of shares held	Increase (decrease) of shares pledged	Increase (decrease) of shares held	Increase (decrease) of shares pledged
Chairman	Wang Shih-Chung	—	—	—	—
Director & President	Lan Shun-Cheng	—	—	—	—
Director	Wang Hai-Ming	—	—	—	—
Director & President of Jianliang (Shanghai), Airtac Singapore, Airtac Japan, ATC, Airtac Malaysia, AirTAC Taiwan and AirTAC Tainan	Lin Chiang-Ti	—	—	—	—
Director	Chen Jui-Lung	—	—	—	—
Director & CFO	Tsao Yung-Hsiang	—	—	—	—
Independent Director	Chang Bao-Guang	—	—	—	—
Independent Director	Chiang Chih-Chun	—	—	—	—
Independent Director	Leong Kam-Son	—	—	—	—
President of AirTAC China, AirTAC Ningbo and AirTAC Guangdong	Li Hui-Wen	—	—	—	—
Deputy GM of AirTAC Tainan	Lin Yong-Feng	—	—	—	—
Executive Deputy GM of AirTAC China	Xu Guan-Hua	—	—	—	—
Vice President of AirTAC Guangdong	Huang Yao-De	—	—	8,000	—
Deputy GM of the R&D Center	Hsiao Yu-Chien	—	—	—	—
Deputy Sales GM of AirTAC China	Zhang Xian-Ming	—	—	—	—
Deputy Sales GM of AirTAC China	Zhou Hong-Yuan	(114,000)	—	—	—
Deputy Sales GM of AirTAC China	Dai Jia-Xing	—	—	—	—
Chief Audit Officer	Lin Chian-Ming	—	—	—	—
10% shareholder	Ding Kan Investment Ltd.	—	—	—	—

(2) The counterparty of share transfer is a related party: None.

(3) The counterparty of share pledge is a related party: None.

3.8 Information Disclosing the Relationship between any of the Company's Top Ten Shareholders According to Statement of Financial Accounting Standards No. 6:

Unit: shares; March 30, 2015

Name	Shares held by self		Shares held by spouse and minor children		Shares held in other's name		The title or name and relationship of top ten shareholders if they are a related party as defined in the Statement of Financial Accounting Standards No. 6, or the spouse or a relative within the second degree of kinship to another		Remark
	Shares	%	Shares	%	Shares	%	Title (name)	Relationship	
Ding Kan Investment Ltd.	25,437,110	14.92%	–	–	–	–	Proud Unit Company Ltd. / Lin Shu-Mei	Similar shareholding structure /Spouse of a Director	Note
Fubon Life Insurance Co., Ltd.	13,318,630	7.81%	–	–	–	–	–	–	None
YHZ Ltd.	10,695,559	6.27%	–	–	–	–	–	–	Note
Investment Account of Central Bank of Saudi Arabia Partners under the trust of JPM	9,366,940	5.49%	–	–	–	–	–	–	None
Express Brilliant Ltd.	9,271,550	5.44%	–	–	–	–	–	–	Note
SinoPac Agents Investment Accounts hosted by Bank Sinopac	5,609,313	3.29%	–	–	–	–	–	–	None
Chen Jui-Lung	5,360,769	3.14%	–	–	–	–	–	–	None
Lin Shu-Mei	4,446,231	2.61%	–	–	–	–	Ding Kan Investment Ltd./ Proud Unit Company Ltd.	Spouse of a Director	None
Nan Shan Life Insurance Company, Ltd.	4,090,000	2.40%	–	–	–	–	–	–	None
Proud Unit Company Ltd.	3,957,315	2.32%	–	–	–	–	Ding Kan Investment Ltd. / Lin Shu-Mei	Similar shareholding structure /Spouse of a Director	Note

Note: All are trust accounts.

3.9 Shares of Same Enterprise Held by the Company, Company's Directors, Supervisors, Managers and Enterprises Directly or Indirectly Controlled by the Company and Combined Shareholding:

Unit: shares; %

Investment	Investment by the Company		Investment by directors, supervisors, managers and companies controlled directly or indirectly by the Company		Total investment	
	Shares	%	Shares	%	Shares	%
Airtac Industrial (Hong Kong) Limited	31,000,000	100%	–	–	31,000,000	100%
Airtac Trading (Hong Kong) Limited	7,000,000	100%	–	–	7,000,000	100%
Instant Reach International Limited	1	100%	–	–	1	100%
Airtac Holding (Singapore) Pte. Limited	11,000,000	100%	–	–	11,000,000	100%
AMA TECH CORP.	20,000,000	20%	–	–	20,000,000	20%
Ningbo AirTAC Automatic Industrial Co.	Note	100%	–	–	Note	100%
Guangdong AirTAC Automatic Industrial Co.	Note	100%	–	–	Note	100%
AirTAC (China) Co., Ltd.	Note	100%	–	–	Note	100%
Jianliang (Shanghai) Trading Co.	Note	100%	–	–	Note	100%
AirTAC Industrial Co.	12,340,650	53.655%	–	–	12,340,650	53.655%
ATC(ITALIA)S.R.L	3,000,000	100%	–	–	3,000,000	100%
Airtac International (Singapore) Pte. Limited	9,500,000	100%	–	–	9,500,000	100%
Airtac Co., Ltd.	2,000	100%	–	–	2,000	100%
Airtac Industrial (Malaysia) Sdn. Bhd.	1,000,000	100%	–	–	1,000,000	100%

Note: The subsidiaries in China are limited companies that do not issue shares.

3.10 The Procedure of Dealing with Corporate Key Information

The Company settled "the management procedure of dealing with internal key information and guarding inside trading", which the responsible department would regularly inform to remind board directors, managers and employees release corporate key information in law and the related regulations. Besides that, to surely make them understand and follow the related regulations, there will be held avocation educated to reduce the inside trading risks at least once per year.

Close with respects

4. Capital Raising Overview

4.1 Capital and Shares

4.1.1 Sources of capital

1. Types of shares

March 30, 2015; Unit: shares

Type of shares	Authorized capital			Remark
	Issued and outstanding	Unissued	Total	
Registered common shares	170,499,998	29,500,002	200,000,000	Listed stocks

2. Capital formation

Unit: $/share

Year/month	Issue price	Authorized capital		Paid-in capital		Remark		
		Number of shares	Amount	Number of shares	Amount	Sources of capital	Capital contribution other than cash	Others
2009.09	US$1	20,000,000	US$20,000,000	1	US$ 1	Cash capital increase	–	–
2009.10	US$1	20,000,000	US$20,000,000	2	US$ 2	–	Long-term investment	–
2009.12	US$1	20,000,000	US$20,000,000	3	US$ 3	–	Long-term investment	–
2009.12	US$1	20,000,000	US$20,000,000	19,999,996	US$19,999,996	Capitalization of capital surplus	–	–
2010.04	TWD 10	200,000,000	2,000,000,000	64,699,999	TWD 646,999,990	(1) The originally authorized capital of US$20,000,000 is changed to TWD 2,000,000,000 (2) Originally issued USD$20, 000,000 capital is converted to TWD 647,000,000	–	Note 1
2010.06	TWD 10	200,000,000	2,000,000,000	132,999,998	TWD 1,329,999,980	Capitalization of capital surplus in the amount of TWD 683,000,000	–	Note 2
2010.12	TWD 10	200,000,000	2,000,000,000	149,999,998	TWD 1,499,999,980	Issuance of new shares in the amount of TWD170,000,000 for cash capital increase	–	Note 2
2013.06	TWD 10	200,000,000	2,000,000,000	160,499,998	TWD 1,604,999,980	Capitalization of earnings in the amount of TWD 105,000,000	–	Note 3
2013.11	TWD 10	200,000,000	2,000,000,000	170,499,998	TWD 1,704,999,980	Issuance of new shares in the amount of TWD100,000,000 for cash capital increase	–	Note 3

Note 1: Passed in shareholders' meeting held on 2010.04.17.

Note 2: Capitalization of capital surplus has been approved in shareholders' meeting held on 2010.06.29.

Note 3: Capitalization of earnings and issue of new shares for cash capital increase has been approved in shareholders' meeting held on 2013.05.22.

3. Information of Shelf Registration: N/A.

4.1. 2 Shareholder structure

March 30, 2015; Unit: Shares

Shareholder entity / Quantity	Government agency	Financial institution	Other juristic person	Individuals	Foreign institutions and foreigners	Total
No. of people	-	5	52	1,664	244	1,965
No. of shares held	-	19,282,630	3,814,171	26,129,169	121,274,028	170,499,998
Percentage of ownership (%)	-	11.31%	2.24%	15.33%	71.12%	100.00%

Note 1: Calculated based on capital after issue of new shares for cash capital increase approved in general Shareholders' meeting held on 2013.05.22.

Note 2: China investors own 6.98% of stocks.

4.1.3 Dispersion of stock ownership

1. Common Shares

Face value per share: TWD 10; 2015.03.30; unit: shares

Shares	Number of shareholders	Total shares held	Percentage of ownership
1 ~ 999	369	39,656	0.02%
1,000 ~ 5,000	1,182	1,992,389	1.17%
5,001 ~ 10,000	113	878,027	0.51%
10,001 ~ 15,000	36	440,214	0.26%
15,001 ~ 20,000	26	455,091	0.27%
20,001 ~ 30,000	27	670,993	0.39%
30,001 ~ 40,000	20	724,335	0.42%
40,001 ~ 50,000	18	800,013	0.47%
50,001 ~ 100,000	45	3,209,638	1.88%
100,001 ~ 200,000	30	4,353,247	2.55%
200,001 ~ 400,000	36	10,096,994	5.92%
400,001 ~ 600,000	16	7,834,869	4.60%
600,001 ~ 800,000	8	5,486,713	3.22%
800,001 ~ 1,000,000	8	6,942,958	4.07%
>1,000,001	31	126,574,861	74.25%
Total	1,965	170,499,998	100.00%

2. Preferred Shares: No preferred share being issued by the Company.

4.1.4 List of major shareholders: Names, shares and percentage of shareholding of shareholders with more than 5% or top ten of Company's shares:

March 30, 2015; Unit: shares

Shareholding / Name of major shareholder	Total shares held	Percentage of ownership
Ding Kan Investment Ltd.	25,437,110	14.92%
Fubon Life Insurance Co., Ltd.	13,318,630	7.81%
YHZ Ltd.	10,695,559	6.27%
Investment Account of Central Bank of Saudi Arabia Partners under the trust of JPM	9,366,940	5.49%
Express Brilliant Ltd.	9,271,550	5.44%
SinoPac Agents Investment Accounts hosted by Bank Sinopac	5,609,313	3.29%
Chen Jui-Lung	5,360,769	3.14%
Lin Shu-Mei	4,446,231	2.61%
Nan Shan Life Insurance Company, Ltd.	4,090,000	2.40%
Proud Unit Company Ltd.	3,957,315	2.32%

4.1.5 Stock price, net worth, earnings, dividends per share and related information (2013-2014)：

Unit: TWD; 1,000 shares

Item			2013	2014
Stock price	High		270.00	360.00
	Low		136.50	190.50
	Average		185.27	286.23
Net worth per share	Basic		52.20	58.10
	Diluted		45.90	(Note 1)
Earnings per share	Weighted average shares		170,500	170,500
	Earnings per share		10.55	10.39
Dividends per share	Cash dividend		6.3	4.8 (Note 1)
	Stock dividend	Earnings (TWD)	—	0.5 (Note 1)
		Capital surplus (TWD)	—	—
	Accumulated unpaid dividend (Note 2)		—	—
Return analysis	Price-earnings ratio (Note 3)		17.56	27.55
	Price-dividend ratio (Note 4)		29.41	59.63
	Cash dividend yield (Note 5)		3.40%	1.68%

Note 1: The appropriations of earnings for 2014 is to be resolved by the general Shareholders' meeting.

Note 2: If the term of the equity securities released is to guard the current year retained dividends accumulated to the year dated with earning profits shall be revealed in accumulated current year due unpaid dividends.

Note 3: Price-earnings ratio＝Year's average per share closing price / earnings per share.

Note 4: Price-dividend ratio＝Year's average per share closing price / cash dividend per share.

Note 5: Cash dividend yield＝ Cash dividend per share / year's average per share closing price.

4.1.6 Dividend policy and implementation thereof:

1. Dividend policy set out in the Company's Articles of Association

According to the Company's amended Articles of Association passed in general shareholders' meeting held on May 22, 2013, annual earnings shall be used to offset prior years' deficits. Then special reserve shall be set aside 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 board of directors should decide in the proposed earnings distribution plan the percentage that will be distributed as employee bonus, whereas shareholders can revise the proposal before adopting a resolution thereon. Directors who also act as an executive officer of the Company are eligible for employee bonus.

The remainder of earnings, 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 and the amount of cash dividends shall not be less than 10% of the year's proposed profit distribution.

2. Proposed dividend distribution for the year

According to the 2014 dividend distribution plan passed by the board of directors in meetings held on March 3, 2015, the Company will distribute cash dividends in the amount of TWD 4.8 (equivalent to RMB 0.9595) and stock dividends in the amount of TWD 0.5 (equivalent to RMB 0.1).

4.1.7 Effect of the proposed stock dividends (to be adopted in the shareholders' meeting) on the operating performance and earnings per share.

In TWD 1,000; Unit: shares

<table>
<tr><th colspan="3">Year
Item</th><th>Year 2014 (Estimated)</th></tr>
<tr><td colspan="3">Beginning paid-up capital</td><td>1,705,000</td></tr>
<tr><td rowspan="3">Allotment of shares and cash this year</td><td colspan="2">Cash dividend per share (TWD)</td><td>4.8 (Note 1)</td></tr>
<tr><td colspan="2">Numbers per share: capitalization from earnings</td><td>0.05 (Note 1)</td></tr>
<tr><td colspan="2">Numbers per share : capitalization from capital re-serve</td><td>—</td></tr>
<tr><td rowspan="7">Business Performance</td><td colspan="2">Operating profit</td><td rowspan="13">(Note 2)</td></tr>
<tr><td colspan="2">Operating profit over the same period last year in-crease (decrease) ratio</td></tr>
<tr><td colspan="2">Net income</td></tr>
<tr><td colspan="2">Net income over the same period last year increase (decrease) ratio</td></tr>
<tr><td colspan="2">EPS</td></tr>
<tr><td colspan="2">EPS over the same period last year increase (de-crease) ratio</td></tr>
<tr><td colspan="2">The average annual return on investment (on aver-age PE ratio countdown)</td></tr>
<tr><td rowspan="6">Pro forma EPS and PE ratio</td><td rowspan="2">If changing all capitalization from earnings to cash dividend</td><td>Pro forma EPS(TWD)</td></tr>
<tr><td>Pro forma average annual return on in-vestment</td></tr>
<tr><td rowspan="2">If not applying capitalization from capital reserve</td><td>Pro forma EPS(TWD)</td></tr>
<tr><td>Pro forma average annual return on in-vestment</td></tr>
<tr><td rowspan="2">If not applying capitalization from capital reserve and changing capitalization from earnings to cash dividend</td><td>Pro forma EPS(TWD)</td></tr>
<tr><td>Pro forma average annual return on in-vestment</td></tr>
</table>

Note 1：Current year dividends paid to be concluded from the shareholders' meeting.

Note 2：In 2014, corporation had no open financial forecasts, it's not necessary to reveal forecast information.

4.1.8 Employee bonus and remuneration to directors and supervisors (the Company does not have supervisors):

1. Information on employee bonus and remuneration to directors and supervisors provided in Company's Articles of Association:

   The Company shall use the annual earnings to offset prior years' deficits, then set aside special reserve in accordance with laws and regulations governing public companies or the requirements of the competent authorities, and then set aside 2% ~ 5% of the annual earnings proposed to be distributed as employee bonus. Directors who also act as an executive officer of the Company are eligible for employee bonus.

2. Basis for estimating employee bonus and remuneration to directors and supervisors, basis for deciding number of shares when distributing stock bonus to employees, and accounting treatment for discrepancy between such amounts and the estimated figures:

   (1) The Company's directors do not receive distribution of earnings.

   (2) At the end of a fiscal year, significant changes in the amounts of employee bonus and remuneration to directors as decided by the board of directors will be recorded under the year's expense. If the amounts again change on the date earnings the earnings distribution plan is adopted in a shareholders' meeting, the difference will be treated as changes in accounting estimates and recorded in the year the shareholders adopt the resolution.

   (3) If it is decided in shareholders' meeting that employee bonus will be distributed in the form of stock bonus, the number of shares of stock bonus will be determined by the amount of bonus divided by the market value of stock. The market value of stock is its closing price on one day before the day the shareholders adopt the resolution (after considering of the impact of cash and stock dividends).

3. Information on proposed employee bonus as approved by the Board of Directors:

   (1) Amounts of employee cash bonus and stock bonus as well as remuneration to directors and supervisors

   Employee cash bonus in 2013 totals RMB 12,568,000.

   (2) Amount of proposed stock bonus as a percentage of the year's after-tax income and total employee bonus: N/A.

   (3) Employee bonus expense has been provided in the 2014 financial statements, and earnings per share for the year are TWD 10.39 on such basis.

4. Information on distribution of previous year's earnings as employee bonus and remuneration to directors and supervisors: The earnings of 2013 were approved in board of directors' meeting held in 2014, and the employee bonus is RMB 14,539,672.

4.1.9 Stock buy-back: None.

4.2 Issuance of Corporate Bonds: None.

4.3 Issuance of Preferred Shares: None.

4.4 Issuance of Global Depositary Receipts (GDR): None.

4.5 Employee Stock Options: None.

4.6 Status of New Shares in Connection with Limit Employees' Rights：None.

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

4.8 Financing Plans and Implementation：No plans outstanding to valued securities or private equities released or plans finished but the effects not appeared yet during the recent three years.

5. Operational Highlights

5.1 Business Activities

5.1.1 Scope of business

1. Major business activities

The Group engages in the manufacture and sale of pneumatic control components, pneumatic actuator, air preparation units and pneumatic accessories.

2. Revenue breakdown by product

Unit: TWD 1,000; %

Product	2013		2014	
	Amount	% of revenue	Amount	% of revenue
Actuator	3,216,159	44.06%	3,724,280	44.45%
Control components	2,099,824	28.76%	2,329,831	27.80%
Air preparation units	668,243	9.15%	752,951	8.99%
Others	1,316,065	18.03%	1,571,899	18.76%
Total	7,300,291	100.00%	8,378,961	100.00%

3. Core products (services)

Actuator(cylinder)	Standard cylinder, miniature cylinder, compact/ultra-compact cylinder, multi-mounting cylinder, twin rod and tri-rod cylinder, slide table cylinder, magnetic coupled rodless cylinder, rotary table cylinder, air gripper, twist clamp cylinder, clamp cylinder, unclamping cylinder, stopper cylinder, accessories
Control components (valve)	Solenoid valve, air valve, manual control valve, mechanical control valve and other valve, fluid control valve
Air preparation unit	F.R.L. combination, FR.L. combination, filter & regulator, filter, regulator, lubricator, soft star-up valve, safe on-off valve, air distribution block, drain、pressure gauge
Accessories	Shock absorber, polyurethane tubing, fitting, silencer, speed controller
Sensor components	Standard digital pressure switches

4. New products (services) under development

(1) Actuator(cylinder): Fierce Clamp Cylinder, Screw-Threading Cylinder, Cylinder Directive Framework, SE Accessories TC Rack, Compact Tri-Rod Cylinder, Large Tri-Rod Cylinder, Plate Non Rotary Cylinder, MBL Cylinder, Tight Cylinder, Fine Lock Cylinder, Oblate Cylinder, Lying Horizontal Stopper Cylinder, Symmetrical Slide Cylinder, Mechanical Rodless Cylinder, Small Vane-Swing Cylinder, Large Vane-Swing Cylinder, Table Frame-Swing Cylinder and Electric Cylinder

(2) Control components (valve): 3V2 Solenoid Valve With Manifold, 5V Solenoid Valve, 6V Solenoid Valve, 5D Serial Transmission System, 6D Serial Transmission System, Shuttle Valve, Two Pressure Valve, Fast Exhaust Valve, Double Air Valve, Empty Pressure Pilot Operated Non-Return Flow Control Valve, CPV12 Pilot Operated Valve and High Precise Proportion Valve.

(3) Preparation unit: Precise Pressure Relief Valve and Mist Separator.

(4) Sensor component: Micro Electric Pressure Switch, Electric Magnetic Switch, Reed Magnetic Switch and Massive Magnetic Switch.

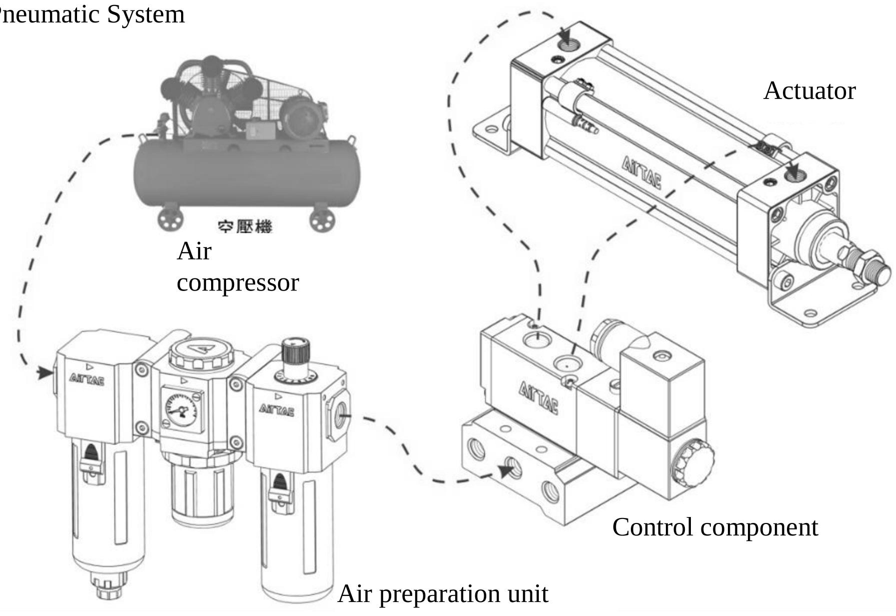
(5) Others: Compact One-Touch Fitting, Digital Pressure Switch and Magnetic Sensor Switch.

5.1.2 Industry overview

1. Description of pneumatic components

“Pneumatic” is an abbreviation for “pneumatic technology” or “pneumatic transmission and control”. Pneumatic technology is a modern-day and practical technology that uses compressor as power source. The compressed air generated after it is treated by an air preparation unit is used as a working medium, where a control component (directional control valve) is used to change the inflow/outflow frequency, speed, and direction of the compressed air, and an actuator (cylinder) is used to convert the energy of compressed air into kinetic energy to drive a predetermined movement.

The Working of Pneumatic System



Pneumatic technology is an important means to achieve production control and automatic control. It offers the advantages of energy saving, pollution free, high efficiency, low cost, safety, reliability, and structural simplicity. Pneumatic components are used extensively in machinery and production lines, mainly as key components in mechanical automation system. The extensive applications of pneumatic technology today symbolize the advances the pneumatic industry has gained. It is also the must-tread path to industrial upgrade.

In the past, pneumatic technology was used simply in low-cost automation process to save labor. In recent years, its applications broaden along with the advancement of the pneumatic technology itself and its support technologies. A few representations of pneumatic technology are discussed as follows:

(1) A classic example of electro-mechanical integration is a control system composed of "computer remote control + programmable controller + sensor + pneumatic component." In the example of automotive industry, such systems are used in welding production line, fixtures, robot, conveyor, assembly line, painting line, generator, and tire manufacturing.

(2) Composite integration that helps reduce the use of cables (e.g. serial transmission), piping and components to save space, simplify assembly/disassembly process and improve work efficiency.

(3) Production automation and parts processing and assembly on mechanical processing line, such as the handling, inversion, positioning, clamping, feeding, unloading, assembly, cleaning and testing of workpieces.

(4) Automated metering and packaging of powder, granulated and lump materials in fertilizer, chemical, food, pharmaceutical and bioengineering industries, automated cigarette rolling and packaging in tobacco industry, and automated metering and filling of viscous liquids (e. g. paint, ink, cosmetic and toothpaste) and toxic gas (e.g. gas).

2. International pneumatic component technology

The union of fluid, microelectronics and computer technologies charts a new horizon for pneumatic technology. According to reported data, 95% production machinery, 90% numerically controlled machining center, and 95% automated production lines around the world now adopt pneumatic technology. Pneumatic technology is applied in many fields of the national economy. The level of pneumatic applications has become an important yardstick of a country's industrial level.

3.Market demand analysis

In China today, agriculture, hydraulic engineering, transportation, Medicare, electric information, energy saving/environment protection, new energy...etc. industries are experiencing faster growth, that also jack up the demands for mechanical equipment. In most cases, mechanical equipment calls for large quantities of high-performance and highly reliable pneumatic components.

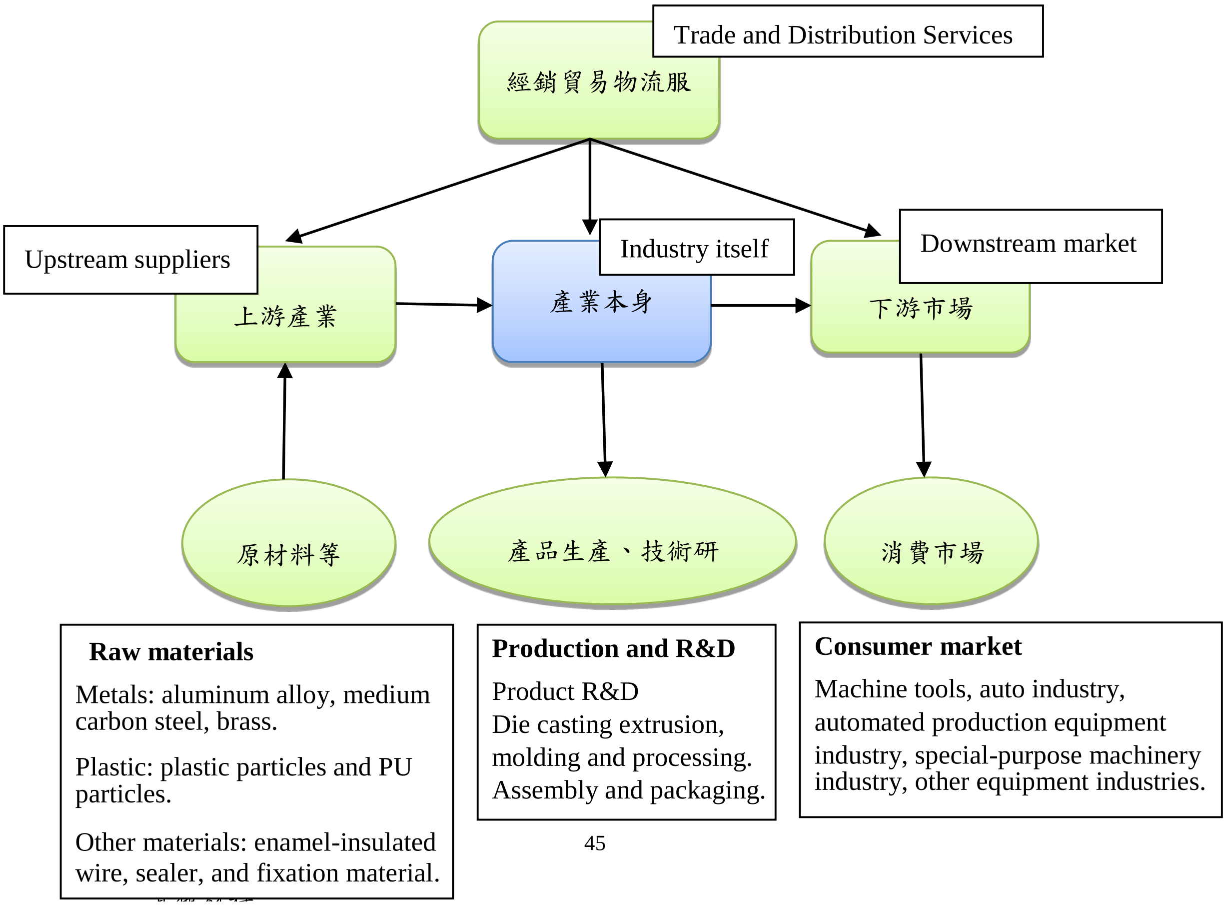
Along with changes in the macro environment of the mechanical industry, specifically agricultural machinery, electronic products manufacturing、automotive manufacturing、Medicare instruments、environment protection machinery、CNC machine. In addition, pneumatic products will have promising outlook in printing packaging, plastic machinery, instrument production equipment, woodwork machinery, rubber machinery and gaming machine equipments.

As the China population bonus got weaker further and the raise of product quality requests, labor intensive manufacturing modes are speeding up to the automation manufacturing. “Manpower replaced by machines” had been already the trendy wind direction to China enterprises in next.

4. Pneumatic component industry chain

The Company is specialized in the R&D, manufacture and sale of pneumatic components that are used extensively in machine tools, automated production equipment, automobile manufacturing equipment, and special-purpose machinery. As the Company continues to develop new products, the fields of application for the Company’s products also continue to expand.

The Company is in the mid-stream (the industry itself) in the pneumatic component industry chain. Its upstream comprises suppliers of aluminum, steel, cooper and plastic materials. The midstream manufacturers produce pneumatic components, using die casting, extrusion, injection molding and punching technologies. The downstream are users in machinery, equipment and related application fields.



(1) Upstream material supplies

Raw materials used for the production of pneumatic products are classified as follows:

Metal: aluminum alloy, zinc alloy, steel materials, cupper materials.

Plastic: PU particles, color masterbatch, POM, PBT.

Others: enamel-insulated wire, sealer, lubricating material and magnetic materials.

(2) Downstream industries

The downstream industries are consumer markets of pneumatic products, primarily machine tool, automobile manufacturing equipment, automated production equipment, special-purpose equipment and other equipment industries.

5. Market competition

Different industries need different kinds of pneumatic products. The costs of R&D, equipment, brand establishment, and marketing arising thereof also differ significantly. That is why some brandname pneumatic component manufacturers would command large market shares. Thus even though there are a large number of manufacturers on the pneumatic component market, the number of brandname manufacturers that would be considered as competitor is limited. In China's market, the top three manufacturers are SMC (Japan), AirTAC (Taiwan), and FESTO (Germany). Other world leading brands in the China market, including CKD (Japan), Norgren (UK), Parker (USA). And the rest of the Taiwanese and Krean brands do not have major competitiveness in the medium to high end markets due to poor technology and narrow sales network.

5.1.3 Technology and R&D overview

1.Technical levels of Company products and R&D

The Company has been keen on nurturing R&D personnel, investing in R&D and creating a corporate environment conducive to innovation. Since 2007, 85 new products developed by the Company, including Regulator, Slide Table, Magnetic Coupled Rodless Cylinder have been included in the Ningbo City New Product R&D Initiative. The Company's R&D Center was also rated as a provincial level R&D Center and provincial level technology center and provincial level enterprise institute. The Company currently owns 40 appearance patents (e.g. Pneumatic Preparation Component (GL300 Oil Feeder), 55 utility model patents (e.g. Rotary Cylinder), and 15 invention patents (e.g. Regulating Valve, Absorbers). 2014 developed products such as Tight Cylinders, Water Drains and etc., 8 invented and practical new patents were granted to proceed by Intellectual Oroperty Office, the Adjustable Oil Shock Absorber project was include in torch project of China Ministry of Science and Technology as 2014 national key new developed product.

AirTAC is currently developing new products in line with market needs and outpacing customer needs to set a solid foundation for the Company in market competition. The

Tainan plants, which were commenced building in 2013, will be used to produce high-end pneumatics and electromotive components. Foresee to utilize the mature Taiwan industrial chain, develop the core technology of critical parts for each pneumatic and electric products and apply to corporate new products, in 2014, AirTAC had gotten 3 practical new patents of pneumatic related products in Taiwan and China and 2 invented patents related to sensor components under approval procedure.

In the near future, the Company will focus on upgrading the level and precision of existing products and developing pneumatic products for application in high-tech industries in the efforts to develop more advanced products in terms of materials, technology and quality.

2. R&D personnel and education background

Unit: persons

Education \ Year	2013	2014	March 31, 2015
Master and higher	5	23	23
College	146	193	186
High school	79	74	88
Total	230	290	297

3. R&D expenditure in the last five years

In TWD 1,000

Item	2010	2011	2012	2013	2014
R&D expense	44,211	114,194	179,471	200,714	286,026
Net income	4,299,093	5,638,304	5,697,973	7,300,291	8,378,961
% of net income	1.03%	2.03%	3.15%	2.75%	3.41%

4. Successfully developed technologies or products in the past five years

Year	Product
2009	Oil Buffer
	¢ 20- ¢ 80 Stopper Cylinder TWQ/TWG/TWH/TWM
	¢ 6- ¢ 32 Double-Rod Cylinder TR
	Steel Tube Cylinder SG
	¢ 20- ¢ 100 Guide-Rod Cylinder
	1/8"-1" Interface Low Pressure Regulator
	1/8"-1" Interface Precision Regulator
	Pneumatic Finger
	Rotary Table of Swing Cylinder
	Solenoid Valve 5SV210
	Z8 EU Unusual-Shaped O-Ring
	ISO Solenoid Valve
	Twist Clamping Cylinder ACK
	Two-Port Valve with Big Orifice Diameter

Year	Product
	Stand Cylinder ESV
	MV Series Mechanical Actuated Valve
	BA Cylinder Development
	Cylinder AU-SC
	ACQ Lengthening Class 2 Cylinder
	Drainer of Pagoda Shape
	SGF Series Cylinder with Iron-End-Cap
	AU2P025 Two-Port Valve
	G Series Cut-Off Valve Structure
	ACQ/ACP Series Cylinder Body Development
	JV040 Cylinder Body Joint Remolding
	SC Cylinder Improvement
	MAL Cylinder Transformation
	SI Series Cylinder Improvement
	IR Ingersoll Non-Standard
	Pneumatic Gripper AYFS32X37-HR121C
2010	GA135 Reflux Valve
	Guide-Rod Tight Cylinder TACQ Series
	Precision Filter (Oil-Mist Separator)
	Precision Filtering Regulator (Oil-Mist Separator)
	G Series Improvement
	SR New Item
	Precision Sliding Cylinder
	Magnetic Coupling Rodless Cylinder
	SDR Regulator
	ACA/ACJ Series Oil Buffer
	Auto Welding Clamping Cylinder (MCK40/80)
	ISO15552 Standard Cylinder (SE Series)
2011	QCK Series Swivel Clamping Cylinder
	ESV Series Solenoid Valve
	CM3 Series Mechanical Actuated Valve
	RMS Series Magnetic Coupling Rodless Cylinder
	2JS/2JW150/200/250/320 Angle Seat Valve
	HFZ Pneumatic Gripper
	HFY Pneumatic Gripper
	HRQ Rotary Cylinder
	Floating Joint
	ZG-646E Hand Valve
2012	ZM3 Mechanical Valve

Year	Product
	2JS/3JW400/500/600 Angle Valve
	ESV/EAV600 ISO Valve
	ASV Solenoid Valve
	Fast Exhausting Valve, Duel Pressure Valve, Shuttle Valve
	Direct-acting Tri-way Valve
	15mm Pilot Valve
	B05-MAL Machinery
	Hand Lever Valve with Ceramic Spool
	One-way Valve (NRV)
	STW Slide-table Cylinder
	HLQ Duel Axle Precision Slide-table Cylinder
	HLM Compact Precision Slide-table Cylinder
	Magnetic Coupling Tri-axle Cylinder
	ACE Compact Cylinder
	ACQ Compact Cylinder with Large Bore Size
	Cylinder with Valve
	Quick Connecting Coupling
	Guided Cylinder
	HLF Compact Precision Slide-table Cylinder
	Compact Rotary Cylinder
	Pneumatic Actuator
	SDR Regulating Valve
	Standard Cylinder (SI/JSI/SE)
2013	HLH Compact Slide Cylinder
	HLS Compact Slide Cylinder (Roller bearing)
	HLQ Compact Slide Cylinder (Recirculating linear ball bearing)
	STW Slide Table Cylinder
	SC Standard Cylinder (Big bore size)
	ACQ Compact Cylinder (Big bore size)
	RMT Rodless Magnetic Cylinder (With guide)
	RMTL Rodless Magnetic Cylinder (With exactitude guide)
	NRV Non-return Valve
	Preparation Unit-G Series (Metallic bowl)
	7V/7A Solenoid Valve
	B06 Special Cylinder for Battery Industry
	B07-TCM Special Cylinder for Weld Industry
	ESV/EAV600ISO Valve
	MPG Plate Cylinder
	MU Mini Free-mount Cylinder
	PBR Pen Size Cylinder
	TACQ Cylinder with Guide

Year	Product
	ACE/TACE Compact Cylinder
	Connectors made in house
2014	TACQ Compact Cylinder With Guider Type
	RMTL Magnetic Coupled Rodless Cylinder
	Fast Joint Fitting/Speed Control Valve
	MG/MGC Stainless-Steel Mini Cylinder
	3V2/3V3 Solenoid Valve
	SDR Regulator
	ADW Dripleg Drain
	HRQ (Micro/Large) Rotary Table Cylinder
	HFP Mechanical Horizontal Air Gripper
	HFR 180 Degree Air Gripper
	Unclamping Cylinder
	5V/7V Pilot Valve
	Fast Joint Fitting
	Standard Digital Pressure Switch
Up to the date of annual report	2 Grippers Cylinder, 3 Grippers Cylinder, 4 Grippers Cylinder
	CPV 15 Pilot Valve

5.1.4 Short and long-term development strategies and business plans

1. Short-term development strategy and plan

(1) R&D strategy and plan

① Upgrade the performance of existing product series by improving various functions tailored to client's use habit and feedback.

② Develop more products for industries that have demands for pneumatic products.

(2) Marketing strategy and plan

① Proactively offer professional assistance to clients to help them improve the efficiency of their production equipment, and help them in production line planning and cost saving to win client appreciation.

② Vie for bigger market share with outstanding products and professional salespersons and create a win-win situation with clients, while achieving certain profit margin.

(3) Production strategy and plan

① Search for qualified and steady suppliers. As pneumatic components are constantly exposed to acidic or dirty gases when they work in an industrial environment and tend to break down easily, it is necessary to implement rigorous control at the source of production, i.e. selection of raw materials, to maintain the quality of components.

② Have a firm grip on costs and production efficiency and conduct onsite check regularly to ensure production optimization.

(4) Operating and financial strategy and plan

Improve management performance, stimulate employee potentials, and shore up the internal organization.

2. Long-term development strategy and plan

(1) R&D strategy and plan

① Gear R&D towards the development of products for application in high-tech industries, and that are more compact, stable, and precise and have more complex mechanism. Upgrade from the current mid-end applications to applications in high-tech machinery and biotech machinery.

② Build up system integration capability to provide customers with software/hardware design, whole-plant design and consulting services.

(2) Marketing strategy and plan

① Cultivate international marketing personnel, build rapport with local customers, readily grasp market movement and discern the directions of product development.

② Establish a worldwide sales network and set up sales centers to extend and reach the brand awareness and recognition worldwide.

(3) Production strategy and plan

① Continue to search for qualified suppliers and build a long-term relationship with important suppliers to obtain reasonable prices and lower the costs of production.

② Pick a suitable location to build up industry cluster so as expand capacity. 。

(4) Operating and financial strategy and plan

① Promote the concept of internationalization and build the management capability of a multinational enterprise within the organization, and actively cultivate an internationalized workforce to strive towards the goal of becoming a multinational enterprise.

② Diversify the capital raising channels, strengthen the financial structure and group constitution.

③ Step up risk management and operate with the tenets of stability, high efficiency and agility.

5.2 Market, Production and Sales Overview

5.2.1 Market analysis

1. Revenue breakdown by region

In TWD 1,000

Region	2013		2014	
	Amount	%	Amount	%
Greater China (Note)	6,916,904	94.75%	7,892,108	94.19%
Others	383,387	5.25%	486,853	5.81%
Total	7,300,291	100.00%	8,378,961	100.00%

Note: Including Mainland China and Taiwan

2. Market share

According to the statistic of the China Hydraulics Pneumatics & Seals Association, the revenue of pneumatic components of main brands was RMB 10 billion in Mainland China in 2014. However, the Company, with the advantage of core competitiveness, realized a revenue of RMB 1.51 billion, with a growth of 13.3% under the condition of a slow growing market. The Company’s market share in Mainland China in 2014 was estimated to be 15.1%. The Company is expected to expand the market share and maintain the industrial leading position in 2015 after completing the key developing projects.

3. Supply in pneumatic component market in the future

As China’s pneumatic market plays an increasingly significant role in the world market, the labor charge in Mainland China increases substantially and consumer demands for improvement of product quality have led to automated and semi-automated production situation turning more and more obvious. The Company's main products “pneumatic components” are the integral part of the critical components of various types of automated production equipment. In addition, Chinese State Council published the “Plan of Industrial Transformation and Upgrading (2011~2015)” in 2012, states that the industrial restructuring and upgrading in 12th Five-Year Plan requires the development of advanced equipment manufacturing, the improvement of the R&D and integration level of basic components, the acceleration of the upgrading of key equipments, and the development of high-end equipment manufacturing, which forecasts the tremendous demands for pneumatic components.

Another theme of 12th Five-Year Plan is to transfer the way of economic development from export-market orientation to domestic market demand. But the Chinese domestic market is without sales channel due to the vast territory and difficult to access the market. Moreover, the current industry of mechanical equipments requires shorter delivery time, which results in the supplier of pneumatic components having to establish sufficient and effective service network and sophistic supplying capacity with quick response for maintain the leading position in the industry.

Above all, the demand for pneumatics in Chinese market will increase rapidly, and suppliers with good sales network, high performance products, or high R&D capacity will domain the market.

In the overseas market, according to the 2015 World Economic Outlook of International Monetary Fund (IMF), global growth is forecast at 3.5% in 2015, the global economic recovery is still moderate and uneven prospects. After subprime mortgage crisis, the United States proposed to revitalize the manufacturing industry, energy self-sufficiency and other plans, pay high attention to the real economy development and reindustrialization to let the US industrial production recovered to the level before the crisis. IMF expects US economic growth in 2015 will reach 3.1 %, price depreciation of energy resources, low inflation and improvement of the housing market will compensate for the appreciation of the US dollar that led to dragged down of declining in exports, economic growth upward. Eurozone countries in order to avoid a recession will take a more active policy to find way out, in order to maintain Germany as the world's leading manufacturer and supplier of equipment and advantage in the field of embedded systems, vigorously promote the internet and internet technology services applied in the manufacturing sector. IMF euro zone economic growth in 2015 adjust to 1.5%, indicating that the economy has not come off the risk of long-term stagnation.

According to UNCTAD "2014 World Investment Report" statistics, the 10 ASEAN countries and its six FTA partners (Australia, China, India, Japan, Korea and New Zealand) started a regional comprehensive economic partnership negotiations, in 2013, the 16-nation negotiations to attract total FDI reached 343 billion US dollars, accounting for 24% of the global total FDI. In Southeast Asian market, most of the multi-national companies invest because of the low cost of labor. Following strong economic growth in recent years, labor costs are rising, in 2015 the minimum monthly wage in Indonesia, Vietnam and Cambodia will each grow by 20% to 30%, quickly approaching China's standards, and therefore the preceding advantage of low cost of labor is challenged, which make many companies start to estimate the automation level of the plants. Thus, the automatic machinery manufacturing industry has large potential of development in the Southeast Asian market.

4.Competitive edge

(1) Brandname and customer recognition

The brandname “AirTAC” is composed of a few elements; “Air” means air-driven products; “T” means the Company’s products are “technological” that are key components for use in mechanical industry, meaning the Company is in “Technology Industry”; “A” denotes “Automatic”, meaning pneumatic components are an indispensable part of automation industry and machine production; “C” means “Components.” This brandname clearly embodies the features of the Company products, the industries that use the products and their applications. “亞德客 AirTAC” is now accredited as a well-known trademark of China, which can protect the AirTAC brand from infringement nationwide. In addition, because of the brand awareness and product breadth AirTAC enjoys in China, its products are now the industry standards in the local markets.

By sales, the “AirTAC” is now the second brand in China’s pneumatic component market. This is quite an achievement for an industrial product and a manufacturer. Now AirTAC is ready to move on into the world market to introduce the brand AirTAC to worldwide customers of pneumatic components.

(2) Vertical product integration to meet the one-stop shopping needs of customers

The Company now offers vertical integration services from R&D, design, metal forming, injection molding, processing of other metal parts, assembly, and installation, coupled with complete and elaborate lab testing to ensure the stability of product quality and expand production to achieve economy of scale, thereby reducing the unit cost of production. The vertical integration capabilities also enable the Company to effectively address the needs of different industries and clients, have fast reaction and greater flexibility in product design to let clients feel that their needs are fully understood, expand the application markets, and meet the one-stop shopping needs of downstream customers.

(3) Global logistics capability

The overall pneumatic component industry is expected to grow at a steady pace in the future, but the sheer number of players on the market has intensified the price competition. As the downstream application markets continue to expand, the Company has established three production bases in Taiwan and China with the aims to achieve product diversification, mass production, lower costs and meet customer needs. The Company has also set up sales headquarters in China, Europe, and Southeast Asia to use the production resources more effectively and extend the sales network. The Company's global logistics capability and sound ERP system (Enterprise Resource Planning) make the best allocation of enterprise resources, effectively reduce costs, shorten the delivery time, and provide important reference data in strategy setting. The ERP system has become an important advantage for the Company in global market competition.

(4) Strong and market-sensitive R&D capability

The Company spends 3~4% of its revenue on R&D. Aside from product innovation, the R&D knowhow also enables modification of custom-made products, rendering the Company highly competitive in R&D quality and flexibility.

The Company owns comprehensive and trendy process technologies and product lines. With respect to pneumatic control components, the Company offers electronic control valves, pneumatic control valves, manual valves, mechanical valve and other valves, fluid control valves, etc. With respect to air preparation units, the Company offers many kinds of F.R.L. combination, F.R. combination, regulating filter, filter, regulator, oil feeder, slow-start valve, stop valve, air block, drainer, pressure gauge, etc. With respect to actuator, the Company offers standard cylinders, miniature cylinders, compact cylinders, multi-mount cylinders, twin-rod and tri-rod cylinders, slide table cylinders, rodless cylinders, rotary cylinders, pneumatic grippers, clamping cylinders, rotary clamp cylinders, stopper cylinders, and cylinder accessories including oil buffers, speed controllers, products for piping and related systems, which are all developed for different industries and tailored to different customer needs. The Company also develops products based on customer feedback and research on future industry trends to expand the product lines to high-end applications, such as semiconductor equipment, medical equipment, and biotech equipment, and onto whole-plant design to become a total solution provider.

(5) Complete sales network

The Company has a complete sales network in China. Led by the subsidiary AirTAC (China) Co., Ltd., the Company has branch offices, representative offices and distributors throughout the urban and rural areas of China. The Company has 62 branch offices, 5 representative offices and more than 5500 distributors by the end of 2014. Because the Company's clients are spread in different industries and areas, an extensive sales network gives customers quick access to AirTAC products. The Company also has more than 100 distributors in Europe, USA and Asia that allow AirTAC products to make headway into the world markets.

(6) Comprehensive after-sale service system

The Company provides not just products, but also a complete set of services. Starting from first approaching a client, the Company helps the client make the most of their existing production resources and establish improvement plan to help them save costs. Technical supports and services available to clients include production line upgrade, implementation of automation items, maintenance and repair, as well as installation, testing, planning and project design to create maximum value beyond the pneumatic products. In after-sale service, the Company offers joint warranty. That is, a buyer of a Company product from any distributor in China is entitled to receive technical services from any branch office of AirTAC in China. The Company also guarantees that a customer will receive service in 24 hours after making a request for service. This way, customers are ensured quality services and the Company will gain customer trust in the long run.

5. Favorable and unfavorable factors for long-term growth and response strategy

(1) Favorable factors

① Robust market development and market growth in China bring business opportunities

The Chinese government mentions in the 12th Five-Year Plan that begins in 2011 that China will create industry clusters and build advanced manufacturing bases with international competitiveness, and in boosting technological reform, formulate technological upgrade policy, accelerate the application of new technologies, new processes and new equipment to upgrade the traditional industries, accelerate the phaseout of backward processes and equipment to enhance the overall efficiency of energy use. The "Plan of Industrial Restructuring and Upgrading" published by the State Council of China in 2012 specified the guiding concept and concrete requirement of the industrial restructuring and upgrading in the 12th Five-Year Plan and highlighted the development of advanced equipment manufacturing, the improvement of the R&D and integration level of basic components, the acceleration of the upgrading of key equipments, and the development of high-end equipment manufacturing, which forecasted the tremendous demands for pneumatic components.

② Extensive applications of product render the Company business less vulnerable to economic cycle

Pneumatic components are extensively applied in a variety of industries, from machine tools, semiconductor, automotive, daily necessities to construction and textile as key components in automated processes. Due to the dispersion of industrial applications, except for the systemic risk of economic recession, pneumatic component industry is less likely to expose to the risk where multiple industries hit bottom at the same time. As such, pneumatic components could always find buyers and the industry as a whole does not experience distinct high or low season, or face the risk of industry concentration risk. Moreover, as the China markets grow, all kinds of industries grow along which will boost the demands for pneumatic products.

③ The emergence of green industry boosts demands for pneumatic components

Countries around the world are paying more and more attention on environment protection amidst the increasingly serious phenomenon of global warming. While governments put more control on waste and pollution generated in production, manufacturers are looking for more environmental friendly and efficient production mode. Pneumatic components are all air-driven, unlike hydraulic systems that are oil driven, consume considerable energy and generate population. Hence pneumatic components are the best choice in industrial settings in the wake of heightened environmental awareness.

④ Wage hike in China propel industries to increase the automation in processes

Businesses in China experienced sharply rising wages, and some manufacturers move plant facilities to the western part of China or transfer business to Southeast Asian countries. But more companies decide to stay where they are and at the same time upgrade to automated process to replace labor-intensive plant operations in order to reduce manpower requirement and improve product quality stability. Automated process equipment needs many pneumatic components. The trend of automation becomes the force driving the Company's business growth.

⑤ The slowdown of global economy leads to reasonable demands from manufacturers

Murky economic situation coupled with dragging on long-term aging population in developed and emerging market country and low labor force participation rate influence future economic growth. Therefore, some manufacturers continue to make rationalized procurement selection on automation components demand, namely the tendency to select good quality and reasonably priced pneumatic products. In this way, more conducive to company to expand product sales advantage.

(2) Unfavorable factors and response strategy

① Great volatility of material prices on the international market and supply-demand imbalance pose greater challenges to raw material inventory management and cost control

Aluminum, cooper and steel are the main raw materials for Company's products. As revenues grow, the consumption of raw materials would also increase sharply. In recent years, the fluctuation of raw material prices are big and the volatility in raw material prices makes it difficult for manufacturers to grasp their costs and delivery date. Thus raw materials and cost control are big challenges to the Company at the present time.

Response strategy

① Externally forge long-term rapport with upstream suppliers to mitigate the impact of price volatility in raw materials; internally designate the material management and procurement unit of the parent company to carry out price management for the Group's procurement operation to get a better grip of the material price trends and make immediate response in times of steep price volatility.

② Strengthen cost control capability and use vertically integrated production operation to better control the product cost and enhance competitiveness, and keep the impact of material price volatility on cost instability to the minimum.

③ Counterfeit goods are becoming increasingly prevalent in the China market. Cheaper price copycats of brand products render brand operation more difficult

Although China's economy continues to grow and the markets expand, many small manufacturers would imitate the products or even the logo of large and well-known manufacturers and sell their copycats in the market at a much lower price, while giving buyers the impression that they were purchasing the brandname products. But the poor or unstable quality of those copyrights often leads to product breakdown or consumer dispute, which at times causes problem for brand manufacturers. Because such phenomenon is rather common in the China markets, it poses certain obstacle to brand manufacturers in operations.

Response strategy

① The Company has registered the brand " 亞德客 AirTAC" in the local markets in China and has been accredited as a well-known trademark of China on April 27, 2012. Nobody else may register the " 亞德客 AirTAC" trademark. The Company also adopts a defensive trademark strategy by registering similar trademarks in advance to prevent rivals from using similar trademark to confuse or mislead consumers.

② The Company engages local attorneys and own distribution system to crack down counterfeits. The Company would collect evidence against individuals and stores that sell counterfeits and forward the evidence to local law enforcement for further actions. The actions of the Company are to let merchants realize that selling counterfeit products are subject to penalty and to derail the distribution of counterfeits, thereby achieving the purpose of reducing the sources of counterfeited products.

③ Wage hike in China boosts the production costs

Worker wages have been rising in China. According to the "Plan of Employment Promotion (2011-2015)" unveiled in 2012, the standardized average annual growth rate of minimum wage during the period of the Eleventh Five-Year Plan is 12.5% . The minimum wage will increase by 1.84 times up to the termination of the Twelfth Five-Year Plan in 2015, even though it is calculated according to aforementioned proportion of 13%. It can be foreseen that the wage hike in Mainland China in the future will continue to accelerate.

<u>Response strategy</u>

The Company's R&D department and production line work together to improve the process technology and cut down the waste of raw materials and improve the process so as to reduce the man hours, improve production efficiency and lower costs. The Company also increases the automation ratio, using automated machinery in place of manual labor to render product quality more stable and reduce labor cost.

④ RMB exchange rate fluctuation Intensification

According to statistics, in 2013 the RMB against the US dollar has appreciated 3.09% in the Shanghai foreign exchange market December 31, 2014, the exchange rate closed with RMB to the US dollar is 6.2040, compared with 2013 year decline against the dollar was 2.42 percent. In future, under RMB exchange rate continue on opening direction progress, will accelerate the progress of liberalization and internationalization of the RMB, RMB exchange rate fluctuation range probability increase.

<u>Response strategy</u>

Nearly 90% of the Company purchase and sale take place in China. The Group also uses RMB as functional currency and accounting currency, and thereby has limited exposure to Renminbi exchange rate fluctuation. The Company will watch the exchange rate variation closely and hedge the risk if necessary.

5.2.2 Usage and manufacturing processes of main products

1. Usage of main products

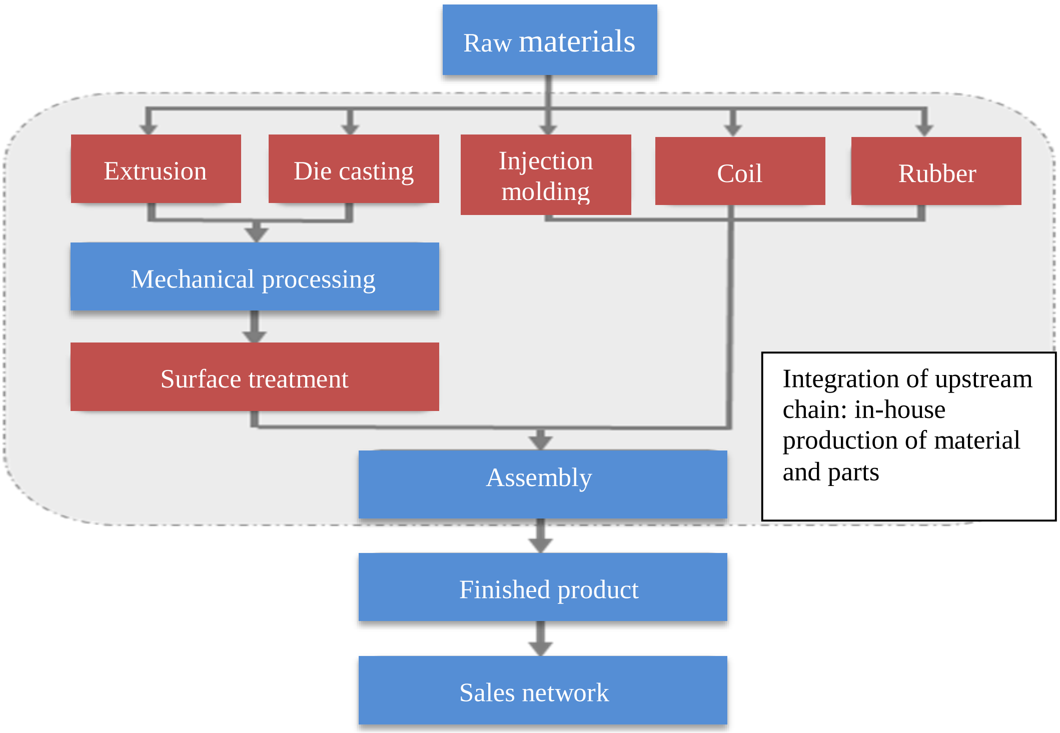
(1) Actuator (cylinder): Cylinder is an actuator component of a pneumatic system. An air cylinder typically comprises a cylinder body, top and bottom lid, piston, piston rod, sealing and fastening pieces. Through the push of compressed air, the piston rod in the cylinder is extended or pulled back, which, in coordination with the mechanical design, can operate a mechanical arm, platform lift or brake, and can be applied in staple gun, drill, stamping machine and other tools.

(2) Control component (valve): In the pneumatic system, valves are airflow control components and the basic components in the operation of pneumatic system. This component blocks the flow of fluid to achieve pressure, direction or flow control. By function, there are pressure control valve, directional control valve and flow control valve. Valve control could be driven manually, electrically, of by fluid or air. Valves would act under pressure, temperature or other forms of sensing signals in a predetermined fashion or to carry out the simple action “switch on” and “switch off”, thereby changing the area of flow channel and achieving the purpose of control. Valves are used to form the switches for a pneumatic loop to control the speed of movement and control multiple sets of pneumatic systems.

(3) Air preparation unit: Before air is transmitted to the equipment, it must pass through an air filter to remove moisture and impurities in it. A pressure regulator is then used to adjust the pressure in the pipeline. Finally a lubricator sprays oil mist into the pipe to mix with the air for lubrication purpose. The filtering, regulating and lubricating parts combined are called an air preparation unit that can increase the accuracy of air pressure and the service life of pipelines.

(4) Sensing elements: Factory automation practice, often need to real-time monitor and feedback of position of pneumatic actuators such as cylinder and pressure values of pneumatic circuit, in order to achieve the purpose of open or closed loop control. Such sensing element comprises a pressure sensor sensing and feedback the switch or analog signal of digital pressure switch, and the use of magnetic induction to sense cylinder position and feedback the switch or analog signal of magnetic sensing switch.

2. Manufacturing processes of main products



5.2.3 Suppliers of main materials

Main material	Supplier	Status of supply
Aluminum	Yuan Tai, Chiho-Tiande, YECHUI GROUP	Good
Medium carbon steel	Huang Ming	Good
Brass	Jintian Copper Tube	Good

5.2.4 Major clientele

1. Names of suppliers who accounted for more than 10% of the purchase by the Company in the last two years, the amount of purchase to total purchase, and reasons for changes in purchase percentage.

In TWD 1,000

Rank	2013				2014			
	Name of supplier	Amount	% of net purchase	Relationship with AirTAC	Name of supplier	Amount	% of net purchase	Relationship with AirTAC
1	Yuan Tai	269,369	12.41%	None	Yuan Tai	271,531	11.91%	None
2	Ningbo Hengxing	138,550	6.39%	None	Ningbo Hengxing	189,158	8.29%	None
3	Yuanlifu	126,798	5.84%	None	Yuanlifu	171,336	7.51%	None
4	Chiho-Tiande	89,384	4.12%	None	Yuang Hsian	106,363	4.66%	None
5	Ningbo Jintian	54,555	2.51%	None	Chiho-Tiande	96,582	4.23%	None
6	Elektrisola	44,725	2.06%	None	Gaodin Precision	60,600	2.66%	None
7	Gaodin Precision	42,888	1.98%	None	Yechui Group	46,984	2.06%	None
8	Zhoushan Putuo	41,170	1.90%	None	Jiangsu Sangroove	46,461	2.04%	None
9	Wuxi Chengda	37,745	1.74%	None	Zhoushan Putuo	41,281	1.81%	None
10	Yechui Group	37,220	1.72%	None	Wuxi Chengda	41,256	1.81%	None
	Others	1,287,338	59.33%		Others	1,209,062	53.02%	
	Net purchase	2,169,743	100.00%		Net purchase	2,280,614	100.00%	

Change analysis: Purchase from Yuan Tai accounted for more than 10% of total purchase. It was mainly because Yuan Tai is an aluminum metal supplier. As the Company continues to improve its production technology and gradually increases the in-house production rate, the Company switched part of purchase of aluminum processed workpieces to the purchase of raw material aluminum for in-house production.

2. Names of customers who accounted for more than 10% of the sales in the last two years, and the amount of sales to total sales and reason for changes in sales percentage.

In TWD 1,000

Rank	2013				2014			
	Name of customer	Amount	% of net sales	Relationship with AirTAC	Name of customer	Amount	% of net sales	Relationship with AirTAC
1	OMPA Robot	54,157	0.74%	None	BoZhong (Wujiang)	72,644	0.87%	None
2	MFD	44,957	0.62%	None	MEAD	49,215	0.59%	None
3	Ningbo Boyi	41,733	0.57%	None	OMPA Robot	42,999	0.51%	None
4	Changsha Shenhong	36,118	0.49%	None	Shajing Deji	33,683	0.40%	None
5	KPN	34,151	0.47%	None	Qiangjin	32,535	0.39%	None
6	Qiangjin	31,904	0.44%	None	LNS	30,469	0.36%	None
7	Cewei Technology	30,826	0.42%	None	KPN	29,960	0.36%	None
8	Yuanlifu	30,515	0.42%	None	Faith Technology	28,135	0.34%	None
9	Faith Technology	29,014	0.40%	None	Yuanlifu	27,166	0.32%	None
10	Guangdong Keda	28,797	0.39%	None	Anderson	23,974	0.29%	None
	Others	6,938,118	95.04%		Others	8,008,181	95.57%	
	Net sales	7,300,291	100.00%		Net sales	8,378,961	100.00%	

The Company did not have customers who accounted for more than 10% of the sales in the last two years.

5.2.5 Production quantity and value in the last two years

Unit: TWD 1,000; 1,000 units

Year / Production / Main products	2013			2014		
	Capacity	Output quantity	Output value	Capacity	Output quantity	Output value
Pneumatic control component	9,950	7,578	1,074,754	9,345	9,331	1,215,712
Pneumatic actuator	4,870	5,352	1,365,737	5,823	5,716	1,543,929
Air preparation unit	2,250	2,059	355,514	2,156	2,027	366,396
Others	Note	Note	256,446	Note	Note	371,523
Total			3,052,451			3,207,560

Note: The other products are miscellaneous items that have different units for inventory purpose and hence cannot be compared.

5.2.6 Sales volume/revenue in the last two years

Unit: TWD 1,000; 1,000 units

Year / Sales / Main product	2013				2014			
	Domestic sale		Export sale		Domestic sale		Export sale	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Pneumatic control component	6,229	1,967,839	504	131,985	7,239	2,159,798	608	170,033
Pneumatic actuator	4,811	3,102,485	176	113,674	5,383	3,575,192	215	149,088
Air preparation unit	1,708	590,773	247	77,470	1,868	664,103	259	88,848
Others	33,017	1,255,807	1,029	60,258	29,779	1,493,015	1,185	78,884
Total	45,765	6,916,904	1,956	383,387	44,269	7,892,108	2,267	486,853

Note: Export sale means sales to areas outside Greater China.

5.3 Employees of Past Two Years and up to the Date of Annual Report

Unit: persons; %

Year		2013	2014	2015 up to the date of annual report
Number of employees	Manager and higher	110	104	109
	Staff	1,809	2,106	2,215
	Production line worker	1,743	1,926	1,920
	Total	3,662	4,136	4,244
Average age		27.72	27.97	28.02
Average years of service		3.59	3.61	3.58
Education background (%)	Ph.D.	0.05	0.05	0.05
	Master	0.93	1.35	1.34
	University/College	38.04	41.18	42.34
	High school	43.72	43.79	39.21
	Below high school	17.26	13.64	17.06

5.4 Environmental Expenditures

Total losses (including damage awards) and fines for environmental pollution for the two most recent fiscal years, and during the current fiscal year up to the date of annual report, response strategies (including corrective measures) and possible disbursements to be made in the future (including an estimate of losses, fines, and compensation resulting from any failure to adopt responsive measures, or if it is not possible to provide such an estimate, an explanation of the reason why it is not possible): None.

5.5 Labor Relations

5.5.1 Employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees’ rights and interests.

1.Employee benefit plans

The Company pays its employees higher than industry average salary, as well as year-end bonus, quarterly performance bonus and all kinds of allowances and subsidies. The Company also arranges free physical examination at designated institutions and purchases insurances for employees, including basic pension, medical, work injury, maternity and unemployment, and provide them with subsidies for wedding, death, childbirth and hospitalization, and group travel. The Company also holds cultural, art and sports activities to foster a sense of affinity among employees and enhance work efficiency.

2. Continuing education and training

Education and training aids the Company to grow and develop. Systematic, scientific and reasonable training hone the professional skills of employees and help develop their intelligence, potential and vigor to the maximum that will benefit the sustained operation of the Group. The Company provides a series of training courses tailored to the needs of employees, including recruitment training, on-the-job training and professional skill training.

3. Retirement system and state of implementation

The Company’s subsidiary registered in the Republic of China has established employee retirement plan in accordance with the Labor Standards Act of the ROC. Under the old system, the Company sets aside 2% of total salary paid as pension reserve and deposits it into a Labor Pension Fund Supervisory Committee account every month. Starting July 1, 2005 along with the implementation of a new pension system under the Labor Pension Act (referred to as the “new system” or “defined contribution plan” hereunder), employees who were subject to the Basic Standards Act may choose to switch to the new system and employees who report to work after the implementation of the new system will be subject to the defined contribution plan. Under the plan, the Company will contribute 6% of an employee’s monthly wages into his or her personal labor pension fund account.

Company’s subsidiaries in China will pay for the pension insurance of employees in accordance with the local regulations. Pension insurance in China is part of the social insurance, which cover medical, maternity, pension, work injury, and unemployment benefits. Once the Company enrolls a new employee in the social insurance program, the Company starts to make pension contribution on his or her behalf. The contribution rate, standards and disbursement of pension benefit are as follows:

- Ningbo AirTAC Automatic Industrial Co., Ltd.

Pension insurance	Local resident (with Ningbo registered residence)		Non-resident (without Ningbo registered residence)	
	Employee	Employer	Employee	Employer
Contribution rate	8%	14%	8%	14%
Contribution base	Average monthly salary of employee in the last year		Average monthly salary of employee in the last year	

- Guangdong AirTAC Automatic Industrial Co., Ltd.

Pension insurance	Basic insurance (regardless Guangdong and outside city staff)	
	Employee	Employer
Contribution rate	8%	12%
Contribution base	Average monthly salary of employee in the last year	Average monthly salary of employee in the last year

- AirTAC (China) Co., Ltd.

Pension insurance	Local resident (with Ningbo registered residence)		Non-resident (without Ningbo registered residence)	
	Employee	Employer	Employee	Employer
Contribution rate	8%	14%	8%	14%
Contribution base	Average monthly salary of employee in the last year		Average monthly salary of employee in the last year	

5.5.2 Loss sustained as a result of labor disputes in the two most recent fiscal years, and during the current fiscal year up to the date of annual report, an estimate of losses incurred to date or likely to be incurred in the future, and mitigation measures being or to be taken; if the loss cannot be reasonably estimated, a statement to that effect.

The Company has been maintaining a harmonious relationship with its employees and did not sustain any loss resulting from labor dispute. Moreover, the Company does not expect to sustain loss resulting from labor dispute in the coming year.

5.6 Important Contracts

5.6.1 AirTAC International Group

Nature of contract	Party	Date of contract	Content	Covenant
Loan	Ningbo AirTAC	2014.04.03~2015.04.02	The Company loans USD 4.9 million to Ningbo AirTAC at the agreed rate of [LIBOR (1 year) + 1%]/0.844; the monthly interest payment is approximately USD 7,000 (after tax). Ningbo AirTAC should give the Company a preceding one-month written notice and obtain the Company’s consent if it plans to pay off the loan early.	None
Loan	Ningbo AirTAC	2014.07.07~2015.07.06	The Company loans USD 4.9 million to Ningbo AirTAC at the agreed rate of [LIBOR (1 year) + 1%]/0.844; the monthly interest payment is approximately USD 7,000 (after tax). Ningbo AirTAC should give the Company a preceding one-month written notice and obtain the Company’s consent if it plans to pay off the loan early.	None
Loan	Ningbo AirTAC	2014.07.21~2015.07.20	The Company loans USD 4.5 million to Ningbo AirTAC at the agreed rate of [LIBOR (1 year) + 1%]/0.844; the monthly interest payment is approximately USD 6,000 (after tax). Ningbo AirTAC should give the Company a preceding one-month written notice and obtain the Company’s consent if it plans to pay off the loan early.	None
Loan	Ningbo AirTAC	2014.09.29~2015.09.28	The Company loans USD 4.9 million to Ningbo AirTAC at the agreed rate of [LIBOR (1 year) + 1%]/0.844; the monthly interest payment is approximately USD 6,500 (after tax). Ningbo AirTAC should give the Company a preceding one-month written notice and obtain the Company’s consent if it plans to pay off the loan early.	None
Loan	Ningbo AirTAC	2014.10.13~2015.10.12	The Company loans USD 4.9 million to Ningbo AirTAC at the agreed rate of [LIBOR (1 year) + 1%]/0.844; the monthly interest payment is approximately USD 6,500 (after tax). Ningbo AirTAC should give the Company a preceding one-month written notice and obtain the Company’s consent if it plans to pay off the loan early.	None

Nature of contract	Party	Date of contract	Content	Covenant
Loan	Ningbo AirTAC	2014.11.07~2015.11.06	The Company loans USD 4.9 million to Ningbo AirTAC at the agreed rate of [LIBOR (1 year) + 1%]/0.844; the monthly interest payment is approximately USD 6,500 (after tax). Ningbo AirTAC should give the Company a preceding one-month written notice and obtain the Company's consent if it plans to pay off the loan early.	None
Loan	Ningbo AirTAC	2015.01.19~2016.01.18	The Company loans USD 4.9 million to Ningbo AirTAC at the agreed rate of [LIBOR (1 year) + 1%]/0.844; the monthly interest payment is approximately USD 6,500 (after tax). Ningbo AirTAC should give the Company a preceding one-month written notice and obtain the Company's consent if it plans to pay off the loan early.	None
Loan	Ningbo AirTAC	2015.03.30~2016.03.29	The Company loans USD 4.9 million to Ningbo AirTAC at the agreed rate of [LIBOR (1 year) + 1%]/0.844; the monthly interest payment is approximately USD 6,530 (after tax). Ningbo AirTAC should give the Company a preceding one-month written notice and obtain the Company's consent if it plans to pay off the loan early.	None
Loan	ATC Italia	2014.11.05~2015.11.04	The Company loans EUR 1.5 million to ATC (Italia) S.r.l.	None
Loan	ATC Italia	2015.03.05~2016.03.04	The Company loans EUR 500,000 to ATC (Italia) S.r.l.	None
Loan	Airtac International (Singapore)	2014.06.01~2015.05.31	The Company loans USD 5 million to Airtac International (Singapore).	None
Loan	Airtac International (Singapore)	2015.03.04~2016.03.03	The Company loans USD 2 million to Airtac International (Singapore).	None
Loan	Airtac Co., Ltd.	2015.03.13~2016.03.12	The Company loans CNY 9.5 million to AirTAC Co., Ltd.	None

5.6.2 AirTAC Ningbo

Nature of contract	Counterparty	Term of contract	Content	Covenant
Loan	The Company	2014.04.03~2015.04.02	The Company loans USD 4.9 million to Ningbo AirTAC at the agreed rate of [LIBOR (1 year) + 1%]/0.844; the monthly interest payment is approximately USD 7,000 (after tax). Ningbo AirTAC should give the Company a preceding one-month written notice and obtain the Company's consent if it plans to pay off the loan early.	None
Loan	The Company	2014.07.07~2015.07.06	The Company loans USD 4.9 million to Ningbo AirTAC at the agreed rate of [LIBOR (1 year) + 1%]/0.844; the monthly interest payment is approximately USD 7,000 (after tax). Ningbo AirTAC should give the Company a preceding one-month written notice and obtain the Company's consent if it plans to pay off the loan early.	None
Loan	The Company	2014.07.21~2015.07.20	The Company loans USD 4.5 million to Ningbo AirTAC at the agreed rate of [LIBOR (1 year) + 1%]/0.844; the monthly interest payment is approximately USD 6,000 (after tax). Ningbo AirTAC should give the Company a preceding one-month written notice and obtain the Company's consent if it plans to pay off the loan early.	None
Loan	The Company	2014.09.29~2015.09.28	The Company loans USD 4.9 million to Ningbo AirTAC at the agreed rate of [LIBOR (1 year) + 1%]/0.844; the monthly interest payment is approximately USD 6,500 (after tax). Ningbo AirTAC should give the Company a preceding one-month written notice and obtain the Company's consent if it plans to pay off the loan early.	None
Loan	The Company	2014.10.13~2015.10.12	The Company loans USD 4.9 million to Ningbo AirTAC at the agreed rate of [LIBOR (1 year) + 1%]/0.844; the monthly interest payment is approximately USD 6,500 (after tax). Ningbo AirTAC should give the Company a preceding one-month written	None

Nature of contract	Counterparty	Term of contract	Content	Covenant
			notice and obtain the Company's consent if it plans to pay off the loan early.	
Loan	The Company	2014.11.07~2015.11.06	The Company loans USD 4.9 million to Ningbo AirTAC at the agreed rate of [LIBOR (1 year) + 1%]/0.844; the monthly interest payment is approximately USD 6,500 (after tax). Ningbo AirTAC should give the Company a preceding one-month written notice and obtain the Company's consent if it plans to pay off the loan early.	None
Funds Lending	The Company	2015.01.19~2016.01.18	The Company loans USD 4.9 million to Ningbo AirTAC at the agreed rate of [LIBOR (1 year) + 1%]/0.844; the monthly interest payment is approximately USD 6,500 (after tax). Ningbo AirTAC should give the Company a preceding one-month written notice and obtain the Company's consent if it plans to pay off the loan early.	None
Funds Lending	The Company	2015.03.30~2016.03.29	The Company loans USD 4.9 million to Ningbo AirTAC at the agreed rate of [LIBOR (1 year) + 1%]/0.844; the monthly interest payment is approximately USD 6,530 (after tax). Ningbo AirTAC should give the Company a preceding one-month written notice and obtain the Company's consent if it plans to pay off the loan early.	None
Construction	Ningbo Yuan Shen Construction Co.	2014.05.14	3rd dormitory land building add construction, the total price is RMB 3.5 million.	None
Purchase equipment	Tsugami (Zhejiang)	2015.02.28	CNC precision automatic lathe, RMB 6 million.	None
Import equipment	Chiah Chyun Machinery	2014.07.16	CNC milling machine, CNC lathe, the film-type feeder, NT$ 25.38 million	None

5.6.3 AirTAC Guangdong

Nature of contract	Counterparty	Date of contract	Content	Covenant
Power Engineering	Ningbo Yi Sen Construction Co., Ltd.	2014.05.08 2014.07.14	Building strong and weak electricity indoor and outdoor installation, labor and materials, the total contract price is RMB 1.75 million Plant electrical wiring installation and modification, the total contract price is RMB 580,000	None
Renovation	Ningbo Haitian Star Decoration Co., Ltd.	2014.06.08 2014.12.02	Dormitory renovation project, the total contract price is RMB 12.6 million Dormitory internal renovation, total contract price RMB 270,000.	None
Import equipment	Kowloon Engineering Limited	2014.05.20	12 units horizontal CNC lathe, JPY 135.84 million	None
Import equipment	Chiah Chyun Machinery	2014.11.21	3 units CNC complex machine 3, NT $ 14.94 million	None
Import equipment	Taicang Minjui Automation Technology Co., Ltd.	2014.08.14	Screen printing automatic production line, NT $ 2.73 million	None
purchase equipment	Shenzhen Kay Duan Sheng Automation Co., Ltd.	2014.12.16	1 unit Electromagnetic valve automatic sanding sandblasting line (8 units including grinding machine, 2 units sandblasting machine and 1 unit washing line), RMB 3.1239 million	None

5.6.4 AirTAC Taiwan

Nature of contract	Counterparty	Term of contract	Content	Covenant
Credit granting	Taiwan Cooperative Bank	A credit granting agreement signed on May 27, 2010	The Bank provides TWD 450,000,000 line of credit.	None
Mortgage	Taiwan Cooperative Bank	Contract signed between 2005 and 2008, and the mortgage will last until July 30, 2038	The Company mortgages its plant and land in Tucheng to Taiwan Cooperative Bank as guarantee for its loan provided to AirTAC Taiwan.	None
Property insurance	Tokio Marine Newa Insurance	2014.08.10~2015.08.10	The objects of insurance are buildings, equipments, business activity, goods, and the amount is TWD 423,530,000.	None

5.6.5 AirTAC (China) Co., Ltd.

Nature of contract	Counterparty	Term of contract	Content	Covenant
Product sales	Dali Group Co., Ltd.	2015.01.01~2015.12.31	The parties sign a 2015 sales agreement involving pneumatic components, where sale will be settled according to tax-included unit price and the terms of the agreement.	None
Product sales	Fuyao Group	2015.03.01~2015.12.31	The parties sign a 2015 sales agreement involving pneumatic components, where sale will be settled according to tax-included unit price and the terms of the agreement.	None
Product sales	Kunming AirTAC	2015.01.01~2015.12.31	The parties sign a 2015 sales agreement involving pneumatic components, where sale will be settled according to tax-included unit price and the terms of the agreement.	None

5.6.6 ATC (Italia) S.r.l.

Nature of contract	Counterparty	Term of contract	Content	Covenant
Loan	The Company	2014.11.05~2015.11.04	The Company loans EUR 1.5 million to ATC (Italia) S.r.l.	None
Loan	The Company	2015.03.05~2016.03.04	he Company loans EUR 500,000 to ATC (Italia) S.r.l.	None
Lease	DELTA S.R.L.	2014.11.01~2020.10.31	Plant lease agreement	None

5.6.7 AirTAC International (Singapore)

Nature of contract	Counterparty	Term of contract	Content	Covenant
Loan	The Company	2014.06.01~2015.05.31	The Company loans USD 5 million to Airtac International (Singapore).	None
Loan	The Company	2015.03.04~2016.03.03	The Company loans USD 2 million to Airtac International (Singapore).	None
Land lease	JTC Corporation	2014.12.16~2015.12.15	Signed a lease agreement with JTC Corporation with a monthly rent of SGD 10,691.53.	None

5.6.8 AirTAC Co., Ltd.

Nature of contract	Counterparty	Term of contract	Content	Covenant
Loan	The Company	2015.03.13~2016.03.12	The Company loans CNY 9.5 million to AirTAC Co., Ltd.	None
Product sales	Kyoto Steel Pipe	2014.03.20~2015.03.19	The parties sign a steel pipe purchase agreement.	None
Lease	Imasu	2013.04.01~2015.03.31	Office lease agreement	None

5.6.9 AirTAC Malaysia

Nature of contract	Counterparty	Term of contract	Content	Covenant
Lease	Loh Siam Eng	2013.08.22~2015.08.21	Office lease agreement	None
Lease	Leong Weng Kong	2014.11.11~2016.11.10	Office lease agreement	None

6. Financial Highlights

6.1 Five-Year Financial Summary

6.1.1 Condensed balance sheet and statements of income - International Financial Reporting Standards (IFRS)

1. Condensed balance sheet - IFRS

In 1,000 TWD

Item \ Year		Financial information, 2010 ~ 2014				
		2010	2011	2012	2013	2014
Current assets		—	—	—	5,521,452	7,430,137
Fixed assets, plants and facilities		—	—	—	8,106,491	10,429,741
Intangible assets		—	—	—	69,230	102,729
Other assets		—	—	—	539,885	752,539
Total assets		—	—	—	14,516,551	18,936,529
Current liabilities	Basic	—	—	—	4,179,460	6,638,824
	Diluted	—	—	—	5,253,610	(Note 3)
Non-current liabilities		—	—	—	1,293,506	2,239,892
Total liabilities	Basic	—	—	—	5,472,966	8,878,716
	Diluted	—	—	—	6,547,116	(Note 3)
Profit attributed to the owner of the parent company		—	—	—	8,899,424	9,905,315
Capital stock		—	—	—	1,705,000	1,705,000
Capital surplus		—	—	—	3,906,960	3,906,960
Retained earnings	Basic	—	—	—	2,972,093	3,677,512
	Diluted	—	—	—	1,897,943	(Note 3)
Other equities		—	—	—	315,371	615,843
Treasury stock		—	—	—	—	—
Non-controlling interests		—	—	—	144,161	152,498
Total stockholders' equity	Basic	—	—	—	9,043,585	10,057,813
	Diluted	—	—	—	7,969,435	(Note 3)

Note 1: The 2010 ~ 2012 consolidated financial statements did not adopt the IFRS, so the financial information of 2010~2012 is not applicable.
Note 2: The 2013~ 2014 consolidated financial statements have been audited and certified by CPA.
Note 3: The 2014 earnings distribution still awaits the approval of shareholders' meeting.

2. Condensed statements of income - IFRS

In 1,000 TWD

Item \ Year	Financial information, 2010 ~ 2014				
	2010	2011	2012	2013	2014
Operating revenue	—	—	—	7,300,291	8,378,961
Gross profit	—	—	—	4,036,158	4,603,177
Operating income (loss)	—	—	—	2,194,751	2,388,918
Non-operating income and gain	—	—	—	172,006	(376)
Net income before tax	—	—	—	2,366,757	2,388,542
Net income of the term from continuing operations	—	—	—	1,725,451	1,786,112
Loss on discontinued operations	—	—	—	—	—
Net income of the term	—	—	—	1,725,451	1,786,112
Other consolidated income and loss (net amount after tax)	—	—	—	284,021	312,925
Total consolidated income and loss	—	—	—	2,009,472	2,099,037
Net profit attributed to the owner of the parent company	—	—	—	1,710,158	1,770,731
Net profit attributed to non-controlling interests	—	—	—	15,293	15,381
Consolidated profit and loss attributed to the owner of the parent company	—	—	—	1,995,666	2,080,041
Consolidated profit and loss attributed to non-controlling interests	—	—	—	13,806	18,996
Earnings per share	—	—	—	10.55	10.39

Note 1: The 2010 ~ 2012 consolidated financial statements did not adopt the IFRS, so the financial information of 2010~2012 is not applicable.

Note 2: The 2013~ 2014 consolidated financial statements have been audited and certified by CPA.

6.1.2 Condensed balance sheet and statements of income-Financial Accounting Standards of Taiwan

1. Condensed balance sheet - Financial Accounting Standards of Taiwan

In 1,000 TWD

Item \ Year		Financial information, 2010 ~ 2014				
		2010	2011	2012	2013	2014
Current assets		3,751,021	4,017,590	3,928,822	—	—
Funds and investments		—	—	286,739	—	—
Fixed assets		2,790,964	4,282,670	5,628,481	—	—
Intangible assets		126,109	187,249	184,132	—	—
Other assets		41,914	73,990	123,614	—	—
Total assets		6,710,008	8,561,499	10,151,788	—	—
Current liabilities	Basic	1,306,903	2,548,021	4,053,556	—	—
	Diluted	2,027,953	3,343,021	4,623,556	—	—
Long-term liabilities		666,939	258,394	235,891	—	—
Other liabilities		203,071	241,401	181,243	—	—
Total liabilities	Basic	2,176,913	3,047,816	4,470,690	—	—
	Diluted	2,897,963	3,842,816	5,040,690	—	—
Capital stock		1,500,000	1,500,000	1,500,000	—	—
Capital surplus		1,991,694	2,156,080	2,090,146	—	—
Retained earnings	Basic	1,046,373	1,761,832	2,021,990	—	—
	Diluted	325,323	966,832	1,296,182	—	—
Unrealized gain(loss) on financial instruments		—	—	—	—	—
Cumulative translation adjustments		(127,043)	(51,567)	(75,669)	—	—
Net loss not recognized as pension cost		—	—	(2,849)	—	—
Total stockholders' equity	Basic	4,533,095	5,513,683	5,681,098	—	—
	Diluted	3,812,045	4,718,683	5,111,098	—	—

Note 1: The 2010 ~ 2012 consolidated financial statements have been audited and certified by CPA.

Note 2: The consolidated financial statement of 2013~2014 adopted the IFRS, so the financial information is not applicable.

2. Condensed statements of income - Financial Accounting Standards of Taiwan

In 1,000 TWD

Item \ Year	Financial information, 2010 ~ 2014				
	2010	2011	2012	2013	2014
Operating revenue	4,299,093	5,638,304	5,667,987	—	—
Gross profit	2,275,223	2,919,419	2,967,865	—	—
Operating income (loss)	1,362,936	1,783,716	1,515,997	—	—
Non-operating income and gain	75,794	68,148	73,703	—	—
Non-operating expenses and loss	53,843	36,051	51,656	—	—
Income before tax from continuing operations	1,384,887	1,815,813	1,538,044	—	—
Income (loss) from continuing operations	1,049,947	1,376,768	1,117,791	—	—
Net income (loss)	1,049,947	1,376,768	1,117,791	—	—
Earnings per share (TWD) (Note 2)	7.76	8.41	6.67	—	—

Note 1: The 2010~2012 consolidated financial statements have been audited and certified by CPA.

Note 2: The consolidated financial statement of 2013~2014 adopted the IFRS and the financial information is not applicable.

Note 3: The condensed statement of income for 2010 was calculated using retroactively adjusted weighted average shares according to the resolution of capitalization of capital surplus adopted in shareholders' meeting held on June 29, 2010, while the condensed statement of income for 2011~2012 was calculated using retroactively adjusted weighted average shares according to the resolution of capitalization of capital surplus adopted in shareholders' meeting held on May 22, 2013.

6.1.3 Names and audit opinions of certifying accountants for the past five years

Year	Name of certifying accountant	Name of accounting firm	Audit opinion
2010	Jacky M. Chen, K.W. Lai	Deloitte & Touche	Unqualified opinion
2011	Hsieh Ming-Chuang, Jacky M. Chen	Deloitte & Touche	Unqualified opinion
2012	Hsieh Ming-Chuang, Jacky M. Chen	Deloitte & Touche	Unqualified opinion
2013	Hsieh Ming-Chuang, Weng Bo-Ren	Deloitte & Touche	Unqualified opinion
2014	Hsieh Ming-Chuang, Weng Bo-Ren	Deloitte & Touche	Unqualified opinion

6.2. Financial Analysis

1. Financial Analysis-IFRS

Item		Financial analysis (2010~ 2014) 2010	2011	2012	2013	2014
Financial structure(%)	Debt to asset ratio	—	—	—	37.70	46.89
	Long-term capital to fixed assets ratio	—	—	—	123.81	114.65
Solvency (%)	Current ratio	—	—	—	132.11	111.92
	Quick ratio	—	—	—	93.12	83.71
	Times interest earned ratio	—	—	—	46.77	35.48
Operating ability	Accounts receivable turnover ratio (times)	—	—	—	3.88	3.36
	Average collection period (days)	—	—	—	94.07	108.63
	Inventory turnover ratio (times)	—	—	—	2.49	2.23
	Accounts payable turnover ratio (times)	—	—	—	8.87	9.02
	Average days to sell inventory	—	—	—	146.58	163.67
	Fixed asset turnover ratio (times)	—	—	—	1.07	0.90
	Total asset turnover ratio (times)	—	—	—	0.59	0.50
Profitability	Return on total assets (%)	—	—	—	14.30	10.99
	Return on stockholders' equity (%)	—	—	—	23.50	18.70
	Pre-tax profit to paid-in capital ratio (%)	—	—	—	138.81	140.09
	Net income ratio (%)	—	—	—	23.50	21.32
	Earnings per share (NTD)	—	—	—	10.55	10.39
Cash flow	Cash flow ratio (%)	—	—	—	34.19	23.07
	Cash flow adequacy ratio (%) (note 3)	—	—	—	50.20	44.41
	Cash reinvestment ratio (%)	—	—	—	7.28	3.16
Leverage	Operating leverage	—	—	—	1.36	1.41
	Financial leverage	—	—	—	1.02	1.03

The reason of recent 2 years changes up to 20% in the financial ratio:
1. The debt to assets ratio increased, mainly due to increased loans cope with new plant capital expenditure and operating working capital due to operating scale expansion.
2. The return on assets and return on equity decreased mainly due to the year 2014 expanding production capacity and other capital expenditures.
3. Cash flow ratio decreased mainly due to the Group's operating scale expansion, lower interest costs of borrowing short-term loans as operating working capital usage.
4. Cash reinvestment ratio decreased mainly due to the year 2014 granting higher cash dividend amount.

Note 1: Calculated using retroactively adjusted weighted average shares according to the resolution of capitalization of capital surplus adopted in shareholders' meeting held on May 22, 2013.

Note 2: The 2013~2014 consolidated financial statements have been audited and certified by CPA. The consolidated financial statements for 2010~2012 did not adopt the IFRS and the financial information is not applicable.

Note 3: Net cash flow of operating activities from 2009 to 2012 is the data of our country Financial Accounting Standards.

Note 4: Calculation formulas for financial ratios:

1. Financial structure
   (1) Debt to asset ratio ＝ total liabilities / total assets.
   (2) Long-term capital to fixed assets ratio＝ (net stockholders' equity + long-term liabilities) / net fixed assets.
2. Solvency
   (1) Current ratio＝ current assets / current liabilities.
   (2) Quick ratio ＝ (current assets – inventories – prepayments) / current liabilities.
   (3) Times interest earned ratio＝ Net income before income tax and interest expense / current interest expense.
3. Operating ability
   (1) Accounts receivable (including accounts receivable and notes receivable arising from operations) turnover ratio ＝ Net sales / average accounts receivable (including accounts receivable and notes receivable arising from operations) outstanding.
   (2) Average collection period＝365 / accounts receivable turnover ratio.
   (3) Inventory turnover ratio＝cost of goods sold / average amount of inventories.
   (4) Accounts payable (including accounts payable and notes payable arising from operations) turnover ratio ＝ cost of goods sold / average accounts payable (including accounts payable and notes payable arising from operations) balance.
   (5) Average days to sell inventory＝365 / inventory turnover ratio.
   (6) Fixed asset turnover ratio＝ Net sales / net fixed assets.
   (7) Total asset turnover ratio＝ Net sales / total assets.
4. Profitability
   (1) Return on total assets＝[after-tax income (loss) = interest expense x (1 – tax rate)]/ average total assets.
   (2) Return on stockholders' equity＝after-tax income (loss) / net average stockholders' equity.
   (3) Net income ratio＝after-tax income (loss) / net sales.
   (4) Earnings per share＝ (after-tax income – preferred stock dividends) / weighted average number of shares outstanding. (Note 4)
5. Cash flow
   (1) Cash flow ratio＝ net cash flow provided by operating activities / current liabilities.
   (2) Cash flow adequacy ratio＝net cash flow provided by operating activities in the past five years / (capital expenditure + increase in inventories + cash dividends) in the past five years.
   (3) Cash reinvestment ratio＝(net cash flow provided by operating activities – cash dividends) / (gross fixed assets + long-term investment + other assets + working capital). (Note 5)
6. Leverage:
   (1) Operating leverage＝(net operating revenue – variable operating costs and expenses) / operating income. (Note 6)
   (2) Financial leverage＝Operating income / operating income – interest expense).

2. Financial Analysis- Financial Accounting Standards of Taiwan

Item			Year: Financial analysis (2010~ 2014) 2010	2011	2012	2013	2014
Financial structure (%)	Debt to asset ratio		32.44	35.60	44.36	—	—
	Long-term capital to fixed assets ratio		186.32	134.78	109.29	—	—
Solvency (%)	Current ratio		287.02	157.67	98.99	—	—
	Quick ratio		233.21	118.70	72.02	—	—
	Times interest earned ratio		30.31	68.58	35.48	—	—
Operating ability	Accounts receivable turnover ratio (times)		4.93	4.72	3.87	—	—
	Average collection period (days)		74.03	77.33	94.31	—	—
	Inventory turnover ratio (times)		3.29	3.23	2.63	—	—
	Accounts payable turnover ratio (times)		9.42	10.09	9.27	—	—
	Average days to sell inventory		110.94	113.00	138.78	—	—
	Fixed asset turnover ratio (times)		1.61	1.59	1.16	—	—
	Total asset turnover ratio (times)		0.64	0.66	0.56	—	—
Profitability	Return on total assets (%)		19.58	18.30	11.94	—	—
	Return on stockholders' equity (%)		30.12	27.41	19.45	—	—
	% of paid-in capital (%)	Operating profit	90.86	118.91	99.02	—	—
		Profit before tax	92.33	121.05	100.50	—	—
	Net income ratio (%)		24.42	24.42	19.04	—	—
	Earnings per share (NTD)(note 1)		7.76	8.41	6.67	—	—
Cash flow	Cash flow ratio (%)		81.41	43.43	26.02	—	—
	Cash flow adequacy ratio (%)		(Note 3)	64.49	58.78	—	—
	Cash reinvestment ratio (%)		17.52	5.60	3.56	—	—
Leverage	Operating leverage		1.14	1.15	1.45	—	—
	Financial leverage		1.04	1.02	1.03	—	—

Note 1: The condensed statement of income for 2010 was calculated using retroactively adjusted weighted average shares according to the resolution of capitalization of capital surplus adopted in shareholders' meeting held on June 29, 2010, while the condensed statement of income for 2011~2012 was calculated using retroactively adjusted weighted average shares according to the resolution of capitalization of capital surplus adopted in shareholders' meeting held on May 22, 2013.

Note2: The 2010 ~ 2012 consolidated financial statements have been audited and certified by CPA. The consolidated financial statement of 2013~2014 adopted the IFRS and the financial information is not applicable.

Note 3: No data on cash flows from operating activities in the past five years are available.

Note 4: Calculation formulas for financial ratios:

1. Financial structure
   (1) Debt to asset ratio ＝ total liabilities / total assets.
   (2) Long-term capital to fixed assets ratio＝ (net stockholders' equity + long-term liabilities) / net fixed assets.
2. Solvency
   (1) Current ratio＝ current assets / current liabilities.
   (2) Quick ratio ＝ (current assets – inventories – prepayments) / current liabilities.
   (3) Times interest earned ratio＝ Net income before income tax and interest expense / current interest expense.
3. Operating ability
   (1) Accounts receivable (including accounts receivable and notes receivable arising from operations) turnover ratio ＝ Net sales / average accounts receivable (including accounts receivable and notes receivable arising from operations) outstanding.
   (2) Average collection period＝365 / accounts receivable turnover ratio.
   (3) Inventory turnover ratio＝cost of goods sold / average amount of inventories.
   (4) Accounts payable (including accounts payable and notes payable arising from operations) turnover ratio ＝ cost of goods sold / average accounts payable (including accounts payable and notes payable arising from operations) balance.
   (5) Average days to sell inventory＝365 / inventory turnover ratio.
   (6) Fixed asset turnover ratio＝ Net sales / net fixed assets.
   (7) Total asset turnover ratio＝ Net sales / total assets.
4. Profitability
   (1) Return on total assets＝[after-tax income (loss) = interest expense x (1 – tax rate)]/ average total assets.
   (2) Return on stockholders' equity＝after-tax income (loss) / net average stockholders' equity.
   (3) Net income ratio＝after-tax income (loss) / net sales.
   (4) Earnings per share＝ (after-tax income – preferred stock dividends) / weighted average number of shares outstanding.
5. Cash flow
   (1) Cash flow ratio＝ net cash flow provided by operating activities / current liabilities.
   (2) Cash flow adequacy ratio＝net cash flow provided by operating activities in the past five years / (capital expenditure + increase in inventories + cash dividends) in the past five years.
   (3) Cash reinvestment ratio＝(net cash flow provided by operating activities – cash dividends) / (gross fixed assets + long-term investment + other assets + working capital).
6. Leverage:
   (1) Operating leverage＝(net operating revenue – variable operating costs and expenses) / operating income.
   (2) Financial leverage＝Operating income / operating income – interest expense).

6.3. Audit Committee Report in the Most Recent Year

AirTAC International Group
Audit Committee Report

We have examined the 2014 consolidated financial statements, together with business report and earnings distribution proposal prepared by the Board of Directors and audited and certified by the Audit Committee and did not find any discrepancy. We hereby produce this report in accordance with provisions specified in Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act and submit it for your review.

To

2015 General Shareholders' Meeting

AirTAC International Group

Member of Audit: Chang Bao-Guang

Member of Audit: Chiang Chih-Chun

Member of Audit: Leong Kam-Son

March 3, 2015

6.4 Financial Statements and Accountant Audit Report in the Most Recent Year : N/A.

6.5 CPA-Audited Consolidated Financial Statements for the Most Recent Year : see Appendix 1.

6.6 If the Company and/or its affiliated enterprises have encountered financial difficulties in the most recent year or in the current year up to the date of annual report, the impact of such situation on the Company's financial status: N/A.

7. Review of Financial Conditions, Operating Results, and Risk Management

7.1 Analysis of Financial Status

Unit: TWD 1,000; %

Year / Item	2013	2014	Difference	
			Amount	%
Current assets	5,521,452	7,430,137	1,908,685	35%
Long-term investments	279,493	221,383	-58,110	-21%
Fixed assets	8,106,491	10,429,741	2,323,250	29%
Intangible assets	69,230	102,729	33,499	48%
Other assets	539,885	752,539	212,654	39%
Total Assets	14,516,551	18,936,529	4,419,978	30%
Current liabilities	4,179,460	6,638,824	2,459,364	59%
Long-term liabilities	993,049	1,899,664	906,615	91%
Other liabilities	300,457	340,228	39,771	13%
Total liabilities	5,472,966	8,878,716	3,405,750	62%
Capital stock	1,705,000	1,705,000	-	0%
Capital surplus	3,906,960	3,906,960	-	0%
Retained earnings	2,972,093	3,677,512	705,419	24%
Cumulative translation adjustment	315,371	615,843	300,472	95%
Total stockholders' equity	9,043,585	10,057,813	1,014,228	11%

Reasons for significant changes: (Change in amount exceeding 20%)

1. Change in current assets were mainly due to the growth of Operating Scale leading to the increase of accounts receivable and inventory.
2. Change in fixed assets, other assets (pre-payment of equipments) and total assets were mainly due to expanding capacity, promoting operation efficiency, building plants and equipments.
3. Change in current liabilities, long-term liabilities and total liabilities were mainly due to the loan for the land purchase of Tainan plants.
4. Change in retained earnings was mainly due to stable growth of profit for the current year.

7.2 Analysis of Financial Performance

Unit: TWD 1,000; %

Item \ Year	2013	2014	Change	
			Amount	%
Total sales revenue	7,300,291	8,378,961	1,078,670	15%
Net sales revenue	7,300,291	8,378,961	1,078,670	15%
Operating cost	3,264,133	3,775,784	511,651	16%
Gross profit	4,036,158	4,603,177	567,019	14%
Operating expense	1,841,407	2,214,259	372,852	20%
Operating income	2,194,751	2,388,918	194,167	9%
Non-operating income	223,714	68,889	-154,825	-69%
Non-operating expense	51,708	69,265	17,557	34%
Net income before tax	2,366,757	2,388,542	21,785	1%
Less: Income tax expense	641,306	602,430	-38,876	-6%
Net income after tax	1,725,451	1,786,112	60,661	4%
Other consolidated income and loss	284,021	312,925	28,904	10%

Change in amount exceeding 20%:

1. Change in operating cost was mainly due to the establishment of sales network, staff training, the cost increase on brand promotion and product research and development capability.
2. Change in non-operating income was mainly due to less interests of currency exchange regonized this year.
3. Change in non-operating expense was mainly due to borrowing increase and interest expense also increased.

7.3 Analysis of Cash Flow

1. Cash flows analysis

Unit: TWD 1,000; %

Item \ Year	2013	2014	Amount of increase (decrease)	Increase (decrease) (%)
Inflow from operating activities	1,428,788	1,531,764	102,976	7%
Outflow in investing activities	2,662,882	3,386,117	723,235	27%
Inflow (outflow) in financing activities	1,885,428	2,001,508	116,080	6%

Change analysis:
Investing activity: Due to the expenditure on lands for expanding production capability, plants and equipments.

2. Liquidity analysis for the next year and remedial plan for improving liquidity:

The Company has formulated several capital spending plans for 2015. The anticipated profit growth in 2015 is expected to provide net cash inflow from operating activities in the year and cover the cash outflows in investing and financing activities. Hence the Company does not anticipate liquidity problem.

7.4 Effect of major capital spending on financial position and business operation

The Company acquired TWD 2,751,906,000 and TWD 2,518,198,000 of fixed assets in 2013 and 2014, respectively as the Company continues to expand capacity in response to market demands. The table below depicts the Company's fixed asset and total asset turnover ratios in the past three years, which indicate that various turnover ratios were kept at certain level, that increase in capital spending did not produce adverse effect on the Company's financial condition.

Turnover ratio	2012	2013	2014
Fixed asset turnover ratio (times)	1.14	1.07	0.90
Total asset turnover ratio (times)	0.56	0.59	0.50

7.5 Investment policy in the past year, profit/loss analysis, improvement plan, and investment plan for the coming year

1. Company's investment policy

According to the Company's plan, the Company invested in the industry of linear guide to deepen the vertical integration and accelerate the ability of product development and production capacity in 2012. Also, reinvestment in the distribution channel will be conducted to increase the Company's revenue, expand the production scale, and improve the Company's capacity of integration and profitability.

The reinvestment is carried out by designated department in accordance with the internally established internal control systems-Investment Cycle and Procedure for Acquisition or Disposal of Assets. The aforementioned systems or procedures have been passed by the board of directors' meeting or shareholders' meeting.

2. Major reasons for investment profit/loss in recent years:

In TWD 1,000

Investee	Profit (loss) in the most recent year	Remark
Airtac Industrial (Hong Kong) Limited	2,129,921	Profit comes mainly from recognition of profit from investees AirTAC Ningbo, AirTAC Guangdong, and AirTAC China.
Airtac Trading (Hong Kong) Limited	9,292	Profit comes mainly from recognition of profit from investees Jianliang (Shanghai).
Instant Reach International Limited	2,915	Profit comes mainly from recognition of profit from investees AirTAC Industrial Co.
Airtac Holding (Singapore) Pte. Limited	-39,353	Loss comes mainly from recognition of loss from investees Airtac International (Singapore) Pte. Limited and Airtac Co., Ltd.
Ningbo AirTAC Automatic Industrial Co., Ltd.	893,195	Expansion of operations.
Guangdong AirTAC Automatic Industrial Co., Ltd.	226,880	Expansion of operations.
AirTAC (China) Co., Ltd.	1,068,972	Expansion of operations.
Jianliang (Shanghai) Trading Co.	9,871	Recognition of decrease in investment gains comes from the operation activities being transferred to AirTAC (China)
AirTAC Industrial Co.	9,396	Recognition of decrease in investment gains mainly comes from the decline of export sales ratio
ATC(ITALIA)S.R.L	-13,642	The accumulated deficit mainly comes from the recruitment of new salesmen, the establishment of inventory and the expansion of the assembly plant for the purpose of enlarging the European market shares.
Airtac International (Singapore) Pte. Limited	-17,334	The operation has not reached economy of scale.
AMA TECH CORP.	-4,532	The operation has not reached economy of scale.
Airtac Co., Ltd.	-21,245	The operation has not reached economy of scale.
Airtac Industrial (Malaysia) Sdn. Bhd.	-4,136	The operation has not reached economy of scale.

3. Investment plan for the coming year

(1) The Company will establish a sales company in Thailand in 2015 to expand operations and increase overseas market shares.

(2) Continue to invest and complete the building and expansion of the AirTAC Ningbo and AirTAC Guangdong.

(3) The Company will continue the construction of Tainan plants, to meet the production and R&D requirement of the Company.

7.6 Analysis of Risk Management

1. Effects of interest rate and exchange rate changes as well as inflation on Company's profit and response measures

(1) Interest rate: The Company's interest expense in 2014 and 2013 was TWD 69,265,000 and TWD 51,708,000 respectively; accounting for respectively 2.90% and 2.36% of the year's operating profit. High interest expense was mainly due to the fact that the Company's vertically integrated production processes required more working capital. As the Company's business scale expands, profitability improves and own capital is replenished, the Company is not expected to face the risk of interest rate increase that leads to jump in interest expense. However if the Company needs to borrow funds from financial institutions and interest rate rises in the future, increased interest expense will affect the Company's profit.

(2) Exchange rate: The main operations of the Group include AirTAC Ningbo, AirTAC Guangdong and AirTAC China that use RMB as their functional currency. Those companies would hold small-sum USD and Euro to pay for miscellaneous expenses of employees stationed abroad. The Company's exchange gain (loss) in 2010~2014 was $35,986,000, $36,694,000, $19,341,000, $115,116,000, and $43,629,000 respectively, accounting for a very low percentage of the year's operating profit, at 2.64%, 2.06%,1.30%, 5.24% and 1.83% respectively.

The main operations of the Group do not face significant risk of exchange rate fluctuation. However after the Group's Cayman Islands holding company has become listed in Taiwan, the Company could be exposed to the risk of USD to TWD fluctuation for it might need to distribute dividends in TWD or exchange the funds raised in Taiwan into USD. To address the exchange rate risk, the Company's finance department might take the following actions:

<u>Response measures:</u>

① The finance department holds proper foreign currency positions in view of the trends of exchange rate to provide for the operation needs of subsidiaries and to reduce the effects of exchange rate fluctuation on the Company's profit.

② The finance department keeps close communication with corresponding banks and constantly monitors the foreign exchange market to enable the management to fully grasp the exchange rate variations and make timely adjustment in case of any contingent events relating to change of payment currency.

③ The finance department adopts automatic offset principle to address currency risk (i.e. both exports and imports are quoted in USD) and use forward exchange contracts and foreign currency borrowing in view of needs to reduce the effects of exchange rate fluctuation on Company profit.

(3) Inflation/deflation:

The financial storm triggered by the US banking system in 2008 ravaged the global economy. The credit crunch at the early stage of the financial crisis was adverse to the economic growth. In addition, the irrational expansions undertaken by enterprises had led to excess capacity, causing deflation crisis among major nations. Since mid-2009, as European countries and the US launched financial bailout programs and their fiscal and monetary policies began to take effect, the near recession situation was under control in most countries. But an IMF report published in July 2009 points out that the stimulus packages launched by countries quickly increase their budget deficits and leads to loose liquidity that could cause inflation concerns.

Under the rapidly evolving macroeconomic environment, the Company has not been materially affected by the fear of inflation or deflation as described above. The products of the Company are sold mainly in China. By keeping a firm grasp on the price fluctuation of raw materials and end-products and maintaining good rapport with suppliers and clients, and adopting dynamic purchase and sales strategies, adjusting cost structure and trading terms in line with the market situation, the Company is able to effectively minimize the effects of inflation or deflation on Company profit.

2. Policies regarding high-risk investments, high leverage investments, loans to other parties, endorsements, guarantees, and derivatives transactions; main reasons for the profits/losses generated thereby; and response measures

The Company has established “Procedure for Acquisition and Disposal of Assets”, “Procedure for Providing Loans to Others”, “Procedure for Endorsement and Guarantee Operation”, and “Procedure for Derivatives Transactions” for compliance by the Company and subsidiaries in undertaking related activities. As of date of annual report, the Company did not engage in any high-risk, high-leverage investments or derivatives transactions, but only provide loans to 100% holding subsidiaries and write it off in the consolidated financial statements. However if the Company engages in high-risk, high-leverage investments, or provide endorsements/guarantees, or loans to others or engage in derivatives transactions in the future, the Company’s finance will be exposed to high risk, and any material loss therefore could put the Company in financial difficulty or seriously erode the Company’s profit margin. But the Company has always focused on its core business and has not branched out into other high-risk industries. The Company also adopts a conservative financial policy and stay away from high-leverage investment. Thus the Company is exposed to limited associated risks.

3. Future R&D projects and estimated R&D expenditure

① The Company believes in technology autonomy and develops major process technologies in-house. The Company also puts equal emphasis on new technology and process technology R&D to improve and upgrade technological know-how continuously.

② The Company expands from mid and low-end automation application into the arena of high-end automation equipment based on existing technology, expansion of product lines and application of end-products.

The Company's R&D expenditure as a percentage of sales revenue was 3.15%, 2.75%, and 3.41% respectively in the past three years, showing a general rising trend. The Company will continue to put in more R&D resources in line with the product development plans. R&D investment in the future is expected to cost as 3% to 4% of the annual operating income. If the Company fails to allocate resources to R&D in the future, future product development and R&D projects could be constrained, or the Company's products could no longer keep up with the market trends or customer demands. Furthermore, the Company could lose customer orders that could produce material adverse impact on the Company's operations.

4. Effect of changes in government policies and legal environment at home and abroad on Company's finance and business, and response measures

The Company is registered in Cayman Islands and operates primarily in Taiwan, Hong Kong and China. Cayman Islands is a territory where financial services constitute its major economic activities, whereas China is a major economy in the world. The pneumatic components developed and sold by the Company are not in a concession business. In addition, the Company operates its businesses in compliance with government policies and local and foreign laws. The Company constantly watches the trends of important government policies and changes in legal environment at home and abroad, respond readily to the changing market environment, and take appropriate actions. Up to 90% of the Company's clientele are located in China. The Company's major suppliers are also located in China. Given the special political relationship between China and Taiwan, the businesses of the Company's clients, suppliers, and of the Company itself could be influenced by the political, economic and legal environments in China and Taiwan. If the government policies, tax laws, economic situation or interest rate in China or Taiwan change, or if there are any political, diplomatic or social events involving China and Taiwan that affect the Company's clients or suppliers, the Company's businesses could be affected as well. The Company has been developing clientele and suppliers in other areas to minimize the aforementioned risks.

5. Effect of recent technological and market changes on the Company's finance and business, and response measures

The modern-day technology evolves constantly. Aside from constantly grasping the trends in the industry, market and technology, the Group also engages in research on plastic and rubber materials with the aim to find the most appropriate materials for innovative application on products. The Company also undertakes innovative research on products and processes with the aims to provide most competitive products and services, and expand market share to address the dynamic industrial environment. As such, changes in technological and market environment are not expected to have any material impact on the Group's finance and business.

6. Effect of changes in corporate images on Company's risk management and response measures

Guided by the principle of honesty and the spirit of solid pragmatism, the Company has been operating based on the beliefs of "People Oriented, Commitments, Profit Sharing and Common Development" to strengthen internal management, and improve quality and efficiency. The Company continues to bring in outstanding and talented personnel to strengthen the management team. The Company shares its positive operating results with shareholders and acts as a good corporate citizen in giving back to the society. The Company maintains a good corporate image and is presently fee of any incident that changes corporate image or puts the Company in crisis.

7. Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures

The Company did not undergo merger and acquisition in the most recent year and up to the date of annual report. If the Company undergoes merger and acquisition ("M&A") or reorganization in the future, it do not guarantee such activity will have positive effect on Company operations for such activity could keep the Company from focusing on its core business or produce negative impact on the corporate culture or employee retention.

If the Company plans to undergo M&A in the future, the Company will make careful evaluation and submit it to the board of directors in advance for approval, and in addition, propose it to the shareholders' meeting for approval with the adoption of a special (supermajority) resolution in accordance with the Company's articles of association before proceeding with the M&A. Such procedural requirement is to ensure full preparation and communication beforehand so as to minimize any adverse effect of M&A.

8. Expected benefits and possible risks associated with any plant expansion and mitigation measures

Aside from expanding own capacity in line with growth of the industry, the Company also maintains a long-term cooperative relationship with outside contractors to help regulate capacity utilization, thereby effectively addressing changes in business cycle and market demands.

9. Risks associated with over-concentration in purchase or sales, and mitigation measures

(1) Supplier concentration:

The Company is a pneumatic component manufacturer. Major raw materials for the Group's products include aluminum, copper, steel and plastic materials, which are essential materials for a large number of manufacturers. Thus there are already a large number of suppliers and sufficient supply on the market. The Group is not faced with the problem of finding alternative suppliers. Overall the Group does not run the risk of over-concentration in purchase

(2) Client concentration:

The Group sells primarily pneumatic components which are applied extensively in the automated machinery used in more than 50 industries, such as packaging, printing, plastic, bottle filling, ultrasound, healthcare, pharmaceutical, ceramic, welder, construction, lathe machine, sewing, automation, metallurgy, automobile, electronic, road construction, dyeing and finishing, weighing, textile, plastic, rinsing, and shoe making. No sale to any single customer accounts for more than 2% of the Company's total sales. Thus the Company does not run the risk of client concentration.

10. Effect on the Company in the event large quantity of shares belonging to a director, supervisor, or shareholder holding more than 10 percent interest in the Company has been transferred or has otherwise changed hands, associated risks and mitigation measures: None.

11. Effect of changes in management rights on the Company, associated risks and response measures

The Company did not have management rights changing hands in the most recent year and up to the date of annual report. The Company has been stepping up corporate governance by bringing in independent directors and established an audit committee to ensure greater shareholder protection. The Company relies mostly on professional managers in daily operations. The strong professional management team has made considerable contribution to the Company operations and should continue to have the support of shareholders in the future. Thus any change to management rights in the future is not expected to have material negative effect on the competitive advantage of the Company in management and operation.

12. The outcome of concluded or pending litigious, non-litigious, or administrative litigation events involving the director, supervisor, president, de facto responsible person, major shareholders holding more than 10% interest, or subsidiary of the Company up to the date of annual report that might have material impact on stockholders' equity or Company stock

price (facts in dispute, amounts involved, litigation commencement date, parties concerned, and progress as of the date of annual report): None.

13. Other major risks and response measures

(1) Please see the section of the report on factors advantageous and disadvantageous to the future prospects of the Company and response measures for other major operational risks faced by the Company.

(2) Risk of patent infringement: Under the trends of global economic liberalization, many companies would use patent infringement lawsuit as a strategic instrument to disrupt the business development of rivals. Thus as the Company continues to grow, the likelihood of facing patent infringement lawsuit from competitors also rises.

(3) The Company has set up a unit to take charge of application and management of patents and trademark to protect its intellectual property rights. But those moves cannot assure that the Company’s intellectual properties are fully protected from infringement by competitors or other companies.

(4) Possible lack of full protection under specific circumstances

The operations of a company are faced with a variety of risks and hazards, such as equipment breakdown, damage or malfunction, delay in delivery of equipment, limited capacity, employee strike, fire, natural disasters (e.g. earthquake or typhoon), environmental hazards or occupational hazards that could produce material adverse effects on the Group’s operations. Although the Group has acquired insurance coverage for fixed assets and inventories according to the customary practice at the territory or country of operation, such insurance might not provide full protection under specific circumstances. If the Group sustains loss in any incident thereof, it could have adverse effect on the Group’s operations.

7.7 Other Material Events: None.

8. Special Disclosure

8.1 Summary of Affiliated Companies:

8.1.1 Organization chart: Please see Company Overview

8.1.2 Profile of affiliates

Unit: In $1,000

Name of affiliate	Date of establishment	Address	Paid-in capital	Major businesses or products
Airtac Industrial (Hong Kong) Limited	2008.11.10	Suites 2302-6, 23/F., Great Eagle Ctr., Harbour Road, Wanchai, Hong Kong	USD 71,000 RMB 64,000	General investment
Airtac Trading (Hong Kong) Limited	2008.11.10	Room 1801, Wing On Central Building, 26 Des Voeux Road C, Central, Hong Kong	USD 7,000	General investment
Instant Reach International Limited	2006.4.18	Room 1801, Wing On Central Building, 26 Des Voeux Road C, Central, Hong Kong	USD 8,840	General investment
Airtac Holding (Singapore) Pte. Limited	2011.8.11	12 Gul Drive #01-00 Singapore (629463)	USD 11,000	General investment
Ningbo AirTAC Automatic Industrial Co.	2001.8.16	No. 88, Si Ming E. Road, Fenghua Hi-Tech Park, Jejiang Province, China	USD 37,000	Production of all kinds of pneumatic controlling components and auxiliary parts
Guangdong AirTAC Automatic Industrial Co.	2006.9.30	No. 7, Kaixuan Rd., Songxia Industrial Park, Shishan Town, Nanhai District, Foshan, Guangdong, China	USD 6,000	Production of all kinds of pneumatic controlling components and auxiliary parts
AirTAC (China) Co., Ltd.	2011.5.6	No. 8, Huisheng Rd., Fenghua City, Zhejiang, China	USD 18,000 RMB 126,000	Wholesale, distribution of all kinds of pneumatics, tools and equipments and providing related services
Jianliang (Shanghai) Trading Co.	2006.9.11	F6, No. 58, Xiangcheng Rd, Pudong New District, Shanghai, China	USD 7,000	Wholesale, distribution of all kinds of pneumatics, tools and equipments and providing related services
AirTAC Industrial Co.	1989.5.9	23 Ziyou Road, Tucheng City, Taipei County	NTD 230,000	Production, sales, import and export of machineries and parts
ATC (ITALIA) S.R.L.	2008.6.10	Via San Vittore 16, 20123 Milano, Italy	EUR 3,000	Production and sales of pneumatics and auxiliary components
Airtac International (Singapore) Pte. Limited	2011.8.11	12 Gul Drive Singapore (629463)	USD 9,500	Production and sales of pneumatics and auxiliary components
Airtac Co., Ltd.	2013.4.18	3-6-3 KUSUNE HIGASHI OSAKA-SHI OSAKA JAPAN	JPY 98,000	Production and sales of pneumatics and auxiliary components
Airtac Industrial (Malaysia) Sdn.Bhd.	2013.7.16	No 33, Jalan Molek 1/5A, Taman Molek 81100 Johor Bahru, Johor. Malaysia	RM 1,000	Production and sales of pneumatics and auxiliary components

8.1.3 Information on same shareholders of the Company and an affiliate in which the Company has controlling or subordinate relationship with: None.

8.1.4 Profile of directors, supervisors and president of subsidiaries and affiliates

Unit: 1,000 shares

Name of affiliate	Title	Name	Shares held (Note)	Shareholding (Note)
Airtac Industrial (Hong Kong) Limited	Chairman	Wang Shih-Chung	2,538,099	100.00%
Airtac Trading (Hong Kong) Limited	Chairman	Wang Shih-Chung	218,105	100.00%
Instant Reach International Limited	Chairman	Wang Shih-Chung	275,436	100.00%
	Director	Wang Hai-Ming	275,436	100.00%
	Director	Lin Chiang-Ti	275,436	100.00%
Airtac Holding (Singapore) Pte. Ltd	Chairman	Wang Shih-Chung	342,737	100.00%
Ningbo AirTAC Automatic Industrial Co., Ltd.	Chairman	Wang Shih-Chung	1,152,842	100.00%
	President	Li Hui-Wen	1,152,842	100.00%
	Director	Lin Chiang-Ti	1,152,842	100.00%
	Director	Wang Hai-Ming	1,152,842	100.00%
	Director	Lin Yung-Feng	1,152,842	100.00%
	Director	Wang Shan-Wen	1,152,842	100.00%
	Supervisor	Tsao Yung-Hsiang	1,152,842	100.00%
Guangdong AirTAC Automatic Industrial Co.	Chairman	Lin Chiang-Ti	186,947	100.00%
	President	Li Hui-Wen	186,947	100.00%
	Director	Wang Shih-Chun	186,947	100.00%
	Director	Wang Hai-Ming	186,947	100.00%
	Director	Lin Yung-Feng	186,947	100.00%
	Director	Wang Shan-We	186,947	100.00%
	Supervisor	Tsao Yung-Hsiang	186,947	100.00%
AirTAC (China) Co., Ltd.	Chairman	Wang Shih-Chun	1,202,434	100.00%
	President	Li Huai-Wen	1,202,434	100.00%
	Director	Lin Chiang-Ti	1,202,434	100.00%
	Director	Wang Hai-Ming	1,202,434	100.00%
	Director	Zhou Hong-Yuan	1,202,434	100.00%
	Director	Tsao Yung-Hsiang	1,202,434	100.00%
	Supervisor	Lin Yung-Feng	1,202,434	100.00%
Jianliang (Shanghai) Trading Co.	Chairman	Wang Shih-Chun	218,105	100.00%
	President / Director	Lin Chiang-Ti	218,105	100.00%
	Director	Wang Hai-Ming	218,105	100.00%
	Director	Tsao Yung-Hsiang	218,105	100.00%
	Director	Wang Shan-Wen	218,105	100.00%
	Supervisor	Lin Yung-Feng	218,105	100.00%
ATC (ITALIA) S.R.L.	Chairman	Tsao Yung-Hsiang	115,410	100.00%
	President / Director	Lin Chiang-Ti	115,410	100.00%
	Director	Wang Shih-Chun	115,410	100.00%
AirTAC Industrial Co.	Chairman	Wang Shih-Chun	—	—
	President	Lin Yung-Feng	—	—
	Director	Lan Shun-Cheng	—	—

Name of affiliate	Title	Name	Shares held (Note)	Shareholding (Note)
	Director	Yeh Long-An	1,553	6.75%
	Director	Lin Wen-Tan	828	3.60%
	Supervisor	Tsao Yung-Hsiang	—	—
Airtac International (Singapore) Pte. Ltd	Chairman	Wang Shih-Chun	296,000	100.00%
	President	Lin Chiang-Ti	296,000	100.00%
Airtac Co., Ltd.	President / Representative Director	Lin Chiang-Ti	25,950	100.00%
	Director	Wang Shih-Chun	25,950	100.00%
	Representative Director	Lee Tsung-Hsien	25,950	100.00%
	Supervisor	Tsao Yung-Hsiang	25,950	100.00%
Airtac Industrial (Malaysia) Sdn. Bhd.	President / Director	Lin Chiang-Ti	8,693	100.00%
	Director	Tsao Yung-Hsiang	8,693	100.00%
	Director	Wang Shan-Wen	8,693	100.00%
	Director	Salamat Bin Othman	8,693	100.00%
	Director	Adday Bin Omar	8,693	100.00%

Notes: No shares are provided for it is a limited company and only capital contribution and proportion of contribution are shown

8.1.5 Operational highlights of affiliates

Unit: In $1,000

Name of enterprise	Paid-in capital	Total assets	Total liabilities	Net worth	Operating income	Operating profit (loss)	Profit (loss) for the period	Earnings per share ($)
Airtac Trading (Hong Kong) Limited	218,105	417,512	815	416,697	-	(16)	9,292	Note 1
Airtac Industrial (Hong Kong) Limited	2,538,099	10,491,632	305,229	10,186,403	-	(758)	2,129,921	Note 1
Instant Reach International Limited	275,436	245,281	5,531	239,750	-	(2,023)	2,915	Note 1
Jianliang (Shanghai) Trading Co.	218,105	421,024	5,388	415,636	-	961	9,871	Note 1
Ningbo AirTAC Automatic Industrial Co.	1,152,842	7,389,292	2,120,364	5,268,928	4,112,695	1,008,546	910,992	Note 1
Guangdong AirTAC Automatic Industrial Co.	186,947	2,119,263	226,406	1,892,857	1,403,731	321,941	224,182	Note 1
ATC (ITALIA) S.R.L.	115,410	158,536	140,794	17,742	176,182	(12,188)	(13,642)	Note 1
AirTAC Industrial Co.	230,000	763,256	416,331	346,925	455,852	31,595	29,064	1.26
AirTAC (China) Co.	1,202,434	4,973,188	1,370,195	3,602,993	7,418,182	1,347,999	1,068,972	Note 1
Airtac Holding (Singapore) Pte. Ltd	342,737	232,040	145	231,895	-	(273)	(39,353)	Note 1
Airtac International (Singapore) Pte. Ltd	296,000	550,980	321,975	229,005	340,526	(6,662)	(17,334)	Note 1
Airtac Co., Ltd.	25,950	41,540	47,392	(5,852)	34,835	(16,620)	(21,245)	Note 1
Airtac Industrial (Malaysia) Sdn. Bhd.	8,693	25,090	21,446	3,644	9,402	(3,406)	(4,136)	Note 1

Note 1: Earnings per share could not be calculated for it is not a company limited by shares.
Note 2: The amounts were converted to thousand TWD based on exchange rate on 2014.12.31.

8.1.6 Consolidated financial statements of affiliates: See Appendix 1.

8.1.7 Affiliation report: None.

8.2 Private Placement Securities in the most recent year and up to the date of annual report: None.

8.3 The Shares in the Company Held or Disposed of by Subsidiaries in the most recent year and up to the date of annual report: None.

8.4 Other Supplemental Information: None.

8.5 Corporate Events with Material Impact on Shareholders' Equity or Stock Prices Set forth in Subparagraph 2, Paragraph 2, Article 36 of Securities Exchange Act in the Most Recent Fiscal Year and up to the Date of Annual Report: None.

8.6 Major Difference in the Company's Articles of Association and ROC Regulations on Shareholder Protection: See Appendix 2.

Appendix 1:

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

Notice to Readers

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)

	2014	2013
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.

TABLE 1

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.

TABLE 2

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			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2014 (Note1)	December 31, 2013 (Note1)	Shares	%	Carrying Amount			
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	-

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.

TABLE 7

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
5	ATC (Italia) S.R.L	Instant Reach International Limited	3	Dividends payable	$ 12,343	General terms and conditions	-
		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.

Appendix 2: Major Differences between the Company's Article of Incorporation and ROC Regulations on Shareholder Protection

	Major Shareholder Protection Measures	**Regulations Relating to *Company Act* and *Securities and Exchange Act***	**Difference in the Company's Articles of Association and Reasons**
1.	The increased capital procedures of the issuance of new shares from capital increase, earnings or capital reserve of the Company.	Article 156, 266, 278 of Company Act	Propose to pass the amendments of the Article 8 of the Articles of Association of the listed Company, update the relevant regulations of Article 156 of Company Act.
2.	1. A company shall not cancel its shares, unless a resolution on capital reduction has been adopted by its shareholders' meeting; and capital reduction shall be effected based on the percentage of shareholding of the shareholders pro rata. 2. A company reducing its capital may return share prices (or the capital stock) to shareholders by properties other than cash; the returned property and the amount of such substitutive capital contribution shall require a prior approval of the shareholders' meeting and obtain consents from the shareholders who receive such property. 3. The board of directors shall first have the value of such property and the amount of such substitutive capital contribution set forth in the preceding Paragraph audited and certified by a certified public accountant (ROC) before the shareholders' meeting.	Article 168 of Company Act	There is minor difference between Article 10.6 & 14.1 of Articles of Association of the Company and Items on Shareholder Protection, governing by the Companies Law of the Cayman Islands, the decrease of shares distributed shall be executed after Cayman court assured and special resolution, from shareholders' meeting, beside the above statement, the corporate capitals issued need to buy back, return and redeem, it will be avoidable. Article 10.6 of the Articles of Association regulates the procedure of company capitals decrease by buying shares' back and Article 14.1 of the Articles of Association regulates the capital decrease by special resolution in shareholders' meeting. However; there is no regulation in the Companies Law of the Cayman Islands (1) Buy back in proportion of holding shares' weight (2) Need permission if returning the stock amounts by other property rather than cash or (3) Evaluate the values of returned property and such same differences are caused from the regulations of Companies Law of the Cayman Islands.
3.	1. The procedure of contract signed for employee	Article 167-2 of Company Act	Even Articles 11.1 to 11.4 of Articles of Association of the Company already were amended according to the left side

	Major Shareholder Protection Measures	Regulations Relating to *Company Act* and *Securities and Exchange Act*	Difference in the Company's Articles of Association and Reasons
	warrant subscriptions or stock option certificates issued. 2. The share subscription warrant obtained by any employee of the issuing company shall be non-assignment, except to the heir(s) of the said employee.		Items on Shareholder Protection, following Cayman's Law regulations, if limited the transitions of the employees' warrant subscriptions, it still should be regulated in the contract of employee warrant subscriptions or stock option certificates issued.
4.	The corporate dividend policy shall illustrate the environment the company itself is in, growth stage and the term, timing, amount and categories of dividends issued.	(89) Taiwan Fiscal certificate (I) No. 100116, (89) Taiwan Fiscal certificate (I) No. 00371, (89) Taiwan Fiscal certificate (I) No. 00371 on March 8, 2000.	Propose to pass the amendments of the Article 34.1 of the Articles of Association of the listed Company, update the relevant regulations of legal retained earnings reserved.
5.	1. Regular meeting of shareholders: to be held at least once every year.；The regular meeting of shareholders shall be convened within six months after close of each fiscal year。Shareholders' meetings shall be convened by the board of directors. 2. Shareholders' meeting shall be held in R.O.C. Taiwan, if hold beyond of border, it should be concluded in boarder's meeting or apply for the approval of Taiwan Exchange two days later after shareholders got the calling permission from administrations. 3. Shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of a	1. Article 170 of Company Act 2. Article 172-1 of Company Act 3. Paragraphs 1 and 2, Article 173 of Company Act 4. Article 172 of Company Act; Article 26-1, 43-6 of Securities and Exchange Act	Foreign issuers are exempted companies under the Law of Cayman, in accordance with the provision of the Companies Law of the Cayman Islands, although there is no need to hold a shareholders' meeting annually, in article 16.2 of the Articles of Association of the Company "The Company shall hold a general meeting as its annual general meeting within six months following the end of each fiscal year, and shall specify the meeting as such in the notices calling it. At these meetings, the report of the Directors (if any) shall be presented." Other matters are prescribed in Article 16.2, 16.3, 16.4, 18.9, 16.5 to 16.8, 17.5, and 35 of the Articles of Association There is minor difference between Article 16.8 of the Articles of Association and Items on Shareholder Protection in the left column, it is described as follows, According to "Q&A of the foreign issuer registration as emerging stock on Taipei Exchange "GreTai Securities Market Criteria Governing Review of Securities Traded on Over-the-Counter Markets issued by Aug/13, 2013, foreign issuer shall

	Major Shareholder Protection Measures	Regulations Relating to *Company Act* and *Securities and Exchange Act*	Difference in the Company's Articles of Association and Reasons
	company may propose to the company a proposal for discussion at a regular shareholders' meeting. The share weight of proposed holder is less than 1%, proposal not by the shareholders' conclusion or the motions' numbers are more than one, will be included in motion's advanced. 4. A shareholder who has (have) continuously held 3% or more of the total number of outstanding shares for a period of one year or a longer time may, by filing a written proposal setting forth therein the subjects for discussion and the reasons, request the board of directors to call a special meeting of shareholders. If the board of directors fails to give a notice for convening a special meeting of shareholders within 15 days after the filing of the request, the proposing shareholder(s) may, after obtaining an approval from the competent authority, convene a special meeting of shareholders on his/their own. 5. The following items shall be listed and explained the major contents in stockholders' meeting calling causes, not proposed from extempore motion: (1) election or discharge of directors and		regulate the right of minor shareholders' request to call the temporary shareholders' meeting, avoidable to the calling permission of administration, not against the laws where registered as the premises. Thus, Article 16.8 of the Articles of Association regulated that if the board of Directors do not within fifteen days from the date of the deposit of the requisition dispatch the notice of an extraordinary general meeting, the requisitionists may themselves convene an extraordinary general meeting in accordance with the Applicable Public Company Rules.

	Major Shareholder Protection Measures	Regulations Relating to *Company Act* and *Securities and Exchange Act*	Difference in the Company's Articles of Association and Reasons
	supervisors; (2) alteration of the Articles of Incorporation; (3) dissolution, merger, spin-off; (4) Enter into, amend, or terminate any contract for lease of the company's business in whole, or for entrusted business, or for regular joint operation with others; (5) Transfer the whole or any essential part of its business or assets; (6) Accept the transfer of another's whole business or assets, which has great bearing on the business operation of the company; (7) Private equities issued with the valued equity right securities; (8) The permission to the board members' behavior of obligation of Non-Competition involved; (9) Issued new shares, dividends' distributed and the whole or the part of bonus; (10) Issue new shares or cash distributed to the original shareholders' allocated from retained earnings, stock premiums or the addition paid in capital of granted income awarded.		

	Major Shareholder Protection Measures	Regulations Relating to *Company Act* and *Securities and Exchange Act*	Difference in the Company's Articles of Association and Reasons
6.	1. The voting power at a shareholders' meeting may be exercised in writing or by way of electronic transmission；But the companies follow "the coverage of electric election adopted" issued from the ROC Taiwan Security's administration and regard it as one of ways to execute the right to vote. If holding shareholders' meeting outside of Taiwan territories, it be offered to shareholders' executing the right to vote either by written or electric modes. 2. The method for exercising the voting power shall be described in the shareholders' meeting notice to be given to the shareholders if the voting power will be exercised in writing or by way of electronic transmission. A shareholder who exercises his/her/its voting power at a shareholders meeting in writing or by way of electronic transmission shall be deemed to have attended the said shareholders' meeting in person, but shall be deemed to have waived his/her/its voting power in respective of any extemporary motion(s) and/or the amendment(s) to the contents of the original proposal(s) at the said shareholders' meeting. 3. In case a shareholder elects to exercise his/her/its voting power in writing or by way of electronic	1. Article 177-1 of Company Act 2. Article 177-2 of Company Act 3. Article 178 of Company Act 4. Article 179 of Company Act 5. Article 180 of Company Act	In accordance with the Article 19.6 of the Articles of Association of the Company, "A Member exercising voting power by way of a written ballot or by way of an electronic transmission shall be deemed to have appointed the chairman of the general meeting as his/her proxy to exercise his or her voting right at such general meeting in accordance with the instructions stipulated in the written or electronic document". Although those who use such way executing the right to vote will not attend shareholders' meeting in Cayman Law, such shareholder still have the right to vote either by writing or electric ways based on ROC Taiwan laws practically.

	Major Shareholder Protection Measures	Regulations Relating to *Company Act* and *Securities and Exchange Act*	Difference in the Company's Articles of Association and Reasons
	transmission, his/her/its declaration of intention shall be served to the company two days prior to the scheduled meeting date of the shareholders' meeting, whereas if two or more declarations of the same intention are served to the company, the first declaration of such intention received shall prevail; unless an explicit statement to revoke the previous declaration is made in the declaration which comes later. 4. In case a shareholder who has exercised his/her/its voting power in writing or by way of electronic transmission intends to attend the shareholders' meeting in person, he/she/it shall, two days prior to the meeting date of the scheduled shareholders' meeting and in the same manner previously used in exercising his/her/its voting power, serve a separate declaration of intention to rescind his/her/its previous declaration of intention made in exercising the voting power under the preceding Paragraph Two. In the absence of a timely rescission of the previous declaration of intention, the voting power exercised in writing or by way of electronic transmission shall prevail.		

	Major Shareholder Protection Measures	Regulations Relating to *Company Act* and *Securities and Exchange Act*	Difference in the Company's Articles of Association and Reasons
	5. A shareholder who has a personal interest in the matter under discussion at a meeting, which may impair the interest of the company, shall not vote nor exercise the voting right on behalf of another shareholder. Shares for which voting right cannot be exercised shall not be counted in the number of votes of shareholders present at the meeting. 6. Unless otherwise provided for in the Articles of Incorporation, a shareholder shall have one voting power in respect of each share in his/her/its possession. 7. The shares shall have no voting power under any of the following circumstances. The shares held by shareholders having no voting right shall not be counted in the total number of issued shares while adopting a resolution at a meeting of shareholders: (1) the share(s) of a company that are held by the issuing company itself in accordance with the laws. (2) the shares of a holding company that are held by its subordinate company, where the total number of voting shares or total shares equity held by the holding company in such a subordinate company represents more than one half of the total number		

	Major Shareholder Protection Measures	Regulations Relating to *Company Act* and *Securities and Exchange Act*	Difference in the Company's Articles of Association and Reasons
	of voting shares or the total shares equity of such a subordinate company. (3) the shares of a holding company and its subordinate company (ies) that are held by another company, where the total number of the shares or total shares equity of that company held by the holding company and its subordinate company (ies) directly or indirectly represents more than one half of the total number of voting shares or the total share equity of such a company.		
7.	In case the procedure for convening a shareholders' meeting or the method of adopting resolutions thereat is in contrary to any law, ordinance or the company's articles of association, a shareholder may enter a petition in the court for annulment of such resolution and request that Taiwan Taipei District Court be the court of jurisdiction.	Article 189 of Company Act	Section 18.7 of the Company's Articles of Association provides: "Nothing in the Articles shall present any Member from issuing proceedings in a court of competent jurisdiction for an appropriate remedy in connection with the improper convening of any general meeting or the improper passage of any resolution. Taiwan Taipei District Court shall be the court of the first instance for adjudicating any disputes arising out of the foregoing." The aforementioned provision differs slightly from the clause on shareholder protection on the left. The clause on the left touches on shareholder's right to request annulment of a resolution, while the articles of association cannot achieve such legal effect. The right of a shareholder to request annulment of a resolution can only be granted by law. Although the provisions in Section 18.7 of the Company's Articles of Association differ slightly from the clause on shareholder protection on the left, the Articles of Association do not exclude the right of a shareholder to institute a proceeding or seek relief from a court when the procedure for convening a shareholders' meeting or the method for adopting

	Major Shareholder Protection Measures	Regulations Relating to *Company Act* and *Securities and Exchange Act*	Difference in the Company's Articles of Association and Reasons
			a resolution runs counter to law or the Articles of Association. As to whether the court of jurisdiction would annul the convening procedure or a shareholders' resolution that violates law or the Company's Articles of Association, the court (whether a Cayman Islands court or ROC court or a court of jurisdiction in another country) will deliberate whether the applicable law gives shareholders the right to institute such as lawsuit and make judgment by its vested authority. The difference arises from the nature of shareholder's right to request annulment of resolution and the Company's Articles of Association do not restrict the right of shareholders to file a lawsuit or seek relief from a court."
8.	A company shall not do any of the following acts without a resolution adopted by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares. If the total number of shares represented by shareholders present at a shareholders' meeting is not sufficient to meet the criteria specified above, the resolution may be adopted by two-thirds of the votes of the shareholders present at a shareholders' meeting who represent a majority of the total number of issued shares: 1. Enter into, amend, or terminate any contract for lease of the company's business in whole, or for entrusted business, or for regular joint operation with others; accept the transfer of another's whole business or assets, which has great bearing on the business operation of the company. 2. Modify Articles of Association. 3. Where amendment to the Articles of Association injuries the rights of preferred stockholders, resolution adopted by preferred stockholders is also required.	1. Article 185 of Company Act 2. Article 209 of Company Act 3. Article 227 of Company Act 4. Article 277 of Company Act 5. Paragraph 1, Article 240 of Company Act 6. Article 316 of Company Act 7. Article 43-6 of Securities and Exchange Act 8. Article 267 of Company Act	There is minor difference between Part of the Articles of Association and Items on Shareholder Protection in the left column, it is described as follows, 1. Section 1.1 of the Company's Articles of Association (a) Provisions in the Company's Articles of Association: According to Section 1.1 of the Company's Articles of Association, a special resolution means "a resolution that has been passed by a majority of not less than two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given." According to the Cayman Islands legal opinions, matters that require special resolution include but are not limited to: (i) change the company name; (ii) alter or add to articles of association; (iii) alter articles of association with respect to any objects, powers or other matters specified therein; (iv) reduce share capital and any capital redemption reserve; and (v) wind up voluntarily for reasons other than that the company is unable to pay its

	Major Shareholder Protection Measures	Regulations Relating to *Company Act* and *Securities and Exchange Act*	Difference in the Company's Articles of Association and Reasons
	4. Distribute dividends or bonus in whole or in part, by issuing new shares. 5. A resolution on dissolution, merger or split. 6. Issuing restricted stock for employees.		debts as they fall due. Section 18.1 of the Company's Articles of Association provides: "No business shall be transacted at a general meeting unless a quorum is present. Unless otherwise provided in the Articles, Members present in person or by proxy, representing more than one-half of the total outstanding Shares, shall constitute a quorum for any general meeting." That is, a special resolution may be adopted at a shareholders' meeting attended by shareholders representing the majority of shares issued and outstanding in person or by proxy, and in which at least two-thirds of the votes cast by the shareholders present (including shareholders present by proxy) are in favor of the resolution. (b) Reasons for difference The "Special Resolution" is the provision of the Companies Law of the Cayman Islands. In accordance with the provisions of the Companies Law of the Cayman Islands, matters shall be taken by a special resolution shall not be adopted by the lower way of majority votes. Article 1.1 in the Articles of Association defines "Supermajority Resolution" as (i) a resolution adopted by a majority vote of the Members present and entitled to vote on such resolution at a general meeting attended in person by Members who represent two-thirds or more of the total issued, outstanding Shares of the Company or, (ii) if the total number of Shares represented by the Members present at the general meeting is less than two-thirds of the total issued, outstanding Shares of the Company, but more than half of the total issued, outstanding Shares of the Company, a resolution adopted at such general meeting by the Members who represent two-thirds or more of the Shares present and entitled to vote on such resolution.

	Major Shareholder Protection Measures	Regulations Relating to *Company Act* and *Securities and Exchange Act*	Difference in the Company's Articles of Association and Reasons
			As for Items on Shareholder Protection in the left column, if, pursuant to the Companies Law of the Cayman Islands shall be subject to a special resolution, in the Articles of Association is still classified as "Special Resolution" matters; otherwise as "Supermajority Resolution "matters. 2. Section 14.3 of the Company's Articles of Association (a) Provisions in the Company's Articles of Association: Section 14.3 of the Company's Articles of Association provides: "Subject to the provisions of the Statute, the provisions of these Articles, and the quorum requirement under the Applicable Public Company Rules, with regard to the dissolution procedures of the Company, the Company shall pass (a) an Ordinary Resolution, if the Company resolves that it be wound up voluntarily because it is unable to pay its debts as they fall due; or (b) a Special Resolution, if the Company resolves that it be wound up voluntary for reasons other than the reason stated in Article 14.3(a) above." This section differs from the shareholder protection clauses on the left in the different requirement of "ordinary resolution" and "special resolution." In comparison, the shareholder protection matters on the left all require "special (supermajority) resolution." (b) Reasons for differences: In accordance with the provisions of the Companies Law of the Cayman Islands, if the Company resolves that it be wound up voluntarily for reasons other than unable to pay its debts as they fall due, the Company shall pass a special resolution. Such differences due to

	Major Shareholder Protection Measures	Regulations Relating to *Company Act* and *Securities and Exchange Act*	Difference in the Company's Articles of Association and Reasons
			the law of Cayman from the foregoing. The above differences, propose to passed the amendments of the Article 14.3(a) in the Articles of Association of the listed Company to "if the Company resolves that it be wound up voluntarily because it is unable to pay its debts as they fall due", the Company shall pass a Supermajority Resolution. If the Company resolves that it be wound up voluntarily for reasons other than the reason stated in Article 14.3(a) above, the Company shall pass a special resolution in accordance with the Companies Law of the Cayman Islands.
9.	1. During the term of office as a Director, he/she/it has transferred more than one half of the company's Shares being held by him/her/it at the time he/she is elected , such Director shall be vacated automatically. 2. If any director after having been elected and before his/her/its inauguration of the office of Director, has transferred more than one half of the total number of Shares of the company he/she/it holds at the time of his/her/its election as such; or had transferred more than one half of the total number of Shares he/she/it held within the share transfer prohibition period fixed prior to the convention of a shareholders' meeting, then his/her/its election as a Director shall become invalid.	Article 197, 227 of Company Act	Propose to pass the amendments of the Article 28.2 of the Articles of Association of the listed Company, update the relevant regulations of Article 197 of Company Act.

	Major Shareholder Protection Measures	Regulations Relating to *Company Act* and *Securities and Exchange Act*	Difference in the Company's Articles of Association and Reasons
10.	The remuneration of directors, if not prescribed in the Articles of Incorporation, shall be determined by a meeting of shareholders and cannot be ratified by a meeting of shareholders.	Paragraph 1, Article 196 of Company Act	Specified on the Article 30.1, 30.2, 32.8, 32.9 in the Articles of Association of the Company, the company has not prescribed the remuneration of directors in the articles of association, or has set it by the shareholders' meeting, but with reference to the interpretation of the intention of Business No. 09302030870 of Ministry of Economy on March 8, 2004 and "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter", the board of directors of the Company has set the Remuneration Committee.
11.	In case a director has, in the course of performing his/her duties, committed any act resulting in material damages to the company or in serious violation of applicable laws and/or regulations, but not discharged by a resolution of the shareholders' meeting, the shareholder(s) holding 3% or more of the total number of outstanding shares of the company may, within 30 days after that shareholders' meeting, institute a lawsuit in the court for a judgment in respect of such matter, and request that Taiwan Taipei District Court be the court of jurisdiction.	Article 200 of Company Act	Article 28.2(i) in the Articles of Association of the Company and Items on Shareholder Protection in the left column is slightly different, it is described as follows, 1. Provisions in the Company's Articles of Association: Section 28.2 (i) of the Company's Articles of Association provides: "In addition to any restrictions provided by the Statute, the Articles and the Applicable Public Company Rules, in the event that a director has, in the course of performing his duties, committed any act resulting in material damage to the Company or in serious violation of applicable laws and/or regulations or the Memorandum and the Articles, but has not been removed by the Company pursuant to a Supermajority Resolution vote, then any Member(s) within thirty days after the general meeting, to petition any competent court for the removal of such Director, at the Company's expense and such Director shall be removed upon the final judgment by such court. For clarification, if a relevant court has competent jurisdiction to adjudicate all of the foregoing matters in a single or a series of proceedings, then, for the purpose of this paragraph (i), final judgment shall be given by such competent court." This section differs slightly from the

	Major Shareholder Protection Measures	Regulations Relating to *Company Act* and *Securities and Exchange Act*	Difference in the Company's Articles of Association and Reasons
			shareholder protection clauses on the left. 2. Reasons for differences: Because of the Companies Law of the Cayman Islands does not expressly allow that the minority shareholders may apply to the court of Cayman court for the dismissal of directors. Therefore, shareholders shall petition the competent court in the Articles of Association, shareholders still may remove the Director in accordance with the provisions of the Articles of Association.
12.	1. Supervisors of a company shall be elected by the meeting of shareholders, among them at least one supervisor shall have a domicile within the territory of the Republic of China. 2. The term of office of a supervisor shall not exceed three years, but he may be eligible for re-election. 3. In case all supervisors of a company are discharged, the board of directors shall, within 60 days, convene a special meeting of shareholders to elect new supervisors. 4. Supervisors shall supervise the execution of business operations of the company, and may at any time or from time to time investigate the business and financial conditions of the company examine the accounting books and documents, and request the board of directors or managerial personnel to make reports thereon. 5. Supervisors shall audit the various statements and records prepared for submission to the shareholders' meeting by the board of directors, and shall make a report of their findings and opinions at the meeting of shareholders. 6. In performing audit, the supervisors may appoint, on behalf of the company, a practicing lawyer	Article 216-222 of Company Act	Article 32.6 of the Articles of Association, in accordance with the provisions of Subparagraph 2, Paragraph 1, Article 14 of Taipei Exchange Rules Governing the Review of Foreign Securities for Trading on the TPEx, "The applicant company shall choose to establish either an audit committee or supervisors." the Company has set the Audit Committee composing by all independent directors (Article 32.6 of Articles of Association), thus, there is no need to set another supervisor.

	Major Shareholder Protection Measures	Regulations Relating to *Company Act* and *Securities and Exchange Act*	Difference in the Company's Articles of Association and Reasons
	and a certified public accountant to conduct the examination. 7. Supervisors may attend the meeting of the board of directors to state their opinions. In case the board of directors or any director commits any act, in carrying out the business operations of the company, in a manner in violation of the laws, regulations, the Articles of Association or the resolutions of the shareholders' meeting, the supervisors shall forthwith advise, by a notice, to the board of directors or the director, as the case may be, to cease such act. 8. Supervisor may each exercise the supervision power individually. 9. A supervisor shall not be concurrently a director, a managerial officer or other staff/employee of the company.		
13.	1. Shareholder(s) who has/have been continuously holding 3% or more of the total number of the outstanding shares of the company over one year may request in writing the supervisors of the company to institute, for the company, an action against a director of the company and request that Taiwan Taipei District Court be the court of jurisdiction for the first instance. 2. Within 30 days after having received the request, then the shareholders may institute the action for the company and request that Taiwan Taipei District Court be the court of jurisdiction for the first instance.	Article 200, 214, 227 of Company Act	Article 25.6 of the Articles of Association, in accordance with the provisions of Subparagraph 2, Paragraph 1, Article 14 of Taipei Exchange Rules Governing the Review of Foreign Securities for Trading on the TPEx, "The applicant company shall choose to establish either an audit committee or supervisors." the Company has set the Audit Committee composing by all independent directors, thus, there is no need to set another supervisor.
14.	In case a director or supervisor (for companies setting supervisors) has created a pledge on the company's shares more than half of the company's shares being held by him/her/it at the time he/she/it is elected, the	Article 197-1, 277 of Company Act	Article 24.3 of the Articles of Association, in accordance with the provisions of Subparagraph 2, Paragraph 1, Article 14 of Taipei Exchange Rules Governing the Review of Foreign Securities for Trading on the TPEx, "The applicant company

	Major Shareholder Protection Measures	Regulations Relating to *Company Act* and *Securities and Exchange Act*	Difference in the Company's Articles of Association and Reasons
	voting power of the excessive portion of shares shall not be exercised and the excessive portion of shares shall not be counted in the number of votes of shareholders present at the meeting.		shall choose to establish either an audit committee or supervisors." the Company has set the Audit Committee composing by all independent directors, thus, there is no need to set another supervisor. Supervisors are not included in the provisions of the preceding articles of association.
15.	1. The director of a company shall have the loyalty and shall exercise the due care of a good administrator in conducting the business operation of the company; and if he/she has acted contrary to this provision, shall be liable for the damages to be sustained by the company there-from. In case a director does anything for itself or on behalf of another person, the meeting of shareholders may, by a resolution, consider the earnings from such an act as earnings of the company. 2. If the director of a company has, in the course of conducting the business operations, violated any provision of the applicable laws and/or regulations and thus caused damage to any other person, he/she shall be liable, jointly and severally, for the damage to such other person. 3. When a managerial officer and supervisor of the Company act within the scope of its duties, shall be liable for damages the same as directors.	Article 8 paragraph 2-3 and Article 23 of Company Act	Propose to pass the amendments of the Article 26.5 of the Articles of Association of the listed Company, update the relevant regulations of Article 8 and 23 of Company Act.
16.	Where a juristic person acts as a shareholder of a company, its authorized representative may also be elected as a director or supervisor of the company. If there is a plural number of such authorized representatives, each of them may be so elected, but such authorized representatives may not concurrently be selected or serve as the director or supervisor of the company.	Paragraph 2, Article 27 of Company Act	Article 27.4 of the Articles of Association, in accordance with the provisions of Subparagraph 2, Paragraph 1, Article 14 of Taipei Exchange Rules Governing the Review of Foreign Securities for Trading on the TPEx, "The applicant company shall choose to establish either an audit committee or supervisors." the Company has set the Audit Committee composing by all independent directors, thus, there is no need to set another supervisor. Supervisors are not included in the provisions of the preceding articles of association.