Airtac International Group and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018 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

Opinion

We have audited the accompanying consolidated financial statements of Airtac International Group (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2019 are stated as follows:

<u>Valuation of Inventory</u>

Please refer to Notes 4 (6) and 5 (1) to the consolidated financial statements for accounting policy on inventory valuation, and Note 10 to the consolidated financial statements for the detail of the information about the accounting items of inventory. As of December 31, 2019, inventory and the allowance for inventory devaluation was $3,254,636 thousand and $101,620 thousand, respectively. Since the allowance for inventory devaluation is subject to management's judgement, which has significant uncertainty, and the result could also affect the value of inventory, it has been identified as a key audit matter.

Our key audit procedures performed in respect of the above area included, in addition to testing relevant internal controls, the following:

1. We sampled the ending balance and the amount of the raw materials, work-in-progress and finished goods and verify with the detail of the inventory. The total amount of the inventories is the same with that in the general ledger.
2. For raw materials, the latest purchasing price is verified to the latest purchasing information.
3. For work-in-process and finished goods, the latest selling price is verified to the latest selling information.
4. Verified the logicality of the aging inventory calculated by the system.
5. We examined the yearly plan of inventory count and participated the inventory count to evaluate the effectiveness
6. Re-calculated the amount of the allowance for inventory devaluation.
7. We determined the differences of the allowance for inventory devaluation estimated by the Group for the year ended in December 31, 2019 and 2018 of each subsidiary. Then, we analysis the variety of the significant differences of the subsidiaries.

Estimated recognition of sales revenue

One of the selling models of Airtac international Group is selling goods through dealers. For the year ended December 31, 2019, the sales revenue from dealers was $4,414,154 thousand. The Group might recognize the sales revenue even when the effective control of the goods sold does not transfer yet. Since the revenue recognition has been identified as a key audit matter. Please refer to Note 4 to the consolidated financial statements for the detail of the information about related accounting policy.

Our key audit procedures performed in respect of the above area included, in addition to testing relevant internal controls, the following:

1. We reviewed the control activities of receiving sales order and shipping goods and test the effective of the design and execution of the control activities. We sample the subsidiary of sales revenue and the timing of sales recognition is verified to the sales condition and was indeed receive the sales order from customers.
2. We sampled the sales contracts and sales order of main customers and confirm the timing of the sales condition and recognition of sales revenue is consistent. We also review the sales return of the year ended December 31, 2019 and the sales return after December 31, 2019 to check is there any unusual sales returns.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chih, Jui-Chuan and Chen, Hui-Min.

Deloitte & Touche

Taipei, Taiwan

Republic of China

March 25, 2020

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
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 5,236,004	13	$ 3,887,916	11
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	9,900	-	-	-
Financial assets at amortized cost - current (Notes 4, 8 and 30)	3,127,961	8	658,517	2
Notes receivable (Notes 4, 5 and 9)	1,480,592	4	1,549,685	4
Trade receivables (Notes 4, 5, 9, 21 and 29)	3,519,405	9	3,445,549	10
Other receivables (Notes 4 and 5)	29,683	-	37,555	-
Current tax assets (Note 4)	9,839	-	3,353	-
Inventories (Notes 4, 5 and 10)	3,153,016	8	4,082,701	12
Other current assets (Notes 14 and 15)	175,551	-	344,981	1
Total current assets	16,741,951	42	14,010,257	40
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4, 12 and 30)	20,260,061	51	18,507,500	53
Right-of-use assets (Notes 4 and 13)	869,491	2	-	-
Other intangible assets (Note 4)	60,332	-	76,741	-
Deferred tax assets (Notes 4 and 23)	570,952	1	484,297	1
Long-term prepayments for lease (Note 14)	-	-	498,865	2
Other non-current assets (Note 15)	1,452,405	4	1,466,831	4
Total non-current assets	23,213,241	58	21,034,234	60
TOTAL	$ 39,955,192	100	$ 35,044,491	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Note 16)	$ 11,991,261	30	$ 10,745,173	31
Short-term bills payable (Note 16)	850,000	2	950,000	3
Contract liabilities - current (Note 21)	50,977	-	52,863	-
Notes payable (Note 17)	289,239	1	201,622	1
Trade payable (Note 17	523,235	1	532,726	1
Lease liability - current (Notes 4 and 13)	63,611	-	-	-
Other payables (Note 18)	1,382,660	3	1,008,151	3
Current tax liabilities (Note 4)	287,102	1	294,103	1
Current portion of long-term loans (Notes 16 and 30)	766,500	2	-	-
Other current liabilities (Note 18)	231,288	1	154,002	-
Total current liabilities	16,435,873	41	13,938,640	40
NON-CURRENT LIABILITIES				
Lease liabilities (Notes 4 and 13)	163,335	-	-	-
Long-term loans (Notes 16 and 30)	4,630,542	12	3,502,950	10
Deferred tax liabilities (Notes 4 and 23)	535,338	1	493,902	1
Total non-current liabilities	5,329,215	13	3,996,852	11
Total liabilities	21,765,088	54	17,935,492	51
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20)				
Share capital	1,890,250	5	1,890,250	5
Capital surplus	6,870,172	17	6,870,172	20
Retained earnings	10,867,760	27	9,096,802	26
Other equity	(1,447,562)	(3)	(757,934)	(2)
Total equity attributable to owners of the Company	18,180,620	46	17,099,290	49
NON-CONTROLLING INTERESTS	9,484	-	9,709	-
Total equity	18,190,104	46	17,108,999	49
TOTAL	$ 39,955,192	100	$ 35,044,491	100

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

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE				
Sales (Notes 4, 21 and 34)	$ 15,896,317	100	$ 15,600,743	100
OPERATING COSTS				
Cost of goods sold (Notes 10 and 22)	(8,470,602)	(53)	(8,067,659)	(52)
GROSS PROFIT	7,425,715	47	7,533,084	48
OPERATING EXPENSES (Note 22)				
Selling and marketing expenses	(2,002,705)	(13)	(1,893,230)	(12)
General and administrative expenses	(878,201)	(6)	(972,711)	(6)
Research and development expenses	(513,801)	(3)	(453,762)	(3)
Expected credit loss	(2,966)	-	(53,443)	(1)
Total operating expenses	(3,397,673)	(22)	(3,373,146)	(22)
PROFIT FROM OPERATIONS	4,028,042	25	4,159,938	26
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 22)				
Other income	141,779	1	39,669	-
Other gains and losses	(161,521)	(1)	(167,470)	(1)
Finance costs	(305,876)	(2)	(224,430)	(1)
Total non-operating income and expenses	(325,618)	(2)	(352,231)	(2)
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	3,702,424	23	3,807,707	24
INCOME TAX EXPENSE (Notes 4 and 23)	(976,373)	(6)	(968,500)	(6)
NET PROFIT FOR THE YEAR	2,726,051	17	2,839,207	18
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Exchange differences arising on translation to the presentation currency	(727,865)	(4)	(387,780)	(2)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	38,274	-	48,974	-

(Continued)

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
Other comprehensive income for the year, net of income tax	(689,591)	(4)	(338,806)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 2,036,460	13	$ 2,500,401	16
NET PROFIT ATTRIBUTABLE TO:				
Owner of the Company	$ 2,726,313	17	$ 2,839,415	18
Non-controlling interests	(262)	-	(208)	-
	$ 2,726,051	17	$ 2,839,207	18
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the Company	$ 2,036,685	13	$ 2,500,590	16
Non-controlling interests	(225)	-	(189)	-
	$ 2,036,460	13	$ 2,500,401	16
EARNINGS PER SHARE (Note 24)				
Basic	$ 14.42		$ 15.02	
Diluted	$ 14.41		$ 15.00	

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

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company									
	Share Capital			Retained Earnings		Other Equity				
	Shares (In Thousands)	Ordinary Shares	Capital Surplus	Unappropriated Earnings	Special Reserve	Exchange Differences on Translating Foreign Operations	Remeasurement of Defined Benefits Plans	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2018	189,025	$ 1,890,250	$ 6,870,172	$ 7,589,364	$ 21,442	$ (425,371)	$ 6,262	$ 15,952,119	$ 9,898	$ 15,962,017
Special reserve under Rule No. 1010012865 issued by the FSC	-	-	-	16,451	(16,451)	-	-	-	-	-
Appropriation of 2017 earnings										
Cash dividends distributed by the Company	-	-	-	(1,353,419)	-	-	-	(1,353,419)	-	(1,353,419)
Net profit for the year ended December 31, 2018	-	-	-	2,839,415	-	-	-	2,839,415	(208)	2,839,207
Other comprehensive income for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(338,825)	-	(338,825)	19	(338,806)
Total comprehensive income for the year ended December 31, 2018	-	-	-	2,839,415	-	(338,825)	-	2,500,590	(189)	2,500,401
BALANCE AT DECEMBER 31, 2018	189,025	1,890,250	6,870,172	9,091,811	4,991	(764,196)	6,262	17,099,290	9,709	17,108,999
Special reserve under Rule No. 1010012865 issued by the FSC	-	-	-	4,991	(4,991)	-	-	-	-	-
Appropriation of 2018 earnings										
Cash dividends distributed by the Company	-	-	-	(955,355)	-	-	-	(955,355)	-	(955,355)
Net profit for the year ended December 31, 2019	-	-	-	2,726,313	-	-	-	2,726,313	(262)	2,726,051
Other comprehensive income for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(689,628)	-	(689,628)	37	(689,591)
Total comprehensive income for the year ended December 31, 2019	-	-	-	2,726,313	-	(689,628)	-	2,036,685	(225)	2,036,460
BALANCE AT DECEMBER 31, 2019	189,025	$ 1,890,250	$ 6,870,172	$ 10,867,760	$ -	$ (1,453,824)	$ 6,262	$ 18,180,620	$ 9,484	$ 18,190,104

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

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 3,702,424	$ 3,807,707
Adjustments for:		
Depreciation expenses	1,369,110	1,077,833
Amortization expenses	16,895	16,140
Expected credit (gain) loss	2,966	53,443
Net gain on financial assets at fair value through profit or loss	(568)	(1,186)
Finance costs	305,876	224,430
Interest income	(141,779)	(39,669)
Loss on disposal of property, plant and equipment	45,961	174,307
Write-down of inventories	55,871	28,775
Net loss (gain) on foreign currency exchange	(678)	80,934
Amortization of prepayments for lease	-	16,193
Changes in operating assets and liabilities:		
Decrease in notes receivable	11,790	475,833
Increase in trade receivables	(213,619)	(197,280)
Increase in other receivables	(31,827)	(2,355)
(Increase) decrease in inventories	748,718	(255,845)
Decrease in other current assets	188,601	11,896
Decrease in net defined benefit assets	-	4
Increase (decrease) in contract liabilities	92	(1,655)
Increase (decrease) in notes payable	98,842	(62,489)
Increase (decrease) in trade payables	10,700	(365,784)
Increase in other payables	67,070	1,732
Increase in other current liabilities	86,263	85,992
Cash generated from operations	6,322,708	5,128,956
Interest received	127,994	32,373
Interest paid	(294,026)	(213,222)
Income tax paid	(1,008,509)	(983,988)
Net cash generated from operating activities	5,148,167	3,964,119
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(9,056,205)	(1,117,200)
Proceeds on sale of financial assets at amortized cost	6,481,678	503,118
Purchase of financial assets at fair value through profit or loss	(20,000)	-
Proceeds from sale of financial assets at fair value through profit and loss	10,650	1,186
Payments for property, plant and equipment	(3,203,584)	(5,090,458)
Proceeds from disposal of property, plant and equipment	57,274	52,196
Increase in refundable deposits	(13,000)	(25,703)
Decrease in refundable deposits	11,179	10,413
Payments for intangible assets	(2,227)	(17,707)
Payments for right-of-use assets	(165,581)	-
Increase in prepayments for equipment	-	(168,580)

(Continued)

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
Increase in prepayments for leases	-	(24,397)
Net cash used in investing activities	(5,899,816)	(5,877,132)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	1,288,828	2,929,789
Proceeds from (Repayment of) short-term bills payable	(100,000)	650,000
Proceeds from long-term loans	2,090,000	4,199,540
Repayments of long-term loans	(200,000)	(2,740,584)
Repayment of the principle portion of lease liabilities	(81,540)	-
Dividends paid to owners of the Company	(955,355)	(1,353,419)
Net cash generated from financing activities	2,041,933	3,685,326
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	57,804	98,829
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,348,088	1,871,142
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	3,887,916	2,016,774
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 5,236,004	$ 3,887,916

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

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 11.

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 issued on March 12, 2020.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the FSC

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group's accounting policies:

1) IFRS 16 "Leases"

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, including property interest qualified as investment properties, were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights in China were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

a) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

c) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

d) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 3.17%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 98,621
Undiscounted amounts on January 1, 2019	$ 98,621
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 92,652
Add: Adjustments as a result of a different treatment of extension and termination options	48,781
Lease liabilities recognized on January 1, 2019	$ 141,433

The Group as lessor

Except for sublease transactions, the Group does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	**Adjustments Arising from Initial Application**	**Restated on January 1, 2019**
Prepayments for leases - current	$ 10,715	($ 10,715)	$ -
Prepayments for leases -non-current	498,865	(498,865)	-
Right-of-use assets	-	651,013	651,013
Total effect on assets	$ 509,580	$ 141,433	$ 651,013

	As Originally Stated on January 1, 2019	**Adjustments Arising from Initial Application**	**Restated on January 1, 2019**
Lease liabilities - current	$ -	$ 51,077	$ 51,077
Lease liabilities – non-current	-	90,356	90,356
Total effect on liabilities	$ -	$ 141,433	$ 141,433
Total effect on equity	$ -	$ -	$ -

2) IFRIC 23 “Uncertainty Over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

Upon initial application of IFRIC 23, the Group estimate there is no significant effects on financial reports

3) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3 “Business Combinations”, IFRS 11 “Joint Arrangements”, IAS 12 “Income Taxes” and IAS 23 “Borrowing Costs”, were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, the related borrowing costs shall be included in the calculation of the capitalization rate on general borrowings

4) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Group applied the above amendments prospectively.

The impact of the application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC is summarized below:

Impact on assets, liabilities and equity for 2019

	As Originally Stated on January 1, 2019	**Adjustments Arising from Initial Application**	**Restated on January 1, 2019**
Prepayments for leases - current	$ 10,715	($ 10,715)	$ -
Prepayments for leases - non-current	498,865	(498,865)	-
Right-of-use assets	-	651,013	651,013
Total effect on assets	$ 509,580	$ 141,433	$ 651,013
Lease liabilities - current	$ -	$ 51,077	$ 51,077
Lease liabilities - non-current	-	90,356	90,356
Total effect on liabilities	$ -	$ 141,433	$ 141,433
Total effect on equity	$ -	$ -	$ -

	January 1, 2019
Decrease in prepayments for leases - current	($ 10,715)
Decrease in prepayments for leases - non-current	(498,865)
Increase in right-of-use assets	651,013
Increase in assets	$ 141,433

	January 1, 2019
Increase in lease liabilities - current	$ 51,077
Increase in lease liabilities - non-current	90,356
Increase in liabilities	$ 141,433
Total effect on equity	$ -

b. The IFRSs endorsed by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

1) Amendments to IFRS 3 "Definition of a Business"

The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create outputs. The amendments narrow the definitions of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.

2) Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"

The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) with an alternative interest rate, and provide temporary exceptions to all hedging relationships that are directly affected by the interest rate benchmark reform. The Group would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments also require additional disclosures about the extent to which the entity's hedging relationships are affected by the amendments.

3) Amendments to IAS 1 and IAS 8 "Definition of material"

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. The concept of "obscuring" material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from "could influence" to "could reasonably be expected to influence".

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously 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 completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	**Effective Date Announced by IASB (Note 1)**
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"

The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously 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 completed.

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 and issued into effect by the FSC.

b. Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
2) Level 2 inputs are 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
3) Level 3 inputs are unobservable inputs for the asset or liability.

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

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

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. 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.

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 11 and Table 2 for the detailed information of subsidiaries (including the percentage of ownership and main business).

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.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

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).

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. 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.

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.

h. 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.

i. Impairment of tangible and intangible assets other than goodwill and assets related to contract costs

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 any 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 smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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 assets may be impaired.

The 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, with the resulting impairment loss recognized in profit or loss.

Before the Group recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs 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, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. 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.

a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

i. Financial asset at FVTPL

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 28.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, note receivables at amortized cost, trade receivables and other receivables, are measured at amortized cost, which equals to gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and

ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

i) Internal or external information show that the debtor is unlikely to pay its creditors.

ii) When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

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 at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through 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.

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.

4) Derivative financial instruments

The Group enters into a derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

k. Revenue Recognition

The Group identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

Revenue from sale of goods

Revenue from sale of goods comes from sales of pneumatic components. Sales of pneumatic components are recognized as revenue when the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivable is recognized concurrently.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

l. Leasing

2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

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

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

<u>2018</u>

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 lessor

   Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term.

2) The Group as lessee

   Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

m. 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.

n. 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.

o. Retirement Benefit Costs

1) Short-term employee benefits
Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, and net interest on the net defined benefit liability (asset)) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings/other equity and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Termination benefits
A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination bonfire and when the Group recognizes any related restructuring costs.

p. 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 shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities 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.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, 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 such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they 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 asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the 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.

Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31, 2019	December 31, 2018
Cash on hand	$ 4,559	$ 1,942
Checking accounts	259,607	111,600
Demand deposits	1,717,526	2,005,846
Cash equivalent		
Time deposits with original maturities less than three months	3,254,312	1,768,528
	$ 5,236,004	$ 3,887,916

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

	December 31, 2019	December 31, 2018
Bank balance	0.001%~0.35%	0.001%~0.48%
Time deposits	1.10%~3.30%	1.10%~4.15%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2019	December 31, 2018
Financial assets at FVTPL- current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
－Mutual funds	$ 9,900	$ -

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31, 2019	December 31, 2018
Current		
Time deposits with original maturity of more than 3 months	$ 5,923	$ 6,047
Restricted bank deposits	10,763	47,867
Structured deposits	3,111,275	604,603
	$ 3,127,961	$ 658,517

Refer to Note 30 for information relating to investments in financial assets at amortized cost pledged as security.

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31, 2019	December 31, 2018
Notes receivable		
At amortized cost		
Notes receivable - operating	$ 1,502,630	$ 1,572,710
Less: Allowance for impairment loss	(22,038)	(23,025)
	$ 1,480,592	$ 1,549,685
Trade receivables		
At amortized cost		
Gross carrying amount	$ 3,616,736	$ 3,563,830
Less: Allowance for impairment loss	(97,331)	(118,281)
	$ 3,519,405	$ 3,445,549

The average credit period of sales of goods was 30 to 90 days. No interest was charged on trade receivables. Credit rating information is obtained from independent rating agencies where available or, if not available, the Group uses other publicly available financial information or its own trading records to rate its major customers. 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 reviewed and approved by the risk management committee annually.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2019

	Not Past Due	Less than 90 days	91 to 180 days	181 to 365 days	366 to 547 days	548 to 730 days	Over 731 days	Total
Expected credit loss rate	0.72%	3.65%	23.65%	43.35%	87.17%	98.63%	100%	
Gross carrying amount	$ 4,769,506	$ 228,957	$ 37,567	$ 20,977	$ 25,500	$ 24,529	$ 12,330	$ 5,119,366
Loss allowance (Lifetime ECL)	(34,270)	(8,368)	(8,886)	(9,093)	(22,229)	(24,193)	(12,330)	(119,369)
Amortized cost	$ 4,735,236	$ 220,589	$ 28,681	$ 11,884	$ 3,271	$ 336	$ -	$ 4,999,997

December 31, 2018

	Not Past Due	Less than 90 days	91 to 180 days	181 to 365 days	366 to 547 days	548 to 730 days	Over 731 days	Total
Expected credit loss rate	0.64%	4.67%	26.81%	59.04%	89.88%	97.78%	100%	
Gross carrying amount	$ 4,581,921	$ 370,939	$ 82,582	$ 64,646	$ 19,874	$ 5,292	$ 11,286	$ 5,136,540
Loss allowance (Lifetime ECL)	(29,340)	(17,334)	(22,142)	(38,167)	(17,863)	(5,174)	(11,286)	(141,306)
Amortized cost	$ 4,552,581	$ 353,605	$ 60,440	$ 26,479	$ 2,011	$ 118	$ -	$ 4,995,234

The movements of the loss allowance of notes receivable were as follows:

	For the Year Ended December 31	
	2019	**2018**
Balance at January 1, per IFRS 9	23,025	549
Add: Net remeasurement of loss allowance	-	22,516
Less：Impairment losses reversed	(149)	-
Foreign exchange gains and losses	(838)	(40)
Balance at December 31	$ 22,038	$ 23,025

The movements of the loss allowance of trade receivable were as follows:

	For the Year Ended December 31	
	2019	**2018**
Balance at January 1	$ 118,281	$ 110,524
Add: Amounts recovered	643	-
Add: Net remeasurement of loss allowance	3,115	30,927
Less: Amounts written off	(20,067)	(20,554)
Foreign exchange gains and losses	(4,641)	(2,616)
Balance at January 1	$ 97,331	$ 118,281

10. INVENTORIES

	December 31, 2019	December 31, 2018
Raw materials	$ 1,001,124	$ 1,242,564
Finished goods	1,262,274	1,777,176
Work in progress	889,618	1,062,961
	$ 3,153,016	$ 4,082,701

As of December 31, 2019 and 2018, the allowance for inventory devaluation was

$101,620 thousand and $60,465 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was $8,470,602 thousand and $8,067,659 thousand, respectively. For the year ended December 31, 2019 and 2018, the cost of goods sold included inventory write-downs of $55,871 thousand and $28,775 thousand, respectively.

For the year ended December 31, 2019 and 2018, the cost of goods sold included loss on disposal of inventory write-down of $9,766 thousand and $12,639 thousand, respectively.

The cost of goods sold included scraps for the years ended December 31, 2019 and 2018 were $108,363 thousand and $121,068 thousand, respectively.

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

		Proportion of Ownership	
Investor	**Investee**	**December 31, 2019**	**December 31, 2018**
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 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
	Airtac (Jiangsu) Automation Co., Ltd.	100	100
Instant Reach International Limited	ATC (Italia) S.R.L.	100	100
	Airtac Industrial Co., Ltd.	69.44	69.44
Airtac Holding （Singapore） Pte. Ltd.	Airtac International (Singapore) Pte. Ltd.	100	100
	Airtac Co., Ltd.	100	100
	AIRTAC USA CORPORATION	100	100
Airtac International （Singapore） Pte. Ltd.	Airtac Industrial (Malaysia) Sdn. Bhd.	100	100
	Airtac Industrial (Thailand) Co., Ltd.	100	100
Airtac (China) Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	100	100
	Airtac (Tianjin) Intelligent Technology Co., Ltd.	100	100
	Airtac (Fujian) Intelligent Equipment Co., Ltd.	100	100

1) Airtac Trading (Hong Kong) Limited, Airtac Industrial (Hong Kong) Limited, Instant Reach International Limited and Airtac Holding (Singapore) Pte. Ltd. are primarily holding companies.
2) 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. primarily in the production, R&D, distribution, storage of industrial con was established on May 6, 2011 with an operation period of 50 years, and engages troll 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 (Jiangsu) Automation Co., Ltd. primarily in the production, distribution, storage of industrial con was established on July 2, 2015 with an operation period of 50 years, and engages troll 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.

3) 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.
4) 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 USA CORPORATION was established on November 4, 2016 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components.
5) 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. Airtac Industrial (Thailand) Co., Ltd. was established on April 21, 2015 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components.
6) Guangdong Airtac Intelligent Equipment Co., Ltd. was established on November 30, 2016 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components. Airtac (Tianjin) Intelligent Technology Co., Ltd. was established on September 20, 2017 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components, importing and exporting of the aforementioned products and support services. Airtac (Fujian) Intelligent Equipment Co., Ltd. was established on July 18, 2018 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components, importing and exporting of the aforementioned products and support services.

12. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2019
Assets used by the Group	$ 20,200,928
Assets leased under operating leases	59,133
	$ 20,260,061

1) Assets used by the Group – 2019

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office facilities and other equipment	Property in construction	Total
Cost							
Balance at January 1, 2019	$ 890,359	$ 8,425,762	$ 8,659,183	$ 349,317	$ 1,319,361	$ 2,974,998	$ 22,618,980
Additions	-	38,854	2,300,013	47,526	228,968	989,666	3,605,027
Disposals	-	(33,200)	(245,428)	(22,813)	(46,101)	-	(347,542)
Transfers to assets leased under operating leases	-	(74,765)	-	-	-	-	(74,765)
Reclassification	-	3,160,037	550	-	11,162	(3,171,749)	-
Effect of foreign currency exchange differences	-	(228,903)	(304,942)	(13,464)	(47,737)	(30,046)	(625,092)
Balance at December 31, 2019	$ 890,359	$ 11,287,785	$ 10,409,376	$ 360,566	$ 1,465,653	$ 762,869	$ 25,176,608
Accumulated depreciation							
Balance at January 1, 2018	$ -	$ 1,063,270	$ 2,163,246	$ 171,741	$ 713,223	$ -	$ 4,111,480
Depreciation expenses	-	227,891	805,559	54,685	196,343	-	1,284,478
Disposals	-	(6,407)	(175,582)	(21,802)	(40,516)	-	(244,307)
Transfers to assets leased under operating leases	-	(10,771)	-	-	-	-	(10,771)
Effect of foreign currency exchange differences	-	(23,566)	(95,271)	(17,026)	(29,337)	-	(165,200)
Balance at December 31, 2019	$ -	$ 1,250,417	$ 2,697,952	$ 187,598	$ 839,713	$ -	$ 4,975,680
Carrying amount at December 31, 2019	$ 890,359	$ 10,037,368	$ 7,711,424	$ 172,968	$ 625,940	$ 762,869	$ 20,200,928

No impairment assessment was performed for the years ended December 31, 2019 as there was no indication of impairment. There was no impairment indication for property, plant and equipment.

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	5-20 years
Transportation equipment	5 years
Office equipment and other equipment	3-15 years

Refer to Note 30 for the carrying amount of property, plant and equipment pledged by the Group to secure bank loans.

2) Assets leased under operating leases – 2019

	Buildings
Cost	
Balance at January 1, 2019	$ -
Transfers from assets used by the Group	74,765
Effect of foreign currency exchange differences	(4,177)
Balance at December 31, 2019	$ 70,588
Accumulated depreciation	
Balance at January 1, 2019	$ -
Transfers from assets used by the Group	10,771
Depreciation expenses	1,183
Effect of foreign currency exchange differences	(499)
Balance at December 31, 2019	$ 11,455

	Buildings
Carrying amounts at January 1, 2019	$ -
Carrying amounts at December 31, 2019	$ 59,133

Operating leases relate to leases of buildings with lease terms between 1 to 5 years. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	December 31, 2019
Year 1	$ 2,115
Year 2	2,794
Year 3	2,622
Year 4	2,334
Year 5	537
	$ 10,402

The above items of property, plant and equipment leased under operating leases are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main Buildings	40 years

3) 2018

	Land	**Buildings**	**Machinery and Equipment**	**Transportation Equipment**	**Office facilities and other equipment**	**Property in construction**	Total
Cost							
Balance at January 1, 2018	$ 890,359	$ 7,713,473	$ 6,492,666	$ 308,317	$ 1,138,369	$ 1,679,728	$ 18,222,912
Additions	-	37,145	2,609,299	87,067	245,808	2,273,482	5,252,801
Disposals	-	(128,900)	(290,766)	(29,417)	(83,741)	-	(532,824)
Reclassification	-	908,708	-	-	42,856	(954,002)	(2,438)
Effect of foreign currency exchange differences	-	(104,664)	(152,016)	(16,650)	(23,931)	(24,210)	(321,471)
Balance at December 31, 2018	$ 890,359	$ 8,425,762	$ 8,659,183	$ 349,317	$ 1,319,361	$ 2,974,998	$ 22,618,980
Accumulated depreciation							
Balance at January 1, 2018	$ -	$ 895,956	$ 1,740,939	$ 166,682	$ 632,494	$ -	$ 3,436,071
Depreciation expenses	-	202,467	646,901	51,767	176,698	-	1,077,833
Disposals	-	(29,910)	(171,243)	(24,838)	(80,330)	-	(306,321)
Reclassification	-	-	-	-	59	-	59
Effect of foreign currency exchange differences	-	(5,243)	(53,351)	(21,870)	(15,698)	-	(96,162)
Balance at December 31, 2018	$ -	$ 1,063,270	$ 2,163,246	$ 171,741	$ 713,223	$ -	$ 4,111,480
Carrying amount at December 31, 2018	$ 890,359	$ 7,362,492	$ 6,495,937	$ 177,576	$ 606,138	$ 2,974,998	$ 18,507,500

13. LEASE AGUREMENT

1) Right-of-use assets – 2019

	December 31, 2019
Carrying amount	
Land	$ 632,287
Buildings	232,951
Transportation equipment	4,253
	$ 869,491

	December 31, 2019
Additions to right-of-use assets	$ 348,076
Depreciation of right-of-use assets	
Land	$ 11,583
Buildings	69,598
Transportation equipment	2,268
	$ 83,449

2) Lease Liabilities – 2019

	December 31, 2019
Carry amount	
Current	$ 63,611
Non-current	$163,335

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Buildings and structures	1.79%~4.35%

3) Material terms of right-of-use asset

The Company lease buildings mainly for the use of offices and staff dormitory with lease terms of 1 to 7 years. The prepayments for leases is applicable to the land use right located in Mainland China with lease terms of 50 years. The Company does not have purchase options to acquire the leasehold buildings at the end of the lease terms.

4) Other lease information

Lease arrangements under operating leases for the leasing out of freehold property, plant and equipment are set out in Notes 12.

2019

	For the year ended December 31, 2019
Expenses relating to short-term leases	$ 34,502
Total cash outflow for leases	$ 31,637

The Group leases certain buildings and transportation equipment which qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.
The amount of lease commitments for short-term leases for which the recognition exemption is applied was $3,867 thousand as of December 31, 2019.

2018
The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31 2018
Not later than one year	$ 42,137
Later than one year and not later than five years	55,999
Later than five years	485
	$ 98,621

The lease payments and sublease payments recognized in profit or loss were as follows:

	For the year ended December 31, 2018
Minimum lease payments	$ 84,672

14. PREPAYMENTS FOR LEASE

	December 31, 2019	December 31, 2018
Current asset (included in other current asset)	$ -	$ 10,715
Non-current asset	-	498,865
	$ -	$ 509,580

As of December 31, 2019, prepayments for leases are for land located in China.

15. OTHER ASSETS

	December 31, 2019	December 31, 2018
Current		
Excess VAT paid	$ 68,348	$ 217,115
Prepaid expenses	53,915	64,928
Prepayments	53,273	52,213
Prepayments for lease	-	10,715
Others	15	10
	$ 175,551	$ 344,981

	December 31, 2019	December 31, 2018
Non-current		
Prepayments for equipment	$ 1,407,955	$ 1,422,294
Refundable deposits	37,493	37,580
Net defined benefit assets	6,957	6,957
	$ 1,452,405	$ 1,466,831

16. LOANS

(1) Short-term loans

	December 31, 2019	December 31, 2018
Unsecured loans		
Line of credit loans	$ 11,991,261	$ 10,745,173

The range of interest rate on bank loans was 0.80%-4.57% and 0.65%-3.70% per annum as of December 31, 2019 and 2018, respectively.

(2) Short-term bills payable

	December 31, 2019	December 31, 2018
Commercial paper	$ 850,000	$ 950,000

Outstanding short-term bills payable were as follows:

December 31, 2019

Promissory Institutions	Nominal amount	Discount amount	Carrying amount
Grand Bills	$ 150,000	$ -	$ 150,000
International Bills	200,000	-	200,000
TC Bills	200,000	-	200,000
Mega Bills	200,000	-	200,000
TaChing Bills	100,000	-	100,000
	$ 850,000	$ -	$ 950,000

December 31, 2018

Promissory Institutions	Nominal amount	Discount amount	Carrying amount
Grand Bills	$ 150,000	$ -	$ 150,000
International Bills	200,000	-	200,000
TFC Bills	100,000	-	100,000
TC Bills	200,000	-	200,000
Mega Bills	200,000	-	200,000
TaChing Bills	100,000	-	100,000
	$ 950,000	$ -	$ 950,000

a. The payables of the commercial paper have not been discounted, because the effect was not material.
b. The range of interest rate on short-term bills were 1.2400%-1.2500% and 1.2480%-1.2700% per annum as of December 31, 2019 and 2018, respectively.

(3) Long-term loans

	December 31, 2019	December 31, 2018
Secured loans		
Between March, 2018 and March 2023		
(with interest rate of 1.7985%)	$ 5,410,000	$ 3,520,000
Deduct: Current portion	(766,500)	-
Deduct: Syndication loan charge fee	(12,958)	(17,050)
Long-term loans	$ 4,630,542	$ 3,502,950

In March, 2018, the Group signed a $6,000,000 thousand syndicated loan (the Loan) with Mega International Commercial Bank and 12 other participating banks. The Loan is composed by three kinds of loans. The first one is a secured loan in the amount of $2,200,000 thousand. This loan is to repay the existing bank loans. The Loan is effective in 3 months since February 12, 2018 and the undrawn credit line will be automatically cancelled as the effective term terminated. As of December 31, 2019, the Group draw all the amount of this loan. The second one is a secured loan in the amount of $3,300,000 thousand. This loan is to support the capital needs of Phase 2 factory and manufacturing productivity expansion plan in Tainan ShuGu Park. The Loan is effective in 18 months after the first draw and the undrawn credit line will be automatically cancelled as the effective term terminated. As of December 31, 2019, the Group draw in the amount of $2,910,000 thousand of this loan. The third one is an unsecured loan in the amount of $500,000 thousand. The purpose of this loan is for providing medium-term working capital. As of December 31, 2019, the Group draw in the amount of $300,000 thousand of this loan. If the Group meets all criteria in 5 years after the first draw, the Group could apply to Mega International Commercial Bank for extending the credit period for two years once in a written application. The principal will be payable after two years from the first draw of the first and second loans 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. Each credit of the third loan would be repaid in full on each maturity date. During the loan period, financial ratios of the Group comply with predetermined financial covenants since year 2018.

Refer to Note 30 for the information relating to the Group's assets pledged as collateral bank loans

17. 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.

18. OTHER LIABILITIES

	December 31, 2019	December 31, 2018
Current		
Other payables		
Payables for purchase of equipment	$ 598,725	$ 260,804
Salaries and bonus	683,292	652,617
Others	100,643	94,730
	$ 1,382,660	$ 1,008,151
Other current liabilities		
Other taxes	$ 219,506	$ 143,815
Others	11,782	10,187
	$ 231,288	$ 154,002

19. RETIREMENT BENEFIT PLANS

a. 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.

The employees of the Group's subsidiary in China and Italy are members of a state-managed retirement benefit plan operated by the government of China and Italy. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plan adopted by Airtac Industrial Co. of the Group in accordance with the Labor Standards Law is operated by the government. 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. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The actuarial valuations of the present value of the defined benefit obligation of Airtac Industrial Co. Ltd. was not carried out by qualified actuaries. However, the Group considers that there would make no material impact on the consolidated statements.

20. EQUITY

a. Share capital

Ordinary shares

	December 31, 2019	December 31, 2018
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)	189,025	189,025
Shares issued	$ 1,890,250	$ 1,890,250

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and carry a right to dividends.

b. Capital surplus

	December 31, 2019	December 31, 2018
Used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of ordinary shares	$ 6,123,279	$ 6,123,279
Organization Reconstruction	704,640	704,640
Donations	41,552	41,552
	6,869,471	6,869,471
Used to offset a deficit only		
Void employee share option (2)	701	701
	$ 6,870,172	$ 6,870,172

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).
2) The Company issued new ordinary shares in July, 2017. The Company reserved 1,000 thousand of the newly issued shares for employees to subscribe. The compensation cost calculated by Black-Scholes evaluation model is $70,090 thousand, and the employees actual subscribes 990 thousand shares. The employee's actual subscription portion has been transferred to the capital surplus for $69,389 thousand, and the amount transferred to the capital surplus-invalid employee options for $701 thousand.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. At least 50% of the balance of net income less accumulated deficit, legal reserve and special reserve should be appropriated as dividends. The cash dividends should be at least 10% of total dividends declared. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors, please refer to employees' compensation and remuneration of directors and supervisors in Note 22 f.

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 appropriations of earnings for 2018 and 2017 approved in the shareholders' meetings on June 21, 2019 and June 11, 2018 were as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2018	**2017**
Special reserve reversed	$ 4,991	$ 16,451
Cash dividends	$955,355	$1,353,419
Cash dividends per share (NT$)	$ 5.05	$ 7.16

The shareholders' meeting approved to issue cash dividends from capital surplus of RMB $219,269 thousand, RMB $1.16 (NT$5.05) per share on June 21, 2019. The exchange rate for the actual cash dividend is based on the amount of the cash dividend converted from the exchange rate of RMB to NT$ on September 20, 2019 by the stock agency.

The shareholders' meeting approved to issue cash dividends from capital surplus of RMB $302,440 thousand, RMB $1.6 (NT$7.16) per share on June 11, 2018. The actual amount converted and paid in New Taiwan Dollars is based on the exchange rate on September 10, 2018.

d. Other equity items

Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2019	**2018**
Balance at January 1	($ 764,196)	($ 425,371)
Exchange differences on translating foreign operations	37,859	48,752
Exchange differences on translating to presentation currency	(727,487)	(387,577)
Balance at December 31	($1,453,824)	($ 764,196)

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. NTD) are recognized in exchange differences on translating foreign operations of other comprehensive income.

21. REVENUE

	For the Year Ended December 31	
	2019	**2018**
Revenue from contracts with customers		
Revenue from sale of goods	$ 15,896,317	$ 15,600,743

a. Contract information

Revenue from sale of goods
The Group sells pneumatic control components to the wholesale market and directly to customers both through its own retail outlets. Volume discount is offered to wholesaler whose purchase exceeds a specific threshold. The amount of discount and related revenue are estimated using the most likely amount. All other goods are sold at respective fixed amounts as agreed in the contracts.

b. Contract balances

	December 31, 2019	**December 31, 2018**	**January 1, 2018**
Trade receivables (Note 9)	$ 3,519,405	$ 3,445,549	$ 3,350,839
Contract liabilities-current			
Sale of goods	$ 50,977	$ 52,863	$ 55,619

Revenue recognized in the current reporting period that was included in the contract liability balance at the beginning of the period and from the performance obligations satisfied in the previous periods is as follows:

	For the year ended December 31	
	2019	**2018**
From contract liabilities at the start of the year		
Sale of goods	$ 49,101	$ 50,293

c. Disaggregation of revenue

Refer to Note 35 for information about the disaggregation of revenue.

22. 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	
	2019	2018
Interest revenue		
Bank deposits	$ 89,171	$ 37,304
Financial assets at amortized cost	52,608	2,365
	$ 141,779	$ 39,669

b. Other gains and losses

	For the Year ended December 31	
	2019	2018
Gain on disposal of financial assets		
Financial assets mandatorily classified as at FVTPL	$ 568	$ 1,186
Net foreign exchange losses	(268,563)	(211,424)
Government grants	139,515	213,080
Gain (Loss) on disposal of property, plant and equipment	(45,961)	(174,307)
Others	12,920	3,995
	($ 161,521)	($ 167,470)

c. Financial costs

	For the Year ended December 31	
	2019	2018
Interest on bank loans	$ 300,441	$ 224,430
Interest on lease liability	5,435	-
	$ 305,876	$ 224,430

Information about capitalized interest was as follows:

	For the Year ended December 31	
	2019	2018
Capitalized interest	$ 22,724	$ 20,532
Capitalized interest rate	1.57%	1.56%

d. Depreciation and amortization

	For the Year ended December 31	
	2019	2018
Property, plant and equipment	$ 1,285,661	$ 1,077,833
Right-of-use assets	83,449	-
Intangible assets	16,895	16,140
	$ 1,386,005	$ 1,093,973

	For the Year ended December 31	
	2019	2018
An analysis of deprecation by function		
Operating costs	$ 979,507	$ 808,507
Selling and marketing expenses	144,991	82,287
General and administration expenses	144,560	129,406
Research and development expenses	100,052	57,633
	$ 1,369,110	$ 1,077,833
An analysis of amortization by function		
Operating costs	$ 926	$ 761
Selling and marketing expenses	1,207	1,104
General and administration expenses	11,004	9,981
Research and development expenses	3,758	4,294
	$ 16,895	$ 16,140

e. Employee benefits expense

	For the Year ended December 31	
	2019	2018
Post-employment benefits (Note 19)		
Defined contribution plans	$ 182,675	$ 199,767
Defined benefit plans	-	4
	182,675	199,771
Other employee benefits	3,778,715	3,839,596
Total employee benefits expense	$ 3,961,390	$ 4,039,367
An analysis of employee benefits expense by function		
Operating costs	$ 2,028,682	$ 2,092,028
Operating expenses	1,932,708	1,947,339
	$ 3,961,390	$ 4,039,367

f. Employees' compensation and remuneration of directors and supervisors

According to the amended Articles of Incorporation of the Company approved on June 21, 2019, the Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 1% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. Before amending the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 2% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors.

The employees' compensation and remuneration to directors and supervisors for the years ended December 31, 2019 and 2018 which have been approved by the Company's board of directors on March 12, 2020 and March 14, 2019, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2019	2018
Employees' compensation	1.0%	2.0%

Amount

	For the Year Ended 2019		For the Year Ended 2018	
	Cash	Stock	Cash	Stock
Employees' compensation	$ 36,145	$ -	$ 77,832	$ -

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gain or loss on foreign currency exchange

	For the Year ended December 31	
	2019	2018
Foreign exchange gains	$ 244,265	$ 559,623
Foreign exchange losses	(512,828)	(771,047)
	($ 268,563)	($ 211,424)

23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follow:

	For the Year ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ 906,309	$ 911,954
Adjustments for prior years	(2,287)	11,167
	904,022	923,121
Deferred tax		
In respect of the current year	72,351	83,215
Adjustments to deferred tax attributable to changes in tax rates	-	(37,836)
	72,351	45,379
Income tax expense recognized in profit or loss	$ 976,373	$ 968,500

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

	For the Year ended December 31	
	2019	2018
Profit before tax from continuing operations	$ 3,702,424	$ 3,807,707
Income tax expense calculated at the statutory rate	$ 1,111,222	$ 1,074,291
Nondeductible expenses in determining taxable income	9,635	12,022
Tax-exempt income	(111,279)	(105,562)
R&D with tax credits	(29,257)	(22,447)
Disable persons with tax credits	(1,661)	(971)
Adjustments for prior years' tax	(2,287)	11,167
Income tax expense recognized in profit or loss	$ 976,373	$ 968,500

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 15% and 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

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, 2019

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Others	Closing Balance
Deferred Tax Assets					
Temporary differences					
Allowance for loss on inventories	$ 11,014	$ 2,788	($ 533)	$ -	$ 13,269
Allowance for impaired receivables	33,538	(3,991)	(1,223)	-	28,324
Unrealized gross profit	90,567	(22,355)	(2,722)	-	65,490
Others	3,260	39,423	(427)	-	42,256
	138,379	15,865	(4,905)	-	149,339
Loss carryforwards	345,918	75,557	138	-	421,613
	$ 484,297	$ 91,422	($ 4,767)	$ -	$ 570,952
Deferred tax liabilities					
Temporary differences					
Unrealized exchange gains	$ 3,036	($ 2,746)	$ 48	$ -	$ 338
Defined benefit obligation	1,391	-	-	-	1,391
Withholding tax	489,475	166,519	(20,518)	(101,867)	533,609
	$ 493,902	$ 163,773	($ 20,470)	($ 101,867)	$ 535,338

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Others	Closing Balance
Deferred Tax Assets					
Temporary differences					
Allowance for loss on inventories	$ 7,789	$ 2,672	$ 553	$ -	$ 11,014
Allowance for impaired receivables	25,324	8,916	(702)	-	33,538
Unrealized gross profit	102,356	(9,016)	(2,773)	-	90,567
Others	2	2,481	777	-	3,260
	135,471	5,053	(2,145)	-	138,379
Loss carryforwards	234,578	110,924	416	-	345,918
	$ 370,049	$ 115,977	($ 1,729)	$ -	$ 484,297
Deferred tax liabilities					
Temporary differences					
Unrealized exchange gains	$ 3,754	($ 809)	$ 91	$ -	$ 3,036
Defined benefit obligation	1,184	207	-	-	1,391
Withholding tax	365,812	161,958	(10,274)	(28,021)	489,475
	$ 370,750	$ 161,356	($ 10,183)	($ 28,021)	$ 493,902

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

	December 31	
	2019	**2018**
Loss carryforwards		
Expire in 2026	$ 1,366	$ 1,366
Expire in 2027	587	587
	$ 1,953	$ 1,953

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

Loss carryforwards as of December 31, 2018 comprised of：

Unused Amount	Expiry Year
$ 50,837	2023
174,184	2024
278,003	2025
399,322	2026
370,902	2027
425,823	2028
376,141	2029
28,755	-
$ 2,103,967	

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, and Airtac Industrial Co., Ltd have been respectively examined and cleared by the ROC tax authority through 2017. The other subsidiaries have also filed business income tax returns by the deadlines set by the local governments.

24. EARNINGS PER SHARE

The weighted average number of shares outstanding used for the earnings per share computation were as follows:

Unit: NT$ Per Share

Net profit for the period

	For the year ended December 31	
	2019	**2018**
Profit for the period attributable to owners of the Company	$2,726,313	$2,839,415
Earnings used in the computation of basic earnings per share	2,726,313	2,839,415
Effect of potentially dilutive ordinary shares:	-	-
Earnings used in the computation of diluted earnings per share	$2,726,313	$2,839,415

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

	For the year ended December 31	
	2019	**2018**
Weighted average number of ordinary shares in computation of basic earnings per share	189,025	189,025
Effect of potentially dilutive ordinary shares:		
Bonus issue to employees or employee remuneration	117	289
Weighted average number of ordinary shares used in the computation of diluted earnings per share	189,142	189,314

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.

25. GOVERNMENT GRANTS

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

26. CASH FLOW INFORMATION

(1) 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, 2019 and 2018.

a. The Group acquired property, plant and equipment with an aggregate fair value of $3,605,027 thousand during the period of the year ended December 31, 2019. Other non-current assets decreased $40,280 thousand in total. Other trade payables increased $361,163 thousand in total. The cash paid of the Group for acquisition of property, plant and equipment was $3,203,584 thousand (refer to Note 12).

b. The Group acquired the right-of-use assets with value of $348,076 thousand during the year ended December 31, 2019. Lease liability increased $182,494 thousand. The cash paid of the Group for acquisition of the right-of-use assets was $165,581 thousand (refer to Note 13).

c. The Group acquired property, plant and equipment with an aggregate fair value of $5,252,801 thousand during the period of the year ended December 31, 2018. Other trade payables increased $162,343 thousand in total. The cash paid of the Group for acquisition of property, plant and equipment was $5,090,458 thousand (refer to Note 12).

d. The Group acquired land use right with an aggregate fair value of $57,273 thousand during the period of the year ended December 31, 2019. Refundable deposits decreased $32,876 thousand in total to acquire land use right. The cash paid of the Group for prepayments for lease was $24,397 thousand.

(2) Reconciliation of liabilities arising from financing activities

For the year ended December 31, 2019

	Balance as of January 1, 2019	Financing Cash Flow	Non-cash changes: New Leases	Non-cash changes: Finance cost	Non-cash changes: Foreign Exchange Movement	Balance as of December 31, 2019
Short-term loans	$ 10,745,173	$ 1,288,828	$ -	$ -	($ 42,740)	$ 11,991,261
Short-term bills payable	950,000	(100,000)	-	-	-	850,000
Long-term loans	3,502,950	1,890,000	-	4,092	-	5,397,042
Lease liabilities	141,433	(81,540)	182,494	5,435	(20,876)	226,946
	$ 15,339,556	$ 2,997,288	$ 182,494	$ 9,527	($ 63,616)	$ 18,465,249

For the year ended December 31, 2018

	Balance as of January 1, 2018	Financing Cash Flow	Non-cash changes: New Leases	Non-cash changes: Finance cost	Non-cash changes: Foreign Exchange Movement	Balance as of December 31, 2018
Short-term loans	$ 7,704,455	$ 2,929,789	$ -	$ -	$ 110,929	$ 10,745,173
Short-term bills payable	300,000	650,000	-	-	-	950,000
Long-term loans	2,037,379	1,458,956	-	6,615	-	3,502,950
	$ 10,041,834	$ 5,038,745	$ -	$ 6,615	$ 110,929	$ 15,198,123

27. 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 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.

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured 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.

b. Fair value of financial instruments

Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual Funds	$ 9,900	$ -	$ -	$ 9,900

December 31, 2018: None

There were no transfers between the level 1 and level 2 during the period of years ended December 31, 2019 and 2018.

c. Categories of financial instruments

	December 31, 2019	December 31, 2018
Financial assets		
Financial assets at FVTPL		
Designated as at FVTPL	$ 9,900	$ -
Financial assets at amortized cost (Note 1)	13,393,645	9,579,222
Financial liabilities		
Measured at amortized cost (Note 2)	19,750,145	16,288,005

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 include financial liabilities at amortized cost, which comprise short-term and long-term loans, short-term bills payable, trade and other payables, and bonds issued. Those reclassified to held-for-sale disposal groups are also included.

d. 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 33.

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	
	2019	2018
Profit and losses	$ 38,274	$ 37,580

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, 2019	December 31, 2018
Fair value risk		
-Financial assets	$ 6,371,510	$ 2,379,178
-Financial liabilities	18,195,253	15,198,123
Cash flow risk		
-Financial assets	1,728,289	2,053,713
-Financial liabilities	43,050	-

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, 2019 and 2018 would increase or decrease by $16,852 thousand and $20,537 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits.

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, 2019 and 2018.

The Group's concentration of credit risk by geographical locations was mainly in Mainland China, which accounted for 91.59% and 92.03% of the total trade receivables as of December 31, 2019 and 2018, respectively.

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

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, 2019 and 2018, 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, 2019

	On Demand or Less than 3 Month	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities				
Non-interest bearing	$ 1,596,410	$ 598,724	$ -	$ -
Lease liabilities	12,231	56,406	170,898	-
Variable interest rate liabilities		43,050	-	-
Fixed interest rate liabilities	10,544,947	3,117,291	4,785,056	-
	$ 12,153,588	$ 3,815,471	$ 4,955,954	$ -

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10+ Years
Lease liabilities	$ 68,637	$ 170,898	$ -	$ -

December 31, 2018

	On Demand or Less than 3 Month	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities				
Non-interest bearing	$ 1,481,695	$ 260,804	$ -	$ -
Fixed interest rate liabilities	11,420,308	356,702	3,641,006	-
	$ 12,902,003	$ 617,506	$ 3,641,006	$ -

(2) Financing facilities

	December 31, 2019	December 31, 2018
Unsecured bank loans (re-examined annually)		
-Amounts used	$ 13,141,261	$ 11,995,173
-Amounts unused	5,337,503	4,411,538
	$ 18,478,764	$ 16,406,711
Secured bank loans		
-Amounts used	$ 5,110,000	$ 3,220,000
-Amounts unused	-	2,280,000
	$ 5,110,000	$ 5,500,000

e. Transfers of financial assets

During the year ended December 31, 2019, the Group transferred a portion of its commercial acceptance bills in mainland China with an aggregate carrying amount of $161,974 thousand to some of its suppliers in order to settle the trade payables. According to the contract, if these commercial acceptance bills are not paid at maturity, suppliers have the right to request that the Group pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these commercial acceptance bills, it continues to recognize the full carrying amounts of these commercial acceptance bills.

As of December 31, 2019, the carrying amount of these commercial acceptance bills that have been transferred but not derecognized was $67,931 thousand.

The Group transferred a portion of its banker's acceptance bills in mainland China to some of its suppliers in order to settle the trade payables to these suppliers. As the Group has transferred substantially all risks and rewards relating to these bills receivable, it derecognized the full carrying amount of the bills receivable and the associated trade payables. However, if the derecognized bills receivable are not paid at maturity, the suppliers have the right to request that the Group pay the unsettled balance; therefore, the Group still has continuing involvement in these bills receivable.

The maximum exposure to loss from the Group's continuing involvement in the derecognized bills receivable is equal to the face amounts of the transferred but unsettled bills receivable, and as of December 31, 2019, the face amounts of these unsettled bills receivable were $94,043 thousand. The unsettled bills receivable will be due in 10 months after December 31, 2019. Taking into consideration the credit risk of these derecognized bills receivable, the Group estimates that the fair values of its continuing involvement are not significant.

During the year ended December 31, 2019, the Group did not recognize any gains or losses upon the transfer of the banker's acceptance bills. No gains or losses were recognized from the continuing involvement, both during the period or cumulatively.

29. 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) Name and relation

Name	Relation
Behealthy Electronic Technology Co., Ltd.	Substantive related parties (the responsible person of the party is the director of the Group)

(2) Operating transaction

Line Item	Related Party Category/Name	For the Year ended December 31 2019	For the Year ended December 31 2018
Sales	Other related parties (the responsible person of the party is the director of the Group)	$ 109	$ 255

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

(3) Receivables from related parties

Line Item	Related Party Category/Name	December 31, 2019	December 31, 2018
Trade Receivables	Other related parties (the responsible person of the party is the director of the Group)	$ 18	$ 12

No expense was recognized for the years ended of December 31, 2019 and 2018 for allowance for impaired trade receivables with respect to the amounts owed by related parties.

(4) Compensation of key management personnel

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

	For the Year ended December 31 2019	For the Year ended December 31 2018
Short-term employee benefits	$ 87,520	$ 97,084

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.

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	December 31, 2019	December 31, 2018
Pledge deposits (classified as financial assets at amortized cost)	$ 5,923	$ 6,047
Restricted bank deposits (classified as financial assets at amortized cost)	10,763	47,867
Land	890,359	890,359
Buildings, net	4,849,668	2,758,708
Machinery and Equipment	2,044,664	1,737,552
	$ 7,801,377	$ 5,440,533

31. 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, 2019	December 31, 2018
Acquisition of property, plant and equipment	$1,580,915	$3,159,027

32. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Due to the start of the coronavirus outbreak in January 2020, the Group's subsidiaries temporarily suspended work at the manufacturing plans in Zhejiang and Guangdong. Since the main manufacturing plans, clients and major suppliers are not situated in the areas where the situation of pandemic is acute, the Group considers that there would make limited impact on the operation.

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2019

	Foreign currency	Exchange rate	Carrying amount
Financial assets			
Monetary items			
USD	$ 1,769	30.03 (USD: NTD)	$ 53,132
USD	20,210	6.98 (USD: RMB)	606,958

	Foreign currency	Exchange rate	Carrying amount
RMB	1,295,003	4.30 (RMB: NTD)	5,574,987
			$ 6,235,077
Financial liabilities			
Monetary items			
USD	$ 135	30.03 (USD: NTD)	$ 4,067
USD	149,285	6.98 (USD: RMB)	4,483,404
RMB	31,386	4.30 (RMB: NTD)	135,115
			$ 6,235,077

December 31, 2018

	Foreign currency	Exchange rate	Carrying amount
Financial assets			
Monetary items			
USD	$ 4,116	30.69 (USD: NTD)	$ 126,326
USD	15,014	6.86 (USD: RMB)	460,815
RMB	735,806	4.47 (RMB: NTD)	3,290,523
			$ 3,877,664
Financial liabilities			
Monetary items			
USD	$ 232	30.69 (USD: NTD)	$ 7,125
USD	141,339	6.86 (USD: RMB)	4,338,024
RMB	27,390	4.47 (RMB: NTD)	122,490
			$ 4,467,639

For the year ended in December 31, 2019 and 2018, realized and unrealized net foreign exchange losses were $268,563 thousand and $211,424 thousand respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

34. DISCLOSED ITEMS

(1) Information about significant transactions and (2) 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) (Table 3)

4. Purchases or sales of the same marketable securities amounting to at least NT$300 million or 20% of the paid-in capital. (Table 4)

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

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 6)

8. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 7)

9. Derivative transactions (None)

10. Intercompany relationships and significant intercompany transactions (Table 9)

11. Information for investees (Table 2)

(3) 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 8)

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: (Tables 1 and 9)

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.

35. 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	
	For the Year ended December 31		For the Year ended December 31	
	2019	2018	2019	2018
Pneumatic components				
-Direct sales	$ 11,482,163	$ 11,563,595	$ 3,544,543	$ 3,804,498
-Distributors	4,414,154	4,037,148	1,361,700	1,328,151
Total amounts of continuing operations	$ 15,896,317	$ 15,600,743	4,906,243	5,132,649
Interest revenue			141,779	39,669
Loss on disposal of property, plant and equipment			(45,961)	(174,307)
Net exchange losses			(268,563)	(211,424)
Net gain arising on financial assets designated as at FVTPL			568	1,186
HQ admin. cost and directors’ salaries			(725,766)	(755,636)
Finance costs			(305,876)	(224,430)
Profit before income tax from continuing operations			$ 3,702,424	$ 3,807,707

The segment revenues were accounted for the transactions with external customers. No inter-segment sales occurred for the years ended December 31, 2019 and 2018.

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, 2019	December 31, 2018
Segment assets		
Pneumatic components		
-Direct sales	$28,434,073	$25,607,687
-Distributors	10,940,328	8,949,154

	December 31, 2019	December 31, 2018
Total segment total assets	39,374,401	34,556,841
Unallocated assets	580,791	487,650
Consolidated total assets	$39,955,192	$35,044,491

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

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

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

LOANS PROVIDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(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 (Note 1)	Ending Balance (Note 1)	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 3,500 (NTD 117,566)	EUR 2,000 (NTD 67,180)	EUR 1,400 (NTD 47,026)	-	Short-term financing needs	$ -	Revolving fund	$ -	-	-	$7,272,248	$7,272,248	Note 2
0	Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd	Other receivables	Yes	USD 20,000 (NTD 600,650)	USD 10,000 (NTD 300,325)	USD - (NTD -)	3.18%~4.02%	Short-term financing needs	-	Revolving fund	-	-	-	7,272,248	7,272,248	Note 2
0	Airtac International Group	Airtac International （Singapore）Pte. Ltd.	Other receivables	Yes	USD 6,500 (NTD 195,211)	USD 2,500 (NTD 75,081)	USD 1,500 (NTD 45,049)	-	Short-term financing needs	-	Revolving fund	-	-	-	7,272,248	7,272,248	Note 2
0	Airtac International Group	Airtac Co., Ltd	Other receivables	Yes	USD 8,000 (NTD 240,260)	USD 4,500 (NTD 135,146)	USD 3,515 RMB 3,000 (NTD 118,488)	-	Short-term financing needs	-	Revolving fund	-	-	-	7,272,248	7,272,248	Note 2
0	Airtac International Group	Airtac Industrial （Malaysia）Sdn. Bhd.	Other receivables	Yes	USD 3,500 (NTD 105,114)	USD 3,500 (NTD 105,114)	USD 2,370 (NTD 71,177)	-	Short-term financing needs	-	Revolving fund	-	-	-	7,272,248	7,272,248	Note 2
0	Airtac International Group	AIRTAC USA CORPORATION	Other receivables	Yes	USD 4,000 (NTD 120,130)	USD 4,000 (NTD 120,130)	USD 3,400 (NTD 102,111)	-	Short-term financing needs	-	Revolving fund	-	-	-	7,272,248	7,272,248	Note 2

Note 1: Conversion to NTD used the spot exchange rate on December 31, 2019, that is, 1USD＝30.0325, 1EUR＝33.5902 NTD, 1RMB=4.3050 NTD.

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

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

INFORMATION FOR INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(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, 2019 (Note1)	Original Investment Amount: December 31, 2018 (Note1)	December 31, 2019: Shares	December 31, 2019: %	December 31, 2019: Carrying Amount	Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
Airtac International Group	Airtac Industrial (Hong Kong) Limited	Hong Kong	General investment	USD 87,500 RMB 331,000 (NTD 4,052,799)	USD 87,500 RMB 297,000 (NTD 3,906,429)	136,964,530	100	$ 21,851,418	$ 3,567,829	$ 3,567,829	2
	Airtac Trading (Hong Kong) Limited	Hong Kong	General investment	USD - (NTD -)	USD - (NTD -)	7,000,000	100	2,534	(158)	(158)	2
	Instant Reach International Limited	British Virgin Island	General investment	USD 2,283 EUR 1,000 RMB 17,500 (NTD 177,492)	USD 2,283 EUR 1,000 RMB 17,500 (NTD 177,492)	1	100	132,086	(5,936)	(5,936)	2
	Airtac Holding (Singapore) Pte. Ltd.	Singapore	General investment	USD 17,000 (NTD 510,553)	USD 17,000 (NTD 510,553)	17,000,000	100	218,703	(131,706)	(131,706)	2
Instant Reach International Limited	Airtac Industrial Co., Ltd	Sanxia District, New Taipei City	Processing, sales and import/export of machines and components	NTD 54,581	NTD 54,581	69,435	69.44	25,025	(858)	-	
	ATC (Italia) S.R.L	Via Mauro Macchi n.27, 20124 Milano (MI)	Production and sales of pneumatic and hydraulic control components	EUR 4,000 (NTD 134,361)	EUR 4,000 (NTD 134,361)	4,000,000	100	82,523	(5,306)	-	
Airtac Holding (Singapore) Pte. Ltd.	Airtac International (Singapore) Pte. Ltd.	Singapore	Production and sales of pneumatic control components and accessories	USD 12,500 (NTD 375,406)	USD 12,500 (NTD 375,406)	12,500,000	100	289,646	(30,750)	-	
	Airtac CO., Ltd.	Japan	Production and sales of pneumatic control components and accessories	JPY 98,000 (NTD 27,048)	JPY 98,000 (NTD 27,048)	2,000	100	(72,798)	(24,398)	-	
	AIRTAC USA CORPORATION	USA	Production and sales of pneumatic control components and accessories	USD 3,000 (NTD 90,098)	USD 3,000 (NTD 90,098)	3,000	100	(6,559)	(76,506)	-	
Airtac International (Singapore) Pte. Ltd.	Airtac Industrial (Malaysia) Sdn. Bhd.	Malaysia	Production and sales of pneumatic control components and accessories	MYR 1,000 (NTD 7,034)	MYR 1,000 (NTD 7,034)	1,000,000	100	(21,494)	(6,559)	-	
	Airtac Industrial Co. Ltd.	Thailand	Production and sales of pneumatic control components and accessories	THB 100,000 (NTD 100,930)	THB 100,000 (NTD 100,930)	1,000,000	100	82,295	(8,452)	-	

Note1:Conversion to NTD used the spot exchange rate on December 31, 2019, that is, 1USD＝30.0325 NTD，1EUR＝33.5902 NTD，1JPY＝0.2760 NTD，1RMB= 4.3050 NTD，1MYR＝7.0338 NTD，THB＝1.0093 NTD.

Note2: The amount was eliminated upon consolidation.

Note3: Please refer to Table 8 for information on investment in mainland China.

Note4: The share of profits/losses of the investee company is not reflected herein as such amount is already included in the share of profits/losses of the investor company.

.

TABLE 3

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Ningbo Airtac Automatic Industrial Co., Ltd.	Structured deposits	-	Financial assets at amortized cost - current	-	$ 561,937 (RMB 130,531)	-	$ 561,937 (RMB 130,531)	1
Guangdong Airtac Automatic Industrial Co., Ltd.	Structured deposits	-	Financial assets at amortized cost - current	-	$ 908,341 (RMB 210,997)	-	$ 908,341 (RMB 210,997)	1
Airtac (China) Co., Ltd.	Structured deposits	-	Financial assets at amortized cost - current	-	$ 1,640,997 (RMB 381,184)	-	$ 1,640,997 (RMB 381,184)	1
Airtac Industrial Co. Ltd.	Mega International Nordea callable mortgage bond index Fund	-	Financial assets at fair value through profit or loss - current	-	$ 9,900	-	$ 9,900	-

Note1：Conversion to NTD used the spot exchange rate on December 31, 2019, that is, 1 RMB=4.3050 NTD.

TABLE 4

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance (Note 1)		Acquisition (Note 1)		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
Ningbo Airtac Automatic Industrial Co., Ltd.	Structured deposits	Financial assets at amortized cost - current	Fubon Bank (China)	-	-	$ 452,454 (RMB 105,100)	-	$ 1,033,200 (RMB 240,000)	-	$ 929,924 (RMB 216,010)	$ 925,575 (RMB 215,000)	$ 4,349 (RMB 1,010)	-	$ 561,937 (RMB 130,531)
Guangdong Airtac Automatic Industrial Co., Ltd.	Structured deposits	Financial assets at amortized cost - current	Fubon Bank (China)	-	-	$ 129,571 (RMB 30,098)	-	$ 4,455,675 (RMB1,035,000)	-	$ 3,704,556 (RMB 860,524)	$ 3,680,775 (RMB 855,000)	$ 23,781 (RMB 5,524)	-	$ 908,341 (RMB 210,997)
Airtac (China) Co., Ltd.	Structured deposits	Financial assets at amortized cost - current	Fubon Bank (China)	-	-	$ -	-	$ 3,228,750 (RMB 750,000)	-	$ 1,604,871 (RMB 372,792)	$ 1,592,850 (RMB 370,000)	$ 12,021 (RMB 2,792)	-	$ 1,640,997 (RMB 381,184)

Note 1: Conversion to NTD used the spot exchange rate on December 31, 2019, that is 1 RMB= 4.3050 NTD.

TABLE 5

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, 2019
(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			
Ningbo Airtac Automatic Industrial Co., Ltd	Plant	2016.10.15-2019.12.31	$ 2,165,888	On progress of completion	Self-building	-	-	-	-	$ -	N/A	Manufacturing, research and development purpose	-
Airtac International Group	Plant	2017.02.08-2019.10.31	$ 2,229,787	Paid	Self-building	-	-	-	-	$ -	N/A	Manufacturing purpose	-

TABLE 6

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, 2019
(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	$ 7,724,998	90	T/T 120 days	$ -	-	$ 1,633,022	86	
Ningbo Airtac Automatic Industrial Co., Ltd	Airtac International Group	The parent company	Sales	231,173	3	T/T 120 days	-	-	88,896	5	
Ningbo Airtac Automatic Industrial Co., Ltd	Guangdong Airtac Automatic Industrial Co., Ltd	The same parent company	Sales	285,769	3	T/T 120 days	-	-	58,320	3	
Ningbo Airtac Automatic Industrial Co., Ltd	ATC (Italia) S.R.L	The same parent company	Sales	127,046	1	T/T 120 days	-	-	34,821	2	
Guangdong Airtac Automatic Industrial Co., Ltd	Airtac (China) Co., Ltd.	The same parent company	Sales	804,573	35	T/T 120 days	-	-	381,758	30	
Guangdong Airtac Automatic Industrial Co., Ltd	Guangdong Airtac Intelligent Equipment Co., Ltd.	The same parent company	Sales	749,829	33	T/T 120 days	-	-	519,569	41	
Guangdong Airtac Automatic Industrial Co., Ltd	Airtac (Jiangsu) Automation Co., Ltd.	The same parent company	Sales	489,978	21	T/T 120 days	-	-	273,276	21	
Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd.	Subsidiary	Sales	664,560	32	T/T 120 days	-	-	289,658	34	
Airtac International Group	Airtac (China) Co., Ltd.	Subsidiary	Sales	864,051	42	T/T 120 days	-	-	428,469	50	
Airtac (China) Co., Ltd.	Airtac (Jiangsu) Automatic Co., Ltd	The same parent company	Sales	2,546,708	22	T/T 120 days	-	-	-	-	
Airtac (China) Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	Subsidiary	Sales	3,557,264	30	T/T 120 days	-	-	270,986	18	

Purchaser (Seller)	Counterparty	Relationship	Transaction				Non-arm's Length Transaction and Reasons		Notes/Trade Payables/ Receivable		Note
Airtac (China) Co., Ltd.	Airtac (Tianjin) Intelligent Technology Co., Ltd.	Subsidiary	Sales	560,011	5	T/T 120 days	-	-	147,842	10	
Airtac (China) Co., Ltd.	Airtac (Fujian) Intelligent Equipment Co., Ltd.	Subsidiary	Sales	462,201	4	T/T 120 days	-	-	42,884	3	
Guangdong Airtac Intelligent Equipment Co., Ltd.	Airtac (China) Co., Ltd.	The parent company	Sales	220,011	4	T/T 120 days	-	-	76,415	7	

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

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, 2019
(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	$ 1,633,022	6	-	-	$ 1,343,410	-
Guangdong Airtac Automatic Industrial Co., Ltd	Airtac (China) Co., Ltd.	The same parent company	381,758	2	-	-	-	-
Guangdong Airtac Automatic Industrial Co., Ltd	Guangdong Airtac Intelligent Equipment Co., Ltd.	The same parent company	519,569	2	-	-	413	-
Guangdong Airtac Automatic Industrial Co., Ltd	Airtac (Jiangsu) Automation Co., Ltd.	The same parent company	273,276	2	-	-	-	-
Airtac (China) Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	Subsidiary	270,986	9	-	-	222,668	-
Airtac (China) Co., Ltd.	Airtac (Tianjin) Intelligent Technology Co., Ltd.	The same parent company	147,842	4	-	-	52,629	-
Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd.	Subsidiary	289,658	3	-	-	289,658	-
Airtac International Group	Airtac (China) Co., Ltd.	Subsidiary	428,469	3	-	-	-	-
Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd.	Subsidiary	528,751	Note 1	-	-	-	-
Airtac International Group	Airtac Co., Ltd.	Subsidiary	118,488	Note 1	-	-	-	-
Airtac International Group	AIRTAC USA CORPORATION	Subsidiary	102,111	Note 1	-	-	-	-

Note: The financial statement account is other receivables. Therefore, there is no turnover rate.

TABLE 8

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

INFORMATION FOR INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(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, 2019	Investment Flow for the Period: Outflow	Investment Flow for the Period: Inflow	Accumulated Investment Outflow from Taiwan as of December 31, 2019	Net income of Investee Company	% of Ownership – Direct or Indirect investment	Investment Gain (Loss) Recognized for the Period (Note 2)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019	Note
Ningbo Airtac Automatic Industrial Co., Ltd	Production of pneumatic control components and auxiliary components	USD 52,000 RMB 244,000 (NTD 2,612,110)	N/A	N/A	$ -	$ -	N/A	$ 1,880,141	100	$ 1,947,598	$ 12,902,225	N/A	
Guangdong Airtac Automatic Industrial Co., Ltd	Production of pneumatic control components and auxiliary components	USD 6,000 (NTD 180,195)	N/A	N/A	-	-	N/A	556,415	100	571,761	3,654,152	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 (NTD 1,083,015)	N/A	N/A	-	-	N/A	944,346	100	961,616	4,656,400	N/A	
Airtac (Jiangsu) Automation Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	USD 1,500 RMB 23,000 (NTD 144,064)	N/A	N/A	-	-	N/A	271,111	100	271,111	1,160,861	N/A	
Guangdong Airtac Intelligent Equipment Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	RMB 10,000 (NTD 43,050)	N/A	N/A	-	-	N/A	366,552	100	366,552	958,774	N/A	
Airtac (Tianjin) Intelligent Technology Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	RMB 10,000 (NTD 43,050)	N/A	N/A	-	-	N/A	24,946	100	24,946	92,440	N/A	
Airtac (Fujian) Intelligent Equipment Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	RMB 10,000 (NTD 43,050)	N/A	N/A	-	-	N/A	53,620	100	53,620	111,022	N/A	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019	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 ways to invest in companies in Mainland China are classified into three types below. Mark the type of investment:

1. Direct investment in China.
2. Investment in China through a company registered in the third region.
3. Other ways.

Note 2: 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 3: Conversion to NTD used the spot exchange rate on December 31, 2019, that is, 1 USD=30.0325 NTD, 1RMB=4.3050 NTD.

TABLE 9

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEARS ENDED DECEMBER 31, 2019
(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	$ 289,658	General terms and conditions	1%
		Ningbo Airtac Automatic Industrial Co., Ltd	1	Sales revenue	664,560	General terms and conditions	4%
		Ningbo Airtac Automatic Industrial Co., Ltd	1	Sell property, plant and equipment	1,149,237	General terms and conditions	7%
		Ningbo Airtac Automatic Industrial Co., Ltd	1	Other receivable	528,751	General terms and conditions	1%
		Airtac (China) Co., Ltd	1	Sales revenue	864,051	General terms and conditions	5%
		Airtac (China) Co., Ltd	1	Trade receivables	428,469	General terms and conditions	1%
		Guangdong Airtac Automatic Industrial Co., Ltd	1	Sales revenue	88,087	General terms and conditions	1%
		Guangdong Airtac Automatic Industrial Co., Ltd	1	Trade receivables	16,958	General terms and conditions	-
		Airtac Industrial Co., Ltd	1	Sales revenue	12,561	General terms and conditions	-
		ATC (Italia) S.R.L	1	Other receivable	47,026	General terms and conditions	-
		Airtac International (Singapore) Pte. Ltd.	1	Other receivable	45,049	General terms and conditions	-
		Airtac Co., Ltd.	1	Other receivable	118,488	General terms and conditions	-
		Airtac Industrial (Malaysia) Sdn. Bhd.	1	Other receivable	71,177	General terms and conditions	-
		AIRTAC USA CORPORATION	1	Other receivable	102,111	General terms and conditions	-
1	Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac International Group	2	Sales revenue	231,173	General terms and conditions	1%
		Airtac International Group	2	Trade receivables	88,896	General terms and conditions	-
		Airtac International Group	2	Sell property, plant and equipment	22,259	General terms and conditions	-
		Airtac (China) Co., Ltd	3	Trade receivables	1,633,022	General terms and conditions	4%
		Airtac (China) Co., Ltd	3	Sales revenue	7,724,998	General terms and conditions	49%
		Guangdong Airtac Automatic Industrial Co., Ltd	3	Trade receivables	58,320	General terms and conditions	-
		Guangdong Airtac Automatic Industrial Co., Ltd	3	Sales revenue	285,769	General terms and conditions	2%
		ATC (Italia) S.R.L	3	Trade receivables	34,821	General terms and conditions	-
		ATC (Italia) S.R.L	3	Sales revenue	127,046	General terms and conditions	1%
1	Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac International (Singapore) Pte. Ltd.	3	Trade receivables	39,928	General terms and conditions	-
		Airtac International (Singapore) Pte. Ltd.	3	Sales revenue	99,396	General terms and conditions	1%

No.	Company Name	Counter Party	Nature of Relationship (Note)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Sales or Assets
		AIRTAC USA CORPORATION	3	Sales revenue	78,088	General terms and conditions	-
		AIRTAC USA CORPORATION	3	Trade receivables	22,325	General terms and conditions	-
		Airtac Co., Ltd.	3	Sales revenue	12,625	General terms and conditions	-
		Airtac Industrial (Malaysia) Sdn. Bhd.	3	Sales revenue	20,952	General terms and conditions	-
		Airtac Industrial Co., Ltd.	3	Sales revenue	17,510	General terms and conditions	-
2	Guangdong Airtac Automatic Industrial Co., Ltd.	Ningbo Airtac Automatic Industrial Co., Ltd	3	Sales revenue	90,818	General terms and conditions	1%
		Ningbo Airtac Automatic Industrial Co., Ltd	3	Trade receivables	30,125	General terms and conditions	-
		Airtac (China) Co., Ltd.	3	Sales revenue	804,573	General terms and conditions	5%
		Airtac (China) Co., Ltd.	3	Trade receivables	381,758	General terms and conditions	1%
		Airtac International Group	2	Sales revenue	51,396	General terms and conditions	-
		Airtac International Group	2	Trade receivables	18,311	General terms and conditions	-
		ATC (Italia) S.R.L	3	Sales revenue	35,489	General terms and conditions	-
		ATC (Italia) S.R.L	3	Trade receivables	11,011	General terms and conditions	-
		Airtac International (Singapore) Pte. Ltd.	3	Sales revenue	27,857	General terms and conditions	-
		Airtac International (Singapore) Pte. Ltd.	3	Trade receivables	10,150	General terms and conditions	-
		AIRTAC USA CORPORATION	3	Trade receivables	21,750	General terms and conditions	-
		AIRTAC USA CORPORATION	3	Sales revenue	32,295	General terms and conditions	-
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Trade receivables	519,569	General terms and conditions	1%
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Sales revenue	749,829	General terms and conditions	5%
		Airtac (Jiangsu) Automation Co., Ltd.	3	Trade receivables	273,276	General terms and conditions	1%
		Airtac (Jiangsu) Automation Co., Ltd.	3	Sales revenue	489,978	General terms and conditions	3%
3	Airtac (China) Co., Ltd	Airtac (Jiangsu) Automation Co., Ltd.	3	Sales revenue	2,546,708	General terms and conditions	16%
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Trade receivables	270,986	General terms and conditions	1%
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Sales revenue	3,557,264	General terms and conditions	22%
		Ningbo Airtac Automatic Industrial Co., Ltd	3	Sales revenue	18,380	General terms and conditions	-
		Airtac (Tianjin) Intelligent Technology Co., Ltd.	3	Trade receivables	147,842	General terms and conditions	-
		Airtac (Tianjin) Intelligent Technology Co., Ltd.	3	Sales revenue	560,111	General terms and conditions	4%
		Airtac (Fujian) Intelligent Equipment Co., Ltd.	3	Trade receivables	42,884	General terms and conditions	-
		Airtac (Fujian) Intelligent Equipment Co., Ltd.	3	Sales revenue	462,201	General terms and	3%

No.	Company Name	Counter Party	Nature of Relationship (Note)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Sales or Assets
						conditions	
		Airtac International Group	3	Trade receivables	27,907	General terms and conditions	-
		Airtac International Group	3	Sales revenue	25,656	General terms and conditions	-
4	Guangdong Airtac Intelligent Equipment Co., Ltd.	Airtac (China) Co., Ltd.	3	Trade receivables	76,415	General terms and conditions	-
		Airtac (China) Co., Ltd.	3	Sales revenue	220,011	General terms and conditions	1%
5	Airtac Co., Ltd.	Ningbo Airtac Automatic Industrial Co., Ltd	3	Trade receivables	13,818	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd	3	Sales revenue	30,296	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.