



AIRTAC INTERNATIONAL GROUP
2019 ANNUAL REPORT

Notice to readers

This English-version annual report is a translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Printed on May 11, 2020

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

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

I. Spokesperson and Deputy Spokesperson

- **Spokesperson**
Name: Tsao, Yung-Hsiang
Title: Chief Financial Officer
Tel: (886)2-2719-7538
E-mail: ivan.tsao@airtac.com
- **Deputy Spokesperson**
Name: Li, Huai-Wen
Title: Vice GM of AirTAC International Group and GM of Mainland China Business Group
Tel: (86)574-8895-0001
E-mail: huaiwenli@airtac.com

II. Headquarters and Subsidiaries

1. Company information

Name: AIRTAC INTERNATIONAL GROUP Tel:(886) 2-2719-7538
Address: PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands

2. Branch

Name: AIRTAC INTERNATIONAL GROUP TAIWAN BRANCH (“AirTAC Taiwan”) Tel:(886) 2-2719-7538
Address: 4F., No.129, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City 10596, Taiwan (R.O.C.)

3. Operation Headquarter:

Name: AIRTAC INTERNATIONAL GROUP Tel:(86) 574-8895-0001
Address: No. 88, Siming East Rd., Hi-tech. Park, Fenghua Dist., Ningbo City, Zhejiang, China

4. Subsidiaries

Subsidiaries in Hong Kong

- AirTAC Industrial (Hong Kong) Limited (“Hong Kong Industrial”) Tel:(886) 2-2719-7538
Address: 15/F., BOC Group Life Assurance Tower, 136 Des Voeux Road Central, Central, Hong Kong
- AirTAC Trading (Hong Kong) Limited (“Hong Kong Trading”) Tel:(886) 2-2719-7538
Address: 15/F., BOC Group Life Assurance Tower, 136 Des Voeux Road Central, Central, Hong Kong

Subsidiary in British Virgin Islands

- Instant Reach International Limited (“Instant Reach”) Tel:(886) 2-2719-7538
Address: Vistra Corporate Service Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands

Subsidiaries in Singapore

- AirTAC Holding (Singapore) Pte. Ltd (“AirTAC Holding Singapore”) Tel:(65) 6933-7676
Address: 12 Gul Drive #01-00 Singapore (629463)
- AirTAC International (Singapore) Pte. Ltd (“AirTAC Singapore”) Tel:(65) 6933-7676
Address: 12 Gul Drive #01-00 Singapore (629463)

Subsidiaries in China

- Ningbo AirTAC Automatic Industrial CO. LTD. (“AirTAC Ningbo”) Tel:(86) 574-8895-0001
Address: No. 88, Siming East Rd., Hi-tech. Park, Fenghua Dist., Ningbo City, Zhejiang, China
- Guangdong AirTAC Automation Industrial Limited Company. (“AirTAC Guangdong”) Tel:(86) 757-8521-7397
Address: No.7, Kaixuan Road, Songxia Industrial Park, Shishan Town, Nanhai Dist., Foshan City, Guangdong, China
- AirTAC (China) Limited Company (“AirTAC China”) Tel:(86) 574-8898-9999
Address: No.8 Huisheng Road, Fenghua Dist., Ningbo City, Zhejiang, China
- AirTAC (Jiangsu) Automation CO. LTD. (“AirTAC Jiangsu”) Tel:(86) 512-5518-1853
Address: No.188 Ruike Road, Yushan Town, Kunshan City, Jiangsu, China
- Guangdong AirTAC Intelligent Equipment Co., Ltd. (“Guangdong Airtac Machinery”) Tel:(86) 752-3270-329
Address: No.40 Warehouse 5th Zone, Tashin Group, No. 48 East Star Road Chenjiang Street, Zhongkai High-Tech. Development Zone, Huizhou City Guangdong, China
- Airtac (Tianjin) Intelligent Technology Co., Ltd. (“AirTAC Tianjin”) Tel:(86) 228-3990-572
Address: Factory A, 1-3 Floor, D10 of Easter District, No.1 of School west Road, Xiqing School Industrial Area, Tianjin city, China
- AirTAC (Fujian) Intelligent Equipment Co. Ltd. (“AirTAC Fujian”) Tel:(86) 592-5806-652
Address: 101, No.1, Guankou Zhenping Road, Jimei District, Xiamen, Fujian, China

Subsidiaries in Taiwan

- AirTAC Industrial Co., Ltd. Tel:(886) 3-392-0239
Address: No. 163, Sec. 1, Wenzhong Rd., Luzhu Dist., Taoyuan City 338, Taiwan (R.O.C.)

Subsidiaries in Italy

- ATC (ITALIA) S.R.L. (“ATC”) Tel:(39) 0331-307204
Address: Via San Vittore 16, 20123 Milano, Italy

Subsidiaries in Japan

- AirTAC Co. Ltd. (“AirTAC Japan”) Tel:(81) 06-4307-6039
Address: 3-6-3 KUSUNE, Higashi Osaka-shi, Osaka, Japan

Subsidiaries in Malaysia

- AirTAC Industrial (Malaysia) Sdn. Bhd. (“AirTAC Malaysia”) Tel:(60) 7358-7969
Address: No 33, Jalan Molek 1/5A, Taman Molek 81100 Johor Bahru, Johor, Malaysia

Subsidiaries in Thailand

- AirTAC Industrial Co., Ltd. (“AirTAC Thailand”) Tel:(66) 2023-3515
Address: No. 11/12 M00 9, Bangchalong, Bangplee, Samutprakarn, Thailand. 10540.

Subsidiaries in USA

- AirTAC USA CORPORATION (“AirTAC USA”) Tel:(1) 281-394-7177
Address: 21201 Park Row Drive, Katy, TX, USA 77449

III. Transfer Agent & Registrar

Name: Transfer Agency Department, China trust Commercial Bank

Tel:(886) 2-6636-5566

Address: 5F., No.83, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City, Taiwan (R.O.C.)

Website: <https://www.ctbcbank.com>**IV. Firm name, address, website URL, telephone number, and the name of the CPA who attested the most recent year's financial report**

Auditing Firm: Deloitte & Touche

Tel: (886) 2-2725-9988

Independent Auditors: Jui-Chuan Chih, CPA and Hui-Min Chen, CPA

Address: 20F., No.100, Songren Rd., Songshan Dist., Taipei City 110, Taiwan (R.O.C.)

Website:<http://www.deloitte.com.tw>**V. Overseas Securities Listing Exchange and Information: None****VI. Company Website: <http://www.airtac.com>****VII. List of Board of Directors**

Occupation	Name	Nationality	Position & Main Experience
Chairman	Wang, Shih-Chung	R.O.C.	Chairman and GM of AirTac International Group
Director	Lan, Shun-Cheng	R.O.C.	Vice Chairman of AirTac Industrial Co., Ltd.
Director	Wang, Hai-Ming	P.R.C.	Vice Chairman of AirTac Ningbo
Director	Li, Huai-Wen	P.R.C.	Vice GM of AirTac International Group and GM of Mainland China Business Group
Director	Chen, Jui-Lung	R.O.C.	GM of Guang Yang Industrial Works
Director	Tsao, Yung-Hsiang	R.O.C.	Chief Financial Officer of AirTac International Group
Independent Director	Leong, Kamson	Malaysia	Partner & Director of HLL Partners
Independent Director	Renn, Jyh-Chyang	R.O.C.	Professor, Mechanical Engineering, National Yunlin University
Independent Director	Lin, Yu-Ya	R.O.C.	Partner Accountant of Pey-Sheng CPAs Firm

VIII. Designated Domestic Agent:

Name: Tsao, Yung-Hsiang

Title: Chief Financial Officer

Tel: (886) 2-2719-7538

E-mail: ivan.tsao@airtac.com

TABLE OF CONTENTS

1. LETTER TO SHAREHOLDERS	1
2. COMPANY PROFILE	3
2.1 COMPANY INTRODUCTION	3
2.2 COMPANY HISTORY	4
2.3 RISKS: PLEASE REFER TO SECTION 7 REVIEW OF FINANCIAL CONDITIONS, FINANCIAL PERFORMANCE, AND RISK MANAGEMENT	4
3. CORPORATE GOVERNANCE REPORT	5
3.1 ORGANIZATION	5
3.2 INFORMATION ON BOARD DIRECTORS, SUPERVISORS, PRESIDENT, VICE PRESIDENTS, ASSISTANT VICE PRESIDENTS, AND CHIEFS OF UNITS AND BRANCHES	6
3.3 IMPLEMENTATION OF CORPORATE GOVERNANCE	15
3.4 INFORMATION ON CPA FEES	43
3.5 INFORMATION ON REPLACEMENT OF CPA:	44
3.6 CHAIRMAN, PRESIDENTS, AND FINANCIAL OR ACCOUNTANT MANAGERS WHO SERVED AT THE ACCOUNTING FIRM OF THE CPAS OR ITS AFFILIATES IN THE MOST RECENT YEAR	45
3.7 CHANGES IN SHAREHOLDING TRANSFER OR SHAREHOLDING PLEDGE BY DIRECTORS, SUPERVISORS, OR MANAGERS, AND MAJOR SHAREHOLDERS IN THE MOST RECENT YEAR AND AS OF THE DATE OF THE PUBLICATION OF THE ANNUAL REPORT:	45
3.8 INFORMATION DISCLOSING THE RELATIONSHIP OF THE TOP TEN SHAREHOLDERS WHO ARE RELATED PARTIES ACCORDING TO FINANCIAL ACCOUNTING CRITERIA NO.6:	47
3.9 THE AMOUNT OF SHARES AND TOTAL SHARE OF STAKE IN THE SAME INVESTED COMPANY OWNED BY THE COMPANY, DIRECTORS, SUPERVISORS, MANAGERS OF THE COMPANY, AND THE ENTERPRISES DIRECTLY OR INDIRECTLY CONTROLLED BY THE COMPANY	48
3.10 THE PROCEDURE OF DEALING WITH CORPORATE KEY INFORMATION	48
4. CAPITAL OVERVIEW	49
4.1 CAPITAL AND SHARES	49
4.2 ISSUANCE OF CORPORATE BONDS:	54
4.3 ISSUANCE OF PREFERRED SHARES:	54
4.4 ISSUANCE OF GLOBAL DEPOSITARY RECEIPTS (GDR):	54
4.5 EMPLOYEE STOCK OPTIONS:	54
4.6 RESTRICTED RIGHT SHARES FOR EMPLOYEES :	54
4.7 STATUS OF NEW SHARES ISSUANCE IN CONNECTION WITH MERGERS AND ACQUISITIONS:	54
4.8 FINANCING PLANS AND IMPLEMENTATION :	54
5. OPERATIONAL HIGHLIGHTS	55
5.1 BUSINESS ACTIVITIES	55
5.2 MARKET, PRODUCTION AND SALES OVERVIEW	65
5.3 EMPLOYEE INFORMATION IN THE RECENT TWO YEARS AND AS OF THE DATE OF THE PUBLICATION OF THE ANNUAL REPORT	76
5.4 ENVIRONMENTAL EXPENDITURES	77
5.5 LABOR RELATIONS	77
5.6 IMPORTANT CONTRACTS	79
6. FINANCIAL INFORMATION	82
6.1 FIVE-YEAR FINANCIAL SUMMARY	82
6.2 FINANCIAL ANALYSIS	84
6.4 FINANCIAL STATEMENTS AND ACCOUNTANT AUDIT REPORT IN THE MOST RECENT YEAR:	86
6.5 CONSOLIDATED FINANCIAL STATEMENTS OF THE LATEST YEAR AUDITED BY CPAS:	86
6.6 FINANCIAL DIFFICULTIES ENCOUNTERED BY THE COMPANY AND AFFILIATES:	86

7. REVIEW OF FINANCIAL CONDITIONS, OPERATING RESULTS, AND RISK MANAGEMENT	87
7.1 ANALYSIS OF FINANCIAL STATUS	87
7.2 ANALYSIS OF OPERATING RESULTS	88
7.3 ANALYSIS OF CASH FLOW	88
7.4 MAJOR CAPITAL EXPENDITURE ITEMS.....	89
7.5 INVESTMENT POLICY IN LAST YEAR, MAIN CAUSES FOR PROFITS OR LOSSES, IMPROVEMENT PLANS AND THE INVESTMENT PLANS FOR THE COMING YEAR	89
7.6 ANALYSIS OF RISK MANAGEMENT.....	91
7.7 OTHER IMPORTANT AFFAIRS:	97
8. SPECIAL DISCLOSURE	98
8.1 SUMMARY OF AFFILIATED COMPANIES:	98
8.2 PRIVATE PLACEMENT SECURITIES IN THE MOST RECENT YEAR AND UP TO THE DATE OF ANNUAL REPORT:	103
8.3 THE SHARES IN THE COMPANY HELD OR DISPOSED OF BY SUBSIDIARIES IN THE MOST RECENT YEAR AND UP TO THE DATE OF ANNUAL REPORT:.....	103
8.4 OTHER NECESSARY SUPPLEMENTARY EXPLANATION:.....	103
8.5 ANY EVENT WHICH HAS A MATERIAL IMPACT ON SHAREHOLDERS' EQUITY OR SECURITIES PRICES WAS STIPULATED IN SUBPARAGRAPH 2, PARAGRAPH 2, ARTICLE 36 OF SECURITIES EXCHANGE ACT IN THE MOST RECENT FISCAL YEAR AND UP TO THE DATE OF THE PUBLICATION OF THE ANNUAL REPORT:	103
APPENDIX 1	104

1. Letter to Shareholders

Dear Shareholders,

Foreword

In the first half of 2019, due to the impact of China-U.S. trade friction, the market demand has not recovered significantly. AirTAC continues to expand its brand image, develop new products and new customers to increase market share to support revenue growth. In the second half of the year, due to the increased automation of customers' existing production capacity and the increase in demand for 5G-related components, the group's consolidated revenue performance hit another record high in 2019.

Operating Performance in 2019:

1. Business performance

Total consolidated revenue for 2019 was NT\$15,896,317 thousand, a 1.89% increase compared with NT\$15,600,743 thousand in 2018. Gross profit for 2019 was NT\$ 7,425,715 thousand, a 1.43% decrease compared with NT\$7,533,084 thousand in 2018. Gross margin was 46.71%. Profit from operation for 2019 was NT\$4,028,042 thousand, a 3.17% decrease compared with NT\$4,159,938 thousand in 2018. Margin of profit from operation was 25.34%. Net profit for year 2019 was NT\$2,726,051 thousand, a 3.99% decrease compared with NT\$2,839,207 thousand in 2018. Earnings per share was NT\$14.42. Total equity was NT\$18,180,620 thousand. Net worth was NT\$96.18 per share.

2. Financial and Profitability analysis

In 2019, consolidated non-operating expense of AirTAC Group amounted to NTD 325,618 thousand, a decrease of NTD 26,613 thousand compared with non-operating revenue amounted to NTD 352,231 thousand in 2018. The main reason was recognizing the net loss on disposal of property, plant and equipment. In addition, our return on assets was 7.87% and return on equity was 15.45% in 2019.

3. Research and development status

In R&D, AirTAC continues to shore up the high market shares of our mid-end products used in livelihood manufacturing industry and has been endeavoring in the development of mid-to-high end products in recent years. We plan to roll out about five to ten series of new products every year in the next three years to double the breadth of our product lines. Aside from new product R&D, we also spend heavily on production automation and process improvement to enhance our competitiveness. The 2019 R&D expenditure amounted to NTD 513,801 thousand, accounting for 3.23% of the year's consolidated revenue, a growth of 13.23% compared to NTD 453,762 thousand of 2018 with an increase of NTD 60,039 thousand. In the continuing efforts to strengthen our R&D capability, we plan to increase our R&D spending to 3~4% of the year's consolidated net operating income in the future.

Business plan in 2020:

Besides expanding capacity in existing businesses, AirTAC set up a new Tainan factory and a second R&D center in Taiwan for developing high-precision pneumatic products, electric cylinders and other new products and components. Mass production of self-made linear slides has started. In China, AirTAC has continued to set up local sales branches and offices, and established a logistics center to improve operational efficiency. As for the overseas

operation base, Airtac plans to improve the operations in Japan, Malaysia, Thailand and the United States sales subsidiaries gradually. It is expected to improve the operation scale for capturing more market shares and increase our profit. In the future, we will develop electric cylinders and other related new products, agent other automation related components and products by using our dense marketing system in China and around the world to improve the rate of return to shareholders. Base on the factors of world economic situation, changes in the industrial environment, supply, demand and competition of the market, in consideration of our business with existing clients around the world, progress in new clients development and our own capacity, the estimated product sales in 2020 will increase by more than 20% over 2019.

As the progress of industrial automation changes rapidly, the Company will successively maintain steadfast sustainable development and pursue for the best interest of shareholder as its target. We will keep in developing new customer, R&D, new products, improving manufacturing process as well as production working flow, in order to strengthen every competitiveness of the Company. We will obtain higher profit via promoting operational efficiency and cost control. As automation upgrade is the future trend of industry, even if Airtac will experience future overall economic and market demand cycle, the adverse effects of Airtac will be reduced by our dispersal sales of proportion in various industries, providing lower product prices with higher product quality and better sales service to customers to enhance competitiveness for obtaining market share from competitors. We believe that under the great efforts of our global 6,141 employees and the support of every shareholders, AirTAC will create another peak in the course of exploring and developing in the field of industrial automation.

Sincerely,

Chairman & GM Wang, Shih-Chung

CFO Tsao, Yung-Hsiang

2. Company Profile

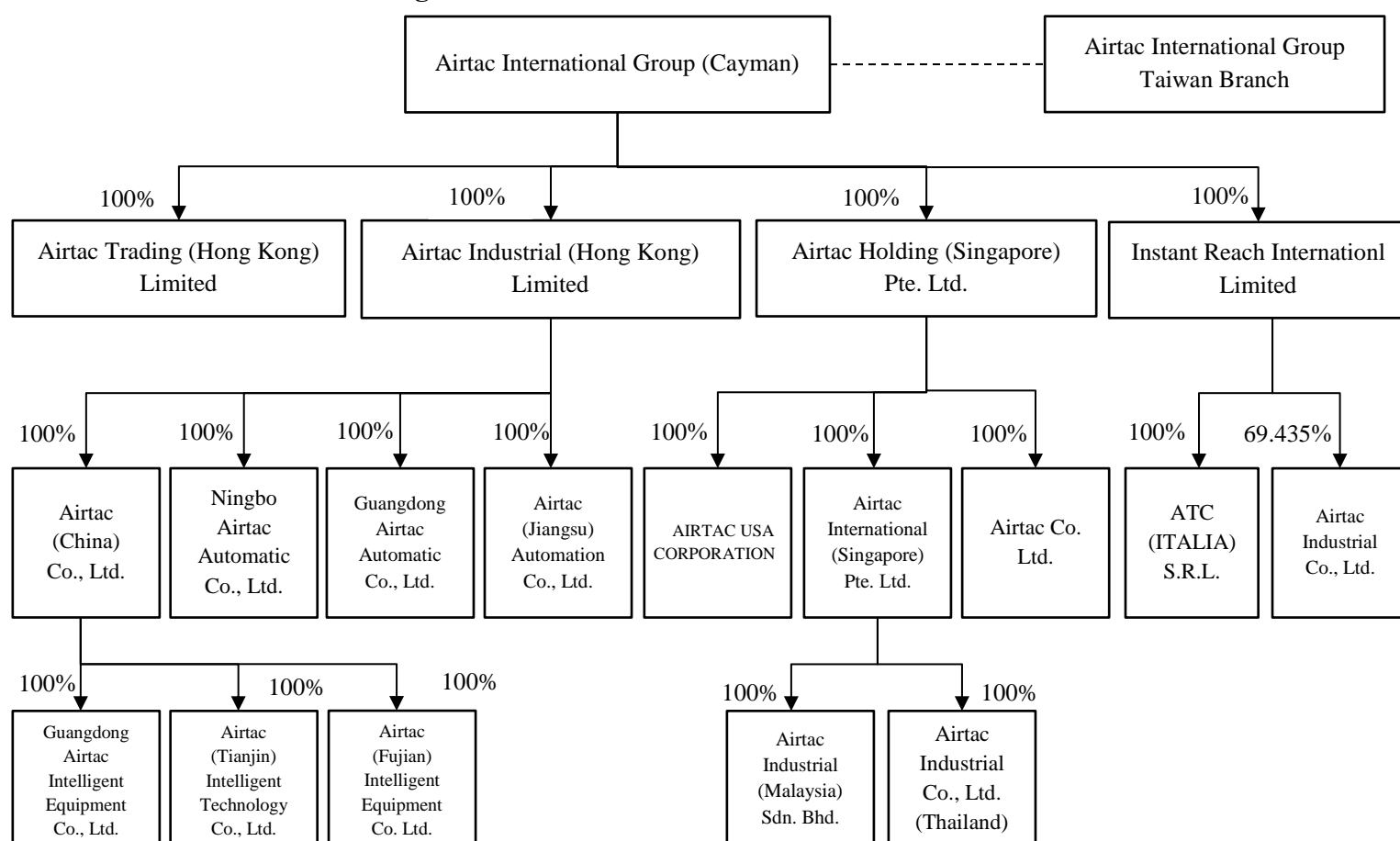
2.1 Company Introduction

2.1.1 Date of establishment and introduction of the Group

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

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

2.1.2 Affiliates Organization Chart



2.2 Company History

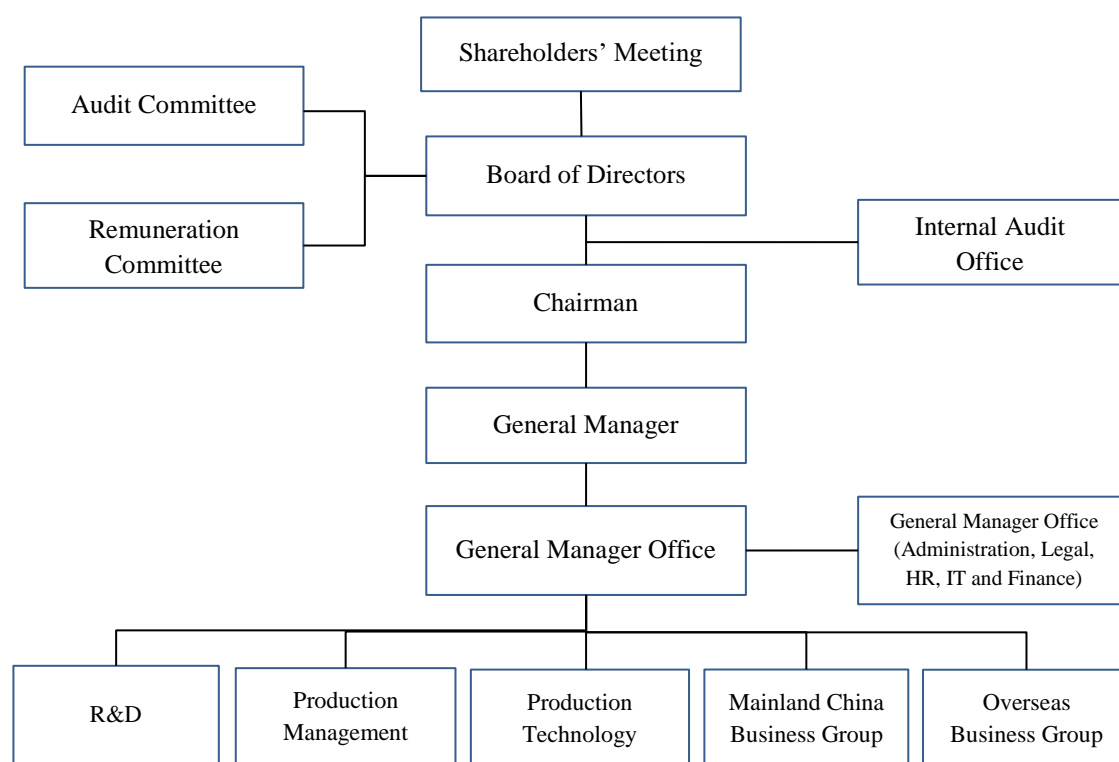
Year	History
1989	AirTAC established in Taipei, Taiwan, mainly engaged in producing valve products.
1990	Launched the brand “AirTAC”.
1992	Introduced air preparation units, pneumatic cylinders, etc.
1995/07	Established the first operating institution of China in Guangzhou.
1998/07	Established the first factory in Guangzhou, China - Guangzhou Jianliang Automatic Industrial Co.
2001/08	Established Ningbo AirTAC Automatic Industrial Co. in Jejiang Ningbo Fenghua Economic Development Zone.
2003/07	The phase 1 plant construction of Ningbo AirTAC Automatic Industrial Co. was completed and in use of mass production.
2005	Adopted ERP system to implement full-scale information management.
2006	Established Guangzhou AirTAC Automatic Industrial Co. in 2006, changed its name to Guangdong AirTAC Automatic Industrial Co. in 2010.
2006/09	Established Jianliang (Shanghai) Trading Co.
2008/05	Established ATC (Italia) as the European sales headquarters.
2009/09	Established AirTAC International Group in Cayman Islands as the Group’s holding company and to apply for IPO
2010/12	IPO in Taiwan
2011/08	Established Southeast Asian Sales Headquarters in Singapore.
2012/01	Founded Airtac (China) Co., Ltd., currently has 57 sales branches in Mainland China.
2012/05	Guangdong AirTAC Automatic Industrial Co., Ltd. relocated to the new plants in Foshan.
2012/07	Expanded and established the R&D Center in Ningbo.
2012/07	Established AirTAC International Group Taiwan Branch and prepared to build the plants in Tainan
2013/04	Established the Japanese Sales Center
2013/07	Established the Malaysian Sales Center
2015/04	Established the Thailand Sales Center
2016/03	First phase project of AirTAC International Group Taiwan Branch Tainan Plant has been completed and started mass production gradually.
2016/11	Established the USA Sales Center
2017/09	Established Airtac (Tianjin) Intelligent Technology Co., Ltd.
2018/07	Established AirTAC (Fujian) Intelligent Equipment Co. Ltd.

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

3. Corporate Governance Report

3.1 Organization

3.1.1 Organizational Chart



3.1.2 Major Corporate Functions

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

3.2 Information on board directors, supervisors, president, vice presidents, assistant vice presidents, and chiefs of units and branches

3.2.1 Board Directors and Supervisors

1. Information on board directors

April 25, 2020; Unit: Shares, %

Title	Nationality or Registration Place	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when elected		Current shareholding		Spouse & Minor Shareholding		Shares held in the name of others		Experience (Education)	Current jobs with the Company and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	ROC	Wang, Shih-Chung	Male	2019.6.21	3	2009.12.24	—	—	—	—	4,877,162	2.58	31,176,264	16.49	▪ Chairman of AirTAC International Group	Note 1	None	None	Note 8
Director	ROC	Lan, Shun-Cheng	Male	2019.6.21	3	2009.12.24	3,470,000	1.84	3,470,000	1.84	—	—	10,000,000	5.29	▪ Vice Chairman of AirTAC Industrial Co. Ltd.	Note 2	None	None	None
Director	PRC	Wang, Hai-Ming	Male	2019.6.21	3	2009.12.24	—	—	—	—	469,586	0.25	11,546,180	6.11	▪ Vice Chairman of Ningbo Airtac	Note 3	None	None	None
Director	PRC	Li, Huai-Wen	Male	2019.6.21	3	2016.5.18	—	—	—	—	—	—	—	—	▪ Vice GM of AirTAC International Group	Note 4	None	None	None
Director	ROC	Chen, Jui-Lung	Male	2019.6.21	3	2013.5.22	5,198,753	2.75	5,248,753	2.78	10,000	0.01	—	—	▪ GM of Guang Yang Industrial Works	—	None	None	None
Director	ROC	Tsao, Yung-Hsiang	Male	2019.6.21	3	2013.5.22	57,816	0.03	67,816	0.04	26,453	0.01	—	—	▪ CFO of AirTAC International Group	Note 5	None	None	None
Independent director	Malaysia	Leong, Kam-Son	Male	2019.6.21	3	2010.4.17	—	—	—	—	—	—	—	—	▪ Former J W Childs Operating Partner ▪ Former President of Asia-Pacific Region., York International Corporation	Director and Partner of HLL Partners	None	None	None
Independent director	ROC	Renn, Jyh-Chyang	Male	2019.6.21	3	2019.6.21	—	—	—	—	—	—	—	—	▪ Associate Vice President for Academic Affairs in National Yunlin University of Science and Technology	Note 6	None	None	None
Independent director	ROC	Lin, Yu-Ya	Female	2019.6.21	3	2019.6.21	—	—	—	—	—	—	—	—	▪ Partner Accountant of Pey-Sheng CPAs Firm	Note 7	None	None	None

Note 1: Chairman and GM of AirTAC International Group, Chairman of Ningbo AirTAC Automatic Industrial Co., Ltd., Chairman of Guangdong AirTAC Automatic Industrial Co., Ltd., Chairman of AirTAC (China) Co., Ltd., Director of ATC (ITALIA) S.R.L., Chairman of AirTAC Industrial Co., Ltd., Chairman of Airtac Industrial (Hong Kong) Limited, Chairman of Airtac Trading (Hong Kong) Limited, Chairman of Instant Reach International Limited, Chairman of Airtac Holding (Singapore) Pte. Ltd., Chairman of Airtac International (Singapore) Pte. Ltd., Representative director of Airtac Co., Ltd., Chairman of Airtac Industrial (Malaysia) Sdn. Bhd, Chairman of Airtac Industrial Co., Ltd., Chairman of Airtac (Jiangsu) Automation Co., Ltd., Chairman of AIRTAC USA CORPORATION, Chairman of Guangdong AirTAC Intelligent Equipment Co., Ltd., Chairman of Airtac (Tianjin) Intelligent Technology Co., Ltd. and Chairman of AirTAC (Fujian) Intelligent Equipment Co. Ltd., 19 companies in total.

Note 2: Director of Ningbo AirTAC Automatic Industrial Co., Ltd., Director of Guangdong AirTAC Automatic Industrial Co., Ltd., Director of AirTAC (China) Co., Ltd., Director of ATC (ITALIA) S.R.L., Director and Vice Chairman of AirTAC Industrial Co., Ltd., Director of Instant Reach International Limited, Director of Airtac Co., Ltd., Director of Airtac Industrial (Malaysia) Sdn. Bhd, Director of Airtac Industrial Co., Ltd., Director of Airtac (Jiangsu) Automation Co., Ltd., Director of AIRTAC USA CORPORATION, 11 companies in total.

Note 3: Director and Vice Chairman of Ningbo AirTAC Automatic Industrial Co., Ltd., Director of Guangdong AirTAC Automatic Industrial Co., Ltd., and Director of AirTAC (China) Co., Ltd., 3 companies in total.

Note 4: Vice GM of AirTAC International Group/GM of Mainland China Business Group, Director and GM of Ningbo AirTAC Automatic Industrial Co. Ltd., Director and GM of Guangdong AirTAC Automatic Industrial Co., Ltd., Director and GM of AirTAC (China) Co., Ltd., Director of Airtac (Jiangsu) Automation Co., Ltd., and Supervisor of AirTAC (Fujian) Intelligent Equipment Co. Ltd., 6 companies in total.

Note 5: CFO of AirTAC International Group, Director of Ningbo AirTAC Automatic Industrial Co., Ltd., Director of Guangdong AirTAC Automatic Industrial Co., Ltd., Director of AirTAC (China) Co., Ltd., Chairman of ATC (ITALIA) S.R.L., Director of Airtac Industrial Co., Ltd., Director of Instant Reach International Limited, Director of Airtac Co., Ltd., Director of Airtac Industrial (Malaysia) Sdn. Bhd, Director of Airtac Industrial Co., Ltd., Supervisor of Airtac (Jiangsu) Automation Co., Ltd., Director of AIRTAC USA CORPORATION, Supervisor of Guangdong AirTAC Intelligent Equipment Co., Ltd., and Supervisor of Airtac (Tianjin) Intelligent Technology Co., Ltd., 14 companies in total.

Note 6: Consultant of Taiwan Fluid Power Association and Professor of Science and Technology, National Yunlin University, 2 companies in total.

Note 7: Partner Accountant of Pey-Sheng CPAs Firm, Director of Makalot Industrial Co., Ltd., Independent director of P-Two Industrial Inc., Independent director of Cigna Taiwan Life Assurance Company Ltd., Supervisor of Ecolot Textile Co., Ltd., Supervisor of Jiaying

Suntex Garment Co., Limited, Shanghai Makalot Garment Co., Limited, Supervisor of Jiaxing Rising Garment Co., Limited, Supervisor of Jiaxing Ruiyang Garment Co., Limited, Supervisor of Eco-Lot Textile Co., Ltd. and Juridical supervisor of Glida Athletics Co., Ltd., 11 companies in total.

Note 8: The same person as the chairman and general manager can improve the operating efficiency and make the decision-making execution smoother. The company also set up an audit committee to supervise corporate governance and protect shareholders' rights, so that the board of directors operates sound. In order to enhance information transparency, the company cooperates with the implementation and disclosure of corporate governance evaluation indicators, so that external investors can obtain information from Market Observation Post System and company websites to achieve monitoring roles.

2. Supervisors: The Company does not have supervisors, but has set up an Audit Committee on April 28, 2010.
3. All directors of the Company are natural persons. The Company does not have any director that is juridical person.

Professional qualifications and independence analysis of directors and supervisors

Criteria Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence criteria (Note)										Number of other public companies in which the individual is concurrently serving as an independent director
	An instructor or higher position in the department of commerce, law, finance, accounting or other department related to the business needs of the Company in a public or private junior college or university	A judge, public prosecutor, attorney, accountant, or other professional or technical specialist related to the needs of the Company who has passed a national examination been awarded a certificate in a profession necessary for the business of the Company	Have work experience in the areas of commerce, law, finance, or accounting or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10	
Wang, Shih-Chung			✓	✓						✓	✓	✓	✓	0
Lan, Shun-Cheng			✓				✓			✓	✓	✓	✓	0
Wang, Hai-Ming			✓	✓			✓			✓	✓	✓	✓	0
Li, Huai-Wen			✓			✓	✓	✓		✓	✓	✓	✓	0
Chen, Jui-Lung			✓	✓	✓		✓	✓		✓	✓	✓	✓	0
Tsao, Yung-Hsiang			✓			✓	✓	✓		✓	✓	✓	✓	0
Leong, Kam-Son			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Renn, Jyh-Chyang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Lin, Yu-Ya		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note: Please tick the corresponding boxes if directors or supervisors have been any of the following during the two years prior to being elected or during the term of office :

- (1) Not an employee of the Company or any of its affiliates;
- (2) Not a director or supervisor of the Company or any of its affiliates (the same does not apply if the person is an independent director of the Company or its parent company, or any subsidiary in which the Company holds, directly and indirectly, more than 50% of the voting shares).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within second degree of kinship, or lineal relative within fifth degree of kinship of any of the persons in the preceding three paragraphs.
- (5) Not a director, supervisor or employee of a juristic-person shareholder that holds directly 5% or more of the total number of outstanding shares of the Company or ranks in the top five shareholders.
- (6) Not a director, supervisor, manager or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a professional or an owner, partner, director, supervisor, manager or a spouse of the abovementioned who provides commercial, legal, financial, accounting services or consultation to the Company or any affiliate of the Company or a spouse thereof. However, this excludes remuneration committee members who exercise their duties in accordance with Article 7 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
- (8) Not having a marital relationship or a relative within the second degree of kinship to any other director of the Company.
- (9) Not having a person of any conditions defined in Article 30 of the Company Law.
- (10) Not a governmental, juristic person, or its representative as defined in Article 27 of the Company Law.

3.2.2 President, Vice Presidents, Assistant Vice Presidents, and Chiefs of Units and Branches

April 25, 2020 Unit: Shares, %

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shares held in the name of others		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	ROC	Wang, Shih-Chung	Male	2016.5.27	—	—	4,877,162	2.58	31,176,264	16.49	▪ Chairman of AirTAC International Group	Note 1	—	—	Note 8
Vice GM of AIRTAC International Group	PRC	Li, Huai-Wen	Male	2018.1.1	—	—	—	—	—	—	▪ GM of Mainland China Business Group	Note 2	—	—	—
Senior Manager of AIRTAC Taiwan	ROC	Liu, Jia-Bin	Male	2017.9.1	—	—	—	—	—	—	▪ Senior Manager of the R&D Center	Note 3	—	—	—
GM of AirTAC Jiangsu	PRC	Xu, Guan-Hua	Male	2015.9.1	—	—	—	—	—	—	▪ Vice Executive Deputy GM of AirTAC China	Note 4	—	—	—
Vice GM of AirTAC Guangdong	ROC	Huang, Yao-De	Male	2015.1.1	—	—	—	—	—	—	▪ Senior Manager of AirTAC Guangdong	—	—	—	—
Vice GM of R&D Center and executive vice GM of AirTAC Taiwan	ROC	Hsiao, Yu-Chien	Male	2013.7.1	—	—	—	—	—	—	▪ Senior Manager of the R&D Center	—	—	—	—
Deputy Sales GM of AirTAC China	PRC	Zhang, Xian-Ming	Male	2017.1.1	—	—	—	—	—	—	▪ GM of AirTAC China Sales Branch	—	—	—	—
Deputy Sales GM of AirTAC China	PRC	Zhou, Hong-Yuan	Male	2017.1.1	246,433	0.13	—	—	—	—	▪ Vice Deputy Sales GM of AirTAC China	Note 5	—	—	—
Executive vice GM of AirTAC China	PRC	Dai, Jia-Xing	Male	2019.5.15	—	—	—	—	—	—	▪ Vice Deputy Sales GM of AirTAC China	Note 6	—	—	—
Chief Financial Officer	ROC	Tsao, Yung-Hsiang	Male	2010.5.27	67,816	0.04	26,453	0.01	—	—	▪ Senior Finance VP of Paragon Technologies ▪ Auditing assistant manager of Deloitte Taiwan	Note 7	—	—	—
Chief Audit Officer	ROC	Jiang, Xin-Zhi	Male	2017.11.3	—	—	—	—	—	—	▪ Audit Specialist of Catcher Technology Co., Ltd. ▪ Audit Specialist of RT-MART Co., Ltd.	—	—	—	—

Note 1: Chairman and GM of AirTAC International Group, Chairman of Ningbo AirTAC Automatic Industrial Co., Ltd., Chairman of Guangdong AirTAC Automatic Industrial Co., Ltd., Chairman of AirTAC (China) Co., Ltd., Director of ATC (ITALIA) S.R.L., Chairman of AirTAC Industrial Co., Ltd., Chairman of Airtac Industrial (Hong Kong) Limited, Chairman of Airtac Trading (Hong Kong) Limited, Chairman of Instant Reach International Limited, Chairman of Airtac Holding (Singapore) Pte. Ltd., Chairman of Airtac International (Singapore) Pte. Ltd., Representative director of Airtac Co., Ltd., Chairman of Airtac Industrial (Malaysia) Sdn. Bhd, Chairman of Airtac Industrial Co., Ltd., Chairman of Airtac (Jiangsu) Automation Co., Ltd., Chairman of AIRTAC USA CORPORATION, Chairman of Guangdong Airtac Intelligent Equipment Co., Ltd., Chairman of Airtac (Tianjin) Intelligent Technology Co., Ltd., and Chairman of AirTAC (Fujian) Intelligent Equipment Co. Ltd., 19 companies in total.

Note 2: Vice GM of AirTAC International Group/GM of Mainland China Business Group, Director and GM of Ningbo AirTAC Automatic Industrial Co. Ltd., Director and GM of Guangdong AirTAC Automatic Industrial Co., Ltd., Director and GM of AirTAC (China) Co., Ltd., Director of Airtac (Jiangsu) Automation Co., Ltd. and Supervisor of AirTAC (Fujian) Intelligent Equipment Co. Ltd., 6 companies in total.

Note 3: Liu, Jia-Bin had resigned on December 31, 2019.

Note 4: Deputy Sales GM of AirTAC China. Xu, Guan-Hua had resigned on January 31, 2019.

Note 5: Deputy Sales GM of AirTAC China. Zhou, Hong-Yuan had resigned on April 30, 2019.

Note 6: GM of Airtac (Jiangsu) Automation Co., Ltd., GM of Airtac (Tianjin) Intelligent Technology Co., Ltd., GM of Guangdong Airtac Intelligent Equipment Co., Ltd. and GM of AirTAC (Fujian) Intelligent Equipment Co. Ltd., 4 companies in total.

Note 7: CFO of AirTAC International Group, Director of Ningbo AirTAC Automatic Industrial Co., Ltd., Director of Guangdong AirTAC Automatic Industrial Co., Ltd., Director of AirTAC (China) Co., Ltd., Chairman of ATC (ITALIA) S.R.L., Director of Airtac Industrial Co., Ltd., Director of Instant Reach International Limited, Director of Airtac Co., Ltd., Director of Airtac Industrial (Malaysia) Sdn. Bhd, Director of Airtac Industrial Co., Ltd., Supervisor of Airtac (Jiangsu) Automation Co., Ltd., Director of AIRTAC USA CORPORATION, Supervisor of Guangdong AirTAC Intelligent Equipment Co., Ltd., and Supervisor of Airtac (Tianjin) Intelligent Technology Co., Ltd., 14 companies in total.

Note 8: The same person as the chairman and general manager can improve the operating efficiency and make the decision-making execution smoother. The company also set up an audit committee to supervise corporate governance and protect shareholders' rights, so

that the board of directors operates sound. In order to enhance information transparency, the company cooperates with the implementation and disclosure of corporate governance evaluation indicators, so that external investors can obtain information from Market Observation Post System and company websites to achieve monitoring roles.

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

1. Remuneration of directors (including independent directors)

Unit: NT\$ thousands

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Directors Compensation(C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		The company	All companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
Chairman	Wang, Shih-Chung	12,734	12,734	—	—	—	—	360	360	0.48%	0.48%	8,160	23,605	—	—	16,122	—	16,122	—	1.37%	1.94%	—
Director	Lan, Shun-Cheng																					
Director	Wang, Hai-Ming																					
Director	Li, Huai-Wen																					
Director	Chen, Jui-Lung																					
Director	Tsao, Yung-Hsiang																					
Director	Lin, Chiang-Ti																					
Independent Director	Leong Kam-Son																					
Independent Director	Renn, Jyh-Chyang																					
Independent Director	Lin, Yu-Ya																					
Independent Director	Lin, Ku-Tung																					
Independent Director	Chang, Bao-Guang																					

Note 1: Chiang-Ti Lin, Ku-Tung Lin, and Bao-Guang Chang, resign on June 21, 2019.

Note 2: The Company pays a fixed amount of director's remuneration with reference to the director's service scope, value and the level of domestic and foreign same industries.

Remuneration Table

Bracket of remuneration to respective director	Name of Director			
	Total (A+B+C+D)		Total (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements I	The company	Companies in the consolidated financial statements J
< \$1,000,000	Jui-Lung Chen, Jyh-Chyang Renn, Yu-Ya Lin, Chiang-Ti Lin, Ku-Tung Lin, Bao-Guang Chang	Jui-Lung Chen, Jyh-Chyang Renn, Yu-Ya Lin, Chiang-Ti Lin, Ku-Tung Lin, Bao-Guang Chang	Jui-Lung Chen, Jyh-Chyang Renn, Yu-Ya Lin, Chiang-Ti Lin, Ku-Tung Lin, Bao-Guang Chang	Jui-Lung Chen, Jyh-Chyang Renn, Yu-Ya Lin, Chiang-Ti Lin, Ku-Tung Lin, Bao-Guang Chang
\$1,000,000 ~ <\$2,000,000	Shih-Chung Wang, Shun-Cheng Lan, Hai-Ming Wang, Huai-Wen Li, Yung-Hsiang Tsao, Kam-Son Leong	Shih-Chung Wang, Shun-Cheng Lan, Hai-Ming Wang, Huai-Wen Li, Yung-Hsiang Tsao, Kam-Son Leong	Shih-Chung Wang, Shun-Cheng Lan, Hai-Ming Wang, Kam-Son Leong	Shun-Cheng Lan, Kam-Son Leong
\$2,000,000 ~ <\$3,500,000	—	—	—	Hai-Ming Wang
\$3,500,000 ~ <\$5,000,000	—	—	—	—
\$5,000,000 ~ <\$10,000,000	—	—	—	Shih-Chung Wang
\$10,000,000 ~ <\$15,000,000	—	—	Yung-Hsiang Tsao	Yung-Hsiang Tsao
\$15,000,000 ~ <\$30,000,000	—	—	Huai-Wen Li	Huai-Wen Li
\$30,000,000 ~ <\$50,000,000	—	—	—	—
\$50,000,000 ~ <\$100,000,000	—	—	—	—
\$100,000,000 or higher	—	—	—	—
Total	12 persons	12 persons	12 persons	12 persons

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

3. Compensation of president and vice presidents

Unit: NT\$ thousands shares; %

Title	Name	Salary (A)		Severance Pay (B)		Bonus and allowance (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation to net income (%) (A+B+C+D)		Compensation paid to the president and vice president from an invested company other than the company’s subsidiary
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
Chairman	Wang, Shih-Chung	5,430	31,166	—	—	441	3,734	23,837	—	23,837	—	1.09%	2.15%	—
Vice GM of AIRTAC International Group/ GM of Mainland China Business Group	Li, Huai-Wen													
Senior Manager of AirTAC Taiwan	Liu, Jia-Bin													
GM of AirTAC Jiangsu	Xu, Guan-Hua													
Vice GM of AirTAC Guangdong	Huang, Yao-De													
Vice GM of R&D Center/ Executive Vice GM of AirTAC Taiwan	Hsiao, Yu-Chien													
Deputy Sales GM of AirTAC China	Zhang, Xian-Ming													
Deputy Sales GM of AirTAC China	Zhou, Hong-Yuan													
Executive Vice GM of AirTAC China	Dai, Jia-Xing													

Compensation Table

Bracket of compensation to respective president or vice president	Name of president or vice president	
	The company	Companies in the consolidated financial statements
< \$ 1,000,000	Shih-Chung Wang, Jia-Bin Liu, Guan-Hua Xu, Yao-De Huang	Guan-Hua Xu
\$1,000,000 ~ <\$ 2,000,000	—	—
\$2,000,000 ~ <\$ 3,500,000	Xian-Ming Zhang	—
\$3,500,000 ~ <\$ 5,000,000	Yu-Chien Hsiao, Hong-Yuan Zhou	Yao-De Huang, Hong-Yuan Zhou, Jia-Bin Liu
\$5,000,000 ~ <\$ 10,000,000	Jia-Xing Dai	Shih-Chung Wang, Yu-Chien Hsiao, Xian-Ming Zhang, , Jia-Xing Dai
\$10,000,000 ~ <\$ 15,000,000	Huai-Wen Li	—
\$15,000,000 ~ <\$ 30,000,000	—	Huai-Wen Li
\$30,000,000 ~ <\$ 50,000,000	—	—
\$50,000,000 ~ <\$ 100,000,000	—	—
\$100,000,000 or higher	—	—
Total	9 persons	9 persons

4. Executive Officers

April 25, 2020

April 29, 2021

	Title	Name	Employee Bonus- in Stock	Employee Bonus- in Cash	Total	Ratio of total bonus to net income (%)
Manager	Chairman	Wang, Shih-Chung	—	30,725	30,725	1.13%
	Vice GM of AIRTAC International Group	Li, Huai-Wen				
	GM of Mainland China Business Group					
	Senior Manager of AirTAC Taiwan	Liu, Jia-Bin				
	GM of AirTAC Jiangsu	Xu, Guan-Hua				
	Vice GM of AirTAC Guangdong	Huang, Yao-De				
	Vice GM of R&D Center	Hsiao, Yu-Chien				
	Executive Vice GM of AirTAC Taiwan					
	Deputy Sales GM of AirTAC China	Zhang, Xian-Ming				
	Deputy Sales GM of AirTAC China	Zhou, Hong-Yuan				
	Executive Vice GM of AirTAC China	Dai, Jia-Xing				
	Chief Financial Officer	Tsao ,Yung-Hsiang				
Chief Audit Officer	Chiang, Hsin-Chih					

3.2.4 Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents:

1. The ratio of total remuneration paid by the company and by all companies included in the consolidated financial statements for the most recent two fiscal years to directors, supervisors, presidents and vice presidents of the Company, to the net income:

Unit: NT\$ thousands

Item	2018		2019	
	Amount	%	Amount	%
Director	51,257	1.81%	52,822	1.94%
General Manager and Vice General Manager	69,577	2.45%	58,737	2.15%
Consolidated profit	2,839,207	100.00%	2,726,051	100.00%

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

2. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance and risks:
 - (1) Remuneration to directors is decided based on their other positions in the Company, the extent of participation in Company operations and their contribution value.
 - (2) Compensation to president and vice presidents is decided based on their position, contribution to the Company, and industry standards in accordance with the Company's personnel rules.

3.3 Implementation of Corporate Governance

3.3.1 Operation of the Board of Directors

A total of 7 meetings of the board of directors were held in 2019. Director attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remark
Chairman	Wang, Shih-Chung	7	0	100%	Renewal of office
Director	Lan, Shun-Cheng	7	0	100%	Renewal of office
Director	Wang, Hai-Ming	6	1	86%	Renewal of office
Director	Li, Huai-Wei	5	2	71%	Renewal of office
Director	Chen, Jui-Lung	4	0	100%	New office assumed
Director	Tsao, Yung-Hsiang	7	0	100%	Renewal of office
Director	Lin, Chiang-Ti	3	0	100%	Term expired
Independent director	Leong Kam-Son	7	0	100%	Renewal of office
Independent director	Renn, Jyh-Chyang	4	0	100%	New office assumed

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remark
Independent director	Lin, Yu-Ya	4	0	100%	New office assumed
Independent director	Lin, Ku-Tung	3	0	100%	Term expired
Independent director	Chang, Bao-Guang	3	0	100%	Term expired

Notes:

1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motions, all independent directors' opinion and the Company's response to independent directors' opinion should be specified:

(1) Matters referred to in Article 14-3 of the Securities and Exchange Act.

Date	Contents of motions	All independent directors' opinion and the Company's response to independent directors' opinion
January 14, 2019 The nineteenth meeting of the board of directors of the fourth term	Pass the amendments to the "Guideline for Lending Funds to Others" of the Company.	Approved by all independent directors in attendance.
March 14, 2019 The twentieth meeting of the board of directors of the fourth term	Pass the amendments to the "Guideline for Acquisition and Disposal of Assets" and the "Guideline for Engaging in Derivatives Transactions" of the Company.	Approved by all independent directors in attendance.
May 2, 2019 The twenty-first meeting of the board of directors of the fourth term	Pass the amendments to the "Guideline for Lending Funds to Others" of the Company.	Approved by all independent directors in attendance.
July 8, 2019 The second meeting of the board of directors of the fifth term	Approve the capital increase of Ningbo Airtac Automatic Industrial Co., Ltd.	Approved by all independent directors in attendance.
November 11, 2019 The fourth meeting of the board of directors of the fifth term	Approve the change of Certified Public Accountant of Deloitte & Touche.	Approved by all independent directors in attendance.

(2) Other matters involving objections or expressed by independent directors that were recorded in writing that require a resolution by the board of directors: None.

2. If there is Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motions, causes for avoidance and voting should be specified:

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remark
	Date	Director	Contents of motions	Reasons for avoidance of conflict of interests	Status of decisions
	May 2, 2019 The twenty-first meeting of the board of directors of the fourth term	Leong, Kam-Son	Approve the review of nominee qualification of independent directors of the Company	Nominee of the independent directors	Did not join the deliberation.
<p>3. Measures taken to strengthen the functionality and performance assessment of the Board in the current year and the most recent year:</p> <p>(1) The Audit Committee and the Remuneration and Nomination Committee, composed entirely of independent directors, assist the Board of Directors in carrying out supervisory tasks. The chairperson of each committee reports on their committee's operations to the board on a regular basis.</p> <p>(2) "Rules of Procedures for Board of Directors Meeting" are adopted pursuant to the regulations of "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" in the board of directors' meeting of the Company.</p> <p>(3) The Company provides its directors and managers with annual liability insurance to cover risks as they carry out their duties, and reviews the insurance coverage on an annual basis to make sure the amount and scope are sufficient to the need.</p> <p>(4) Committed to upholding operational transparency and protection shareholders' interests, the company's website has "Investor Zone", "Social Responsibility" and "Corporate Governance" to provide timely information in Chinese and English. Furthermore, after each board meeting is held, important resolutions of the board of directors are announced. The Company also participate institutional investor conferences aperiodically.</p> <p>4. At least one independent director shall attend each meeting in person. In the case of a meeting concerning any matter required to be submitted for a resolution by board of directors, each independent director shall attend in person; if an independent director is unable to attend in person, he or she shall appoint another independent director to attend as his or her proxy.</p> <p>Note: the election date is on June 21, 2019.</p>					

3.3.2 Operation of Audit Committee

A total of 7 meetings of the board of independent directors were held in 2019. The attendance of independent directors was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remark
Independent director	Leong Kam-Son	7	0	100%	Renewal of office
Independent director	Renn, Jyh-Chyang	4	0	100%	New office assumed

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remark
Independent director	Lin, Yu-Ya	4	0	100%	New office assumed
Independent director	Lin, Ku-Tung	3	0	100%	Term expired
Independent director	Chang, Bao-Guang	3	0	100%	Term expired

Notes:

1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motions, resolutions of the Audit Committee and the Company's response to Audit Committee's opinion should be specified:

(1) Matters referred to in Article 14-5 of the Securities and Exchange Act:

Date	Contents of motions	All independent directors' opinion and the Company's response to independent directors' opinion
January 14, 2019 The nineteenth meeting of the audit committee of the fourth term	Pass the amendments to the "Guideline for Lending Funds to Others" of the Company.	Approved by all members of audit committee in attendance.
	Approve the statement on internal control systems of the Company.	Approved by all members of audit committee in attendance.
March 14, 2019 The twentieth meeting of the audit committee of the fourth term	Approve the business report and the consolidated financial statements of the Company and its subsidiaries for 2018.	Approved by all members of audit committee in attendance.
	Pass the amendments to the "Guideline for Acquisition and Disposal of Assets" and the "Guideline for Engaging in Derivatives Transactions" of the Company.	
	Approve the release from the prohibition on the directors of the fifth term from participation in competing business.	
May 2, 2019 The twenty-first meeting of the audit committee of the fourth term	Pass the amendments to the "Guideline for Lending Funds to Others" of the Company.	Approved by all members of audit committee in attendance.

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remark
	July 8, 2019 The second meeting of the audit committee of the fifth term	Approve the capital increase of Ningbo Airtac Automatic Industrial Co., Ltd.		Approved by all members of audit committee in attendance.	
	August 8, 2019 The third meeting of the audit committee of the fifth term	Approve the consolidated financial statements of the Company and its subsidiaries for the second quarter of 2019.		Approved by all members of audit committee in attendance.	
	November 11, 2019 The fourth meeting of the audit committee of the fifth term	Approve the change of Certified Public Accountant of Deloitte & Touche.		Approved by all members of audit committee in attendance.	
(2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None					
2. If there is Independent Directors' avoidance of motions in conflict of interest, the Independent Directors' names, contents of motions, causes for avoidance and voting should be specified: None.					
3. Communications between the independent directors, the Company's Chief Internal Auditor and CPAs:					
(1) Company's internal auditing supervisor will regularly communicate the audit results with members of the audit committee and report it in the audit committee meeting in the each quarter. Under special situations, the internal auditing supervisor will also report to members of the audit committee, while special situation did not occur in 2019. Audit committee communicates well with internal auditing supervisor.					
	Date	Communication with internal auditing supervisor		Result	
	January 14, 2019	Review internal audit report		No objection.	
	The nineteenth meeting of the audit committee of the third term	Review the statement on internal control systems of the Company of 2018.		No objection and propose to approve in the board of directors.	
	March 14, 2019	Review internal audit report		No objection.	
	The twentieth meeting of the audit committee of the third term				
	May 2, 2019	Review internal audit report		No objection.	
	The twenty-first meeting of the audit committee of the third term				
	August 8, 2019	Review internal audit report		No objection.	
	The third meeting of the audit committee of the fourth term				
	November 11, 2019	Review internal audit report		No objection.	
	The fourth meeting of the	Review 2020 audit plan of		No objection and propose to	

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remark
	audit committee of the fourth term	the Company		approve in the board of directors.	
(2) Company’s certifying CPA will report financial report check and review results and other matters required in related laws in the annual audit committee meeting; under special situations, the certifying CPA will also report to members of the audit committee. Audit committee communicates well with certifying CPA.					
Date		Communication with CPA		Result	
March 14, 2019 The twentieth meeting of the audit committee of the third term		Certifying CPA interpreted the key audit matters in the financial report in 2018 and discuss the questions addressed by the members in audit committee.		No objection.	
August 8, 2019 The third meeting of the audit committee of the fourth term		Discuss any review problems in the financial report of the second quarter in 2019		No objection.	
November 11, 2019 The fourth meeting of the audit committee of the fourth term		Review the independent and suitability of the certifying CPA.		No objection.	
		Discuss any review problems in the financial report of the third quarter in 2019			

Note: the election date is on June 21, 2019.

3.3.3 Corporate Governance Execution Status and Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.”

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary Description	
1. Whether the Company has set and disclose corporate governance in accordance with “Corporate Governance Best-Practice Principles for TWSE/ TPEX Listed Companies”.	✓		The Company has set and disclose corporate governance on Company's website and the Market Observation Post System website in accordance with “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”.	None

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary Description	
2. Equity structure and shareholders' equity				
(1) Whether the Company has set internal operating procedures to handling shareholder proposals, inquiries, disputes and litigation, and implemented in accordance with procedures.	✓		(1) Staff is assigned and an e-mail box is set up to handle suggestions and disputes of the shareholders, and implemented in accordance with procedures.	None
(2) Whether the Company has controlled major shareholders in actual control and the ultimate controller of major shareholders.	✓		(2) Staff is assigned to manage related information so the list of major shareholders and final decision-makers is available at all times.	None
(3) Whether the Company has set and implemented the risk-control mechanism and the firewall with the affiliated enterprises.	✓		(3) A “Procedure for Engaging in Transaction with Group Enterprises, Specific Companies and Related Parties” has been established to clearly stipulate business and financial dealings with affiliates as a risk control mechanism.	None
(4) Whether the Company has set internal rules prohibiting company insiders from trading securities using information not disclosed to the market.	✓		(4) The Company has set “The Management Rules of Prevention of Insider Trading” prohibiting company insiders from trading securities using information not disclosed to the market.	None
3. Composition and responsibility of the board of directors				
(1) Whether the board of directors has taken diversification policy formulation and implementation of execution for composition of the members of directors.	✓		(1) “Rules for Election of Director” and “Corporate Governance principles” of the Company has mentioned the composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs, including but not limited to gender, age, nationality, culture and professional knowledge and skills. (Note 1)	None
(2) In addition to set up Remuneration Committee and Audit Committee by law, whether the Company has voluntarily set up other functional committees.		✓	(2) The Company has set up Remuneration Committee and Audit Committee, as for setting up other functional committees is otherwise authorized by the board of directors by demand.	None

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary Description	
(3) Whether the Company has formulated rules and procedures for board of directors’ performance assessments, and conducted regularly scheduled performance assessments each year.		✓	(3) The company's articles of association stipulate that the remuneration of directors is recommended by the remuneration committee and submitted to the board of directors for decision. The Company pays a fixed amount of director's remuneration with reference to the director's service scope, value and the level of domestic and foreign same industries. The company expects to formulate the board of directors performance evaluation method in 2020, and conduct performance evaluation regularly. Results of the performance evaluation will be reported to the board of directors, and announce it before the end of the first quarter of the following year.	None
(4) Whether the Company has conducted regularly scheduled assessments of the independence of CPAs.	✓		(4) The company's board of directors regularly assesses the independence of CPAs at least once a year in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and submits the results to the audit committee and the board of directors on November 11, 2019 for approval. The engaged CPAs were Li-Huang Lee and Jui-Chuan Chih of Deloitte Touche Tohmastu Limited. The Company obtained the declaration letter issued by CPAs that the audit team members have not violated their independence. According to the CPA independence evaluation standard (Note 2), there is no violation of the independence regulations of the accountant law and other relevant regulations, and no uncomfortable situation is found. The Company will appoint Li-Huang Lee and Jui-Chuan Chih of Deloitte Touche Tohmastu Limited to continue to serve as the engaged CPAs.	None
4. Does the company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions,	✓		The general manager office is in charge of the corporate governance matters. The main duties are as follow, (1) Planning appropriate system of the company and organization framework to advance the independence of the board of directors, legal compliance, transparency of the company, and implementation of internal control.	None

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary Description	
handling work related to meetings of the board of directors and the shareholders' meetings, filing company registration and changes to company registration, and producing minutes of board meetings and shareholders' meetings)?			<p>(2) Plan and formulate the schedule and provide it to all directors 7 days before the meeting, so directors can know the contents of relative proposals; remind the directors who are interested parties shall avoid.</p> <p>(3) The stock affairs department registers the date of the shareholders' meeting in accordance with the legal deadline every year. The meeting notice, handbook for the meeting, and the minutes will be declared before the deadline. After amending articles or reelecting directors, changes to company registration will be filed.</p> <p>(3) The financial department of the Company is in charge of the registered certificate of the Company.</p> <p>All the above-mentioned corporate governance personnel have more than three years' experience in legal, financial and stock affairs of listed companies.</p>	
5. Whether the Company has maintained channels of communication with the stakeholders and designated stakeholders section on the Company's website and to properly respond to the issues of important corporate social responsibility concerning to the stakeholders.	✓		Staff is assigned and an e-mail box is set up to handle public relations and the affairs of stakeholders. The Company has designated stakeholders section on the Company's website and to properly respond to the issues of important corporate social responsibility concerning to the stakeholders.	None
6. Whether the Company has engaged a professional shareholder services agent to handle shareholders meeting matters.	✓		The Company appoints the agent department of China Trust Commercial Bank to handle the affairs of the shareholders' meeting.	None
7. Disclosure of information (1) Whether the Company has set up a website to disclose financial and corporate governance information.	✓		(1) The Company has disclosed financial and corporate governance information on the Company's website.	None
(2) Whether the Company has adopted any other ways to disclose information (such as the setup of an English website, appointment of the specific person in charge of information collection	✓		(2) The Company has set up a website in Chinese and foreign languages and update the information regularly. The Company also has a spokesperson system in place and observed applicable regulations and the established system. The Company holds or participates investors	None

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary Description	
and disclosure, adoption of the spokesperson system, disclosing the institutional investor road shows on the company website).			conference from time to time and posts the contents of investors’ conferences on Market Observation Post System and company website.	
(3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?		✓	The Company has reported annual financial statements within two months after the end of each fiscal year, announced and reported its financial statements for Q1, Q2, and Q3 and filed monthly operating status before the deadline.	None
8. Whether the Company has any other important information that aids the understanding of status of corporate governance (e.g. employee benefits, employee care, investor relations, rights of stakeholders, continuing education of directors and supervisors, risk management policy and risk assessment criteria, execution of customer policy, purchase of liability insurance for directors and supervisors).	✓		<p>(1) The Company's human resources management system planning conforms to the "Labor Standard Law" and other relevant laws and regulations.</p> <p>(2) In order to facilitate communication with employees, the company provides a variety of communication channels (internal email announcements, employee suggestion boxes, regular meetings and labor-management meetings, etc.) to ensure the messages are transparency and instantly delivered.</p> <p>(3) The company immediately announces financial, business and major information on the Company's website and Market Observation Post System, so that investors can fully understand the Company's development direction and strategic trends to maximize the interests of shareholders. In 2019, the Company issued 44 announcements, 96 material information both in Chinese and English, and attended 18 investor conferences.</p> <p>(4) The Company has a procurement management program to effectively manage the procurement process to ensure that the raw materials required for operation are provided under the principles of reasonableness, timeliness, quantity and quality. The Company also carries out supplier evaluations and field evaluations, with</p>	None

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary Description	
			<p>delivery status, quality and coordination as the evaluation rating.</p> <p>(5) In order to protect the rights and interests of interested parties, the company establishes various good and smooth communication channels, upholds the principle of good faith and handles properly, and fulfills its corporate social responsibilities.</p> <p>(6) All of the board of directors and independent directors of the Company have professional background and practical experience of the industry. The Company will provide related information of the regulations depending on the needs. Except for special circumstances, all directors and independent directors would attend board meetings. If a director has any damaging relationship with the board of directors, he shall avoid discussion and voting and shall not act on behalf of other directors to exercise his voting rights.</p> <p>(7) The Company provides its directors and managers with annual liability insurance.</p>	
<p>9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.</p> <p>(1) Improvements</p> <ol style="list-style-type: none"> The company disclose the communication between the internal independent directors and CPAs on the Company’s website. The Company disclose the English Annual Report on the Market Observation Post System website of the Taiwan Stock Exchange seven days before the shareholders’ meeting. The Company disclose the multiple composition of board of directors and condition on Company’s website. <p>(2) Priority enhancement measures</p> <ol style="list-style-type: none"> The independent directors of the Company will attend in an advanced studies in accordance with “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies.” The company will set up full-time personnel for corporate governance to be responsible for corporate governance related matters. 				

Note 1: Multiple composition of board of directors and condition

Title	Director name	Gender	Nationality	Diversified core projects							
				Capability of Operation al Judgement	Capability of Accounting & Finance Judgement	Capability of Management	Capability of awareness	Industry knowledge	Global market observation	Capability of leadership	Capability of decision making
Chairman	Wang, Shih-Chung	Male	R.O.C.	✓	✓	✓	✓	✓	✓	✓	✓
Director	Lan, Shun-Cheng	Male	R.O.C.	✓		✓	✓	✓		✓	
Director	Wang, Hai-Ming	Male	P.R.C.	✓		✓	✓	✓		✓	
Director	Li, Huai-Wei	Male	P.R.C.	✓		✓	✓	✓		✓	✓
Director	Tsao, Yung-Hsiang	Male	R.O.C.		✓	✓	✓		✓	✓	
Director	Chen, Jui-Lung	Male	R.O.C.			✓		✓			
Independe nt Director	Leong Kam-Son	Male	Malaysia			✓	✓		✓	✓	
Independe nt Director	Renn, Jyh-Chyang	Male	R.O.C.				✓	✓			
Independe nt Director	Lin, Yu-Ya	Female	R.O.C.		✓		✓				

Note 2: Assessment table of independence of Certified Public Accountant

Item	Description	Result	Independence? Y/N
1	Whether Certified Public Accountant has direct or significant indirect financial interests with the Company.	No	Y
2	Whether or not Certified Public Accountant has any financing or guarantees of conduct with the Company or the directors of the Company.	No	Y
3	Whether Certified Public Accountant has a close business relationship and potential employment relationship with the Company.	No	Y
4	Whether Certified Public Accountant or members of their audit team had any positions in the Company as directors, managers of significant influence on the audit during the audit period.	No	Y
5	Whether Certified Public Accountant has any non-audit services to the Company which may directly affect the audit work.	No	Y
6	Whether Certified Public Accountant has an intermediary to issue shares or other securities of the Company.	No	Y
7	Whether Certified Public Accountant has acted as the Company's defender or on behalf of the Company to coordinate conflicts with other third parties.	No	Y
8	Whether Certified Public Accountant has a kinship with the directors, managers of the Company or persons who have a significant influence on the audit work.	No	Y

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

1. Members of the Remuneration Committee

Title	Criteria Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence criteria (Note)										Number of other public companies in which the individual is concurrently serving as a remuneration committee	Remark
		An instructor or higher position in the department of commerce, law, finance, accounting or other academic department related to the business needs of the Company in a public or private junior college or university	A judge, public prosecutor, attorney, Certificated Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Have work experience in the areas of commerce, law, finance, or accounting or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent director	Leong, Kam-Son			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent director	Renn, Jyh-Chyang	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent director	Lin, Yu-Ya		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note 1: Please tick the corresponding boxes if remuneration committee have been any of the following during the two years prior to being elected or during the term of office.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates (the same does not apply if the person is an independent director of the Company or its parent company, or any subsidiary in which the Company holds, directly and indirectly, more than 50% of the voting shares).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within second degree of kinship, or lineal relative within third degree of kinship of any of the persons in the preceding three paragraphs.
- (5) Not a director, supervisor or employee of a juristic-person shareholder that holds directly 5% or more of the total number of outstanding shares of the Company or ranks in the top five shareholders.
- (6) Not a director, supervisor, manager or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a professional or an owner, partner, director, supervisor, manager or a spouse of the abovementioned who provides commercial, legal, financial, accounting services or consultation to the Company or any affiliate of the Company or a spouse thereof.
- (8) Not having a person of any conditions defined in Article 30 of the Company Law.

2. Operation of the Remuneration Committee

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

(2) Term of the committee members: July 8, 2019 ~ June 20, 2022. A total of 3 meetings of the remuneration committee were held in the most recent years. Director attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remark
Convener	Lin, Yu-Ya	2	0	100%	New office assumed
Convener	Chang, Bao-Guang	1	0	100%	Term expired
Committee Member	Leong Kam-Son	3	0	100%	Renewal of office
Committee Member	Renn, Jyh-Chyang	2	0	100%	New office assumed
Committee Member	Lin, Ku-Tung	1	0	100%	Term expired

Notes:

1. In case there were matters passed not by or amended by the board of directors, describe the date, term, motions and resolution of the board of directors' meeting, and actions taken by the Company based on the opinions of the remuneration committee (In case the remuneration passed by the board of directors' meeting exceeds the suggestion of the remuneration committee, describe the difference and reason): None.

2. In case any member of the remuneration committee expressed dissenting or reserve opinions on any resolution adopted at the meeting of remuneration committee with a record or written statement, describe the date, term and motions of the meeting of remuneration committee, and actions taken by the Company on the opinions of the remuneration committee: None.

3. Operation of the Remuneration Committee

Date	Proposal Contents and Follow-up Processing	Results	Company's respond to the opinions of the remuneration committee
January 14, 2019 The seventh meeting of the remuneration committee of the third term	Review the duty adjustments of the manager in AirTAC Taiwan	All members agree.	No objection.
	Review the remuneration plan of managers of AirTAC Ningbo	All members agree.	No objection.
July 8, 2019	Propose the convener of the Company's Remuneration	All members agree.	No objection.

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remark
The first meeting of the remuneration committee of the fourth term	committee				
	Review the duty adjustments of the manager in AirTAC China		All members agree.	No objection.	
November 11, 2019 The second meeting of the remuneration committee of the fourth term	Review the remuneration plan of managers		All members agree.	No objection.	

4. Main duties of remuneration committee

(1) Formulate and regularly review the Company's directors and managers' annual and long-term performance goals and policies, systems, standards and structure of salary and remuneration

(2) Regularly evaluate the achievement of performance goals of the Company's directors and managers, and set the content and amount of their individual remuneration..

Note: The company re-elect the directors on June 21, 2019, and nominated the members of the Remuneration Committee on July 8, 2019.

3.3.5 Fulfillment of CSR and Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation Criteria	Implementation Status			Differences with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies ("CSR Best Practice Principles") and Reasons
	Yes	No	Summary Description	
1. Implementation of Corporate Governance Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	✓		The internal risk management policy formulated by the company adopts precautionary measures to reduce the losses caused by risks. Identify, evaluate, process and monitor potential risks that may affect the company's achievement of goals, and regularly track and incorporate into the daily operations of each unit.	In compliance with the CSR Best Practice Principles.

Evaluation Criteria	Implementation Status			Differences with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies (“CSR Best Practice Principles”) and Reasons
	Yes	No	Summary Description	
2. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	✓		The general manager's office of the Company has a social responsibility charity group that actively organizes the development of various public welfare activities and hopes to use the "good corporate citizen" style to give back to the society with heart. The board of directors also authorizes the relevant regulations, and regularly reports to the directors (including independent directors) on their implementation.	In compliance with the CSR Best Practice Principles.
3. Environmental issues (1) Whether the Company has established proper environmental management systems based on the characteristics of their industries?	✓		(1) Besides carrying out reuse sorting, recycling, reduction and reutilization in support of government policies and environmental hygiene regulations, the Company also carries out energy measurement and statistics in waste management. At the same time, the Company provides personnel performing energy statistics work with professional training to hone their skills and knowledge and make sure all energy statistics generated are true, clear and accurate. The Company conducts regular maintenance check of electric equipment and major energy-consuming equipment to prevent tripping, fuming, dripping, leakage and malfunction, thereby enhancing the energy efficiency. In the efforts to reduce environmental load, the Company has retired 14 units of fuel crucible furnace and replace them with electric furnace to improve energy efficiency and reduce the emission of sulfur dioxide and other pollutants.	In compliance with the CSR Best Practice Principles.

Evaluation Criteria	Implementation Status			Differences with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies (“CSR Best Practice Principles”) and Reasons
	Yes	No	Summary Description	
(2) Whether the Company has endeavored to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment?	✓		(2) The Company conducts regular maintenance check of electric equipment and major energy-consuming equipment to prevent tripping, fuming, dripping, leakage and malfunction, thereby enhancing the energy efficiency. In the efforts to reduce environmental load, the Company continuously encourage employees to make proposals to improve resource use efficiency.	In compliance with the CSR Best Practice Principles.
(3) Whether the Company has monitored the impact of climate change on its operations and should establish company strategies for energy conservation and carbon and greenhouse gas reduction?	✓		(3) Based on its responsibility for environmental protection, the company continues to pay attention to the trend of climate change, assess the potential risks and opportunities of climate change on the company's present and future, such as the impact of wind disasters, floods and drought on production capacity, etc., and incorporate it into risk management. The company actively promotes energy conservation Reduce carbon, install solar power generation equipment, support the development of renewable energy, reduce carbon emissions, and plan to reduce it by 1% per year.	In compliance with the CSR Best Practice Principles.
(4) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?			(4) The company sets improvement goals, specific measures such as replacing energy-saving lamps, replacing old-style air-conditioning as energy-saving models, and installing solar green power generation equipment, etc. The company built water-saving devices and posted water-saving signs to increase the amount of rainwater storage and recycling (storage flow of 4,000 cubic meters) and process water recycling (saving about 5,000	In compliance with the CSR Best Practice Principles.

Evaluation Criteria	Implementation Status			Differences with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies (“CSR Best Practice Principles”) and Reasons
	Yes	No	Summary Description	
			cubic meters of water per year). The Company also widely promotes energy conservation and environmental protection laws and knowledge, enhances employees' awareness and responsibility for energy conservation and environmental protection, and formulates energy conservation work goals, starting from four aspects: production planning, technical transformation, management statistics, and job site publicity and education.	
4. Social issues (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(1) The Company abides by the local labor laws and regulations by paying labor and health insurance premiums, pensions, social and medical insurance, and makes contribution to housing provident fund to protect the basic rights of an employee. The Company's related regulations of appointment and dismissal of employees, payroll and procedures to be followed, salary and human resources management are set in accordance with the relevant regulations.	In compliance with the CSR Best Practice Principles.
(2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?			(2) The company has entered into and implemented reasonable employee welfare measures, including the formulation of "M/T-level Standards and Regulations", and the corresponding remuneration range is divided according to employees' positions. Holiday gifts are distributed on specific holidays every year (such as the Dragon Boat Festival and Mid-Autumn Festival, etc.) In addition, the company has also formulated the "Performance Bonus Management Operation Method." Quarterly performance	

Evaluation Criteria	Implementation Status			Differences with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies (“CSR Best Practice Principles”) and Reasons
	Yes	No	Summary Description	
(3) Whether the Company has provided safe and healthy work environments for its employees, and organizes training on safety and health for its employees on a regular basis?	✓		<p>bonuses are issued to employees who meet the qualifications according to the operation situation. The Company has a nursing room and provides protected parking spaces for pregnant female colleagues. The Company also employs people with physical and mental disabilities that are higher than the stipulated number.</p> <p>(3) The Company believes that only mentally and physically healthy employees could produce efficient and high-quality performance in work. Thus the Company endeavors to provide employees with a safe and healthy work environment. In the aspect of work safety, the Company carries out safety management in accordance with the machinery production safety standards and draws up a comprehensive safety management system to identify hazardous factors at work and undertake troubleshooting. Through continuous education, training and promotion, the Company develops employees with emergency response capability and raises their awareness to work safety. The Company also establishes prevention and tracking system for work injury to build a safe work environment in the hope to reduce the incidence of work-related accidents, thereby alleviating any adverse impact on Company assets and employee safety. The Company invests in improving production lines for die casting and surface treatment, and partly replaces some manual operations with machinery to reduce the possible impact of employees on the body during the</p>	In compliance with the CSR Best Practice Principles.

Evaluation Criteria	Implementation Status			Differences with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies (“CSR Best Practice Principles”) and Reasons
	Yes	No	Summary Description	
(4) Whether the Company has established an effective capacity development of career training program for employees?	✓		production process. Leisure activities are held by specially-assigned person and travels are arranged irregularly for employees. (4) The company establishes an annual employee training plan, and regularly conducts internal and external training for employees on the basis of their job functions and abilities.	In compliance with the CSR Best Practice Principles.
(5) Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?	✓		(5) To make sure customer complaints are handled and corrective and preventive actions are taken in a timely manner, the Company has set up a department to handle customer complaint and rigorously observes the internal after-sale service management rules in accepting, handling, and following up customer complaints and file related information afterwards. The Company also conducts consumer satisfaction survey to obtain valid customer feedback on services relating to delivery, service, quality, quantity and price, and use the information as important basis for improving the quality of after-sale service.	In compliance with the CSR Best Practice Principles.
(6) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.	✓		(6) The Company has supplier management approach, evaluate supplier social reputation into assessment, and if its products have environment prohibited substances unqualified, the company cannot proceed procurement.	In compliance with the CSR Best Practice Principles.

Evaluation Criteria	Implementation Status			Differences with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies (“CSR Best Practice Principles”) and Reasons
	Yes	No	Summary Description	
5. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?	✓		5. The Company's performance of corporate social responsibility is handled in accordance with the competent authorities and relevant laws and regulations. The company has set up a corporate social responsibility zone on the website to expose the actual operation on the Company's website.	The company expects to prepare the corporate social responsibility report for 2019 with reference to the internationally-prepared reporting standards in 2020.
6. If the Company has established its corporate social responsibility guidelines in accordance with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies (the “CSR Best Practice Principles”), describe the operational status and differences with the CSR Best Practice Principles: The Company had set up “Corporate Social Responsibility Best Practice Principles” and relevant rules.				
<p>7. Other important information to facilitate better understanding of the Company’s implementation of corporate social responsibility:</p> <p>The Company takes “Sunshine Action” and “Blue Student Aid Project” as its two main axes, continuously and actively organizes various charitable activities and promotes social public welfare undertakings.</p> <p>(1) "Sunshine Action" aims at the people's lives in areas where long-term relationship resources are scarce. Its projects include charitable activities, long-term care for poor families, condolences for donations, emergency relief and blood donations.</p> <p>a. Long-term care households of poor families: Funding poor families on a regular basis, about 290 families are cared for each month</p> <p>b. Condolences and donations: Regular donations to fund charities and disadvantaged groups; help improve the lives and solve the traffic problems of the rural residents and the students; rural hospital construction project to improve the medical level in poor areas and reduce the burden of patients on medical treatment; donation of two cloud ladder fire trucks for disaster relief and rescue.</p> <p>c. Emergency relief: Funding for surgery or diagnosis and treatment of patients with sudden illnesses and reconstruction of dangerous buildings damaged by disasters, assisting victims to rebuild their homes, and funding for other emergencies</p> <p>d. Others: Caring for vulnerable groups, celebrating Children's Day for more than 50 children from poor families, and respecting the elderly in Chongyang, offering warmth and blessings to 100 elderly people who are living in difficulties.</p> <p>(2) “The Blue Student Aid Project” aims to help poor students grow up healthily and complete their studies smoothly. It also promotes various charitable activities in primary and secondary schools and colleges. The main projects include: Student Aid Fund, Airtac Youmei Grants, Campus Teaching Equipment and Living Facilities Renovation, etc.</p> <p>a. Student Aid Fund: Sustained funding for single mothers, unemployed women, poor students and severely ill children</p> <p>b. Airtac Youmei Grants: About 1,600 poor students from 10 universities have been financed for a long time to complete their studies, and some students have been financed to carry out social practice public welfare activities during the winter and summer vacations.</p>				

Evaluation Criteria	Implementation Status			Differences with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies (“CSR Best Practice Principles”) and Reasons
	Yes	No	Summary Description	
7. The Company’s product or corporate social responsibility report that has passed the examination of a certification institution: None.				

3.3.6 Fulfillment of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation criteria	Implementation Status			Differences with Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Ye	No	Summary Description	
1. Establishment of ethical corporate management policies and programs (1) Does the company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?	✓		(1) The Board of Directors passed the Company's “Ethical Corporate Management Best-Practice Principles”. Each operation center is supposed to implement the related policy. The internal audit department is responsible for supervision annually.	In compliance with the Ethical Corporate Management Best Practice Principles.
(2) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles	✓		(2) The Company’s Ethical Corporate Management Best-Practice Principles have specified in detail that the company’s directors, managers and all employees are prohibited from engaging in high level of dishonesty behavioral risk business activities in Article 7, paragraph 2 or other business scope of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”.	In compliance with the Ethical Corporate Management Best Practice Principles.

Evaluation criteria	Implementation Status			Differences with Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Ye	No	Summary Description	
for TWSE/TPEX Listed Companies?				
(3) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?	✓		(3) The Company's "Ethical Corporate Management Best-Practice Principles" and Employee's Handbook has clearly specified the punishments against law breaking, offering and accepting bribes, offering or accepting unreasonable gifts or hospitality, or other inappropriate benefits with clear channels of appeal, and trainings of related principles are carried out for employees.	In compliance with the Ethical Corporate Management Best Practice Principles.
2. Implementation of ethical corporate management (1) Whether the Company has assessed the integrity of the record of counterparties, and entered into contracts with counterparties with the terms of integrity act provisions.	✓		(1) The Company has set Supplier Management Measures, if there are any doubts about the credibility of the supplier, cannot make purchases. The Company's Supplier Agreement states that all suppliers shall not offer bribes to the employees of the Company. The Company will pursue responsibilities and terminate the business relationship with the bribing supplier.	In compliance with the Ethical Corporate Management Best Practice Principles.
(2) Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?	✓		(2) The Company's general manager's office plans to promote the establishment of integrity management policies and plans to prevent dishonesty, and the internal auditor will supervise the implementation of the situation, and regularly report the implementation to the board of directors.	In compliance with the Ethical Corporate Management Best Practice Principles.

Evaluation criteria	Implementation Status			Differences with Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Ye	No	Summary Description	
(3) Whether the Company has set up and implement policies to prevent conflict of interests and providing channels to report such conflict.	✓		(3) The Company's Employee Handbook requires relevant personnel not to benefit themselves, prevent conflicts of interest. Use various meetings to communicate and convey the entrepreneurial spirit of integrity management.	In compliance with the Ethical Corporate Management Best Practice Principles.
(4) Whether the Company has built an effective accounting system and internal control system to carry out ethical corporate management, with internal auditors auditing the process or to engage a certified public accountant to carry out the audit.	✓		(4) The Company has established an effective accounting system and internal control system. In addition, internal auditors schedule regular audits according the level of risks. The internal audit unit has periodically examined the Company's compliance with the accounting systems and internal control systems, and has engaged a certified public accountant to carry out the audit.	In compliance with the Ethical Corporate Management Best Practice Principles.
(5) Whether the Company has periodically organized internal and external training for integrity management.	✓		(5) The company has developed an Employee Handbook that requires employee integrity, and is listed as employee induction and on-the-job training content.	In compliance with the Ethical Corporate Management Best Practice Principles.
3. Operating situation of whistle-blowing system (1) Whether the Company has adopted a concrete whistle-blowing system, established a convenient whistle-blowing channel and dedicated appropriated personnel appointed to handle the objects.	✓		(1) The reporting channels include mailboxes and internal communication software for employee complaints to senior managers (e.g. CEO, GM of each subsidiary). If any violation is found, the responsible department will conduct investigation with punishment being meted in accordance with the severity of the offense.	In compliance with the Ethical Corporate Management Best Practice Principles.
(2) Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?	✓		(2) The Company has appointed dedicated unit to handle related affairs and confidentiality of the identity of whistle-blowers and the content of reported cases.	In compliance with the Ethical Corporate Management Best Practice Principles.
(3) Does the company provide proper whistleblower protection?	✓		(3) The Company has adopted measures for protecting whistle-blowers from inappropriate disciplinary actions due to their	In compliance with the Ethical Corporate Management Best Practice Principles.

Evaluation criteria	Implementation Status			Differences with Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and Reasons													
	Ye	No	Summary Description														
			whistle-blowing.														
4. Strengthening information disclosure (1) Whether the Company has disclosed related information on ethical corporate management on the Company's website and Market Observation Post System.	✓		(1) The Company's business culture, operating policies are posted on the Company's website and are duly updated; Disclosing related information on ethical corporate management on the Company's website.	In compliance with the Ethical Corporate Management Best Practice Principles.													
5. Should the Company promulgate its own ethical corporate management principles in accordance with the "Ethical Corporate Management for TWSE/GTSM-listed Companies", describe differences between real practices and the principles established: None.																	
6. Other important information to facilitate understanding of the Company's implementation of ethical corporate management practices:																	
(1) The Handbook for the Meeting of Board of Directors of the Company states if any director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter.																	
(2) The Internal Trading Prevention Policy of the Company states that employees shall not reveal or ask related colleague for internal major information of the Company.																	
(3) The Company's "Rules of Business Integrity" has been implemented after the Board of Directors through the implementation, any amendments thereto in the same fashion.																	
(4) The training courses that the Company's financial supervision participated as follows:																	
<table border="1"> <thead> <tr> <th>Position</th><th>Name</th><th>Date</th><th>Training Course</th><th>Hours</th></tr> </thead> <tbody> <tr> <td>CFO</td><td>Tsao, Yung-Hsiang</td><td>November 21, 2019 ~November 22, 2019</td><td>Accounting Supervisor Continuing Education Course</td><td>12</td></tr> </tbody> </table>					Position	Name	Date	Training Course	Hours	CFO	Tsao, Yung-Hsiang	November 21, 2019 ~November 22, 2019	Accounting Supervisor Continuing Education Course	12			
Position	Name	Date	Training Course	Hours													
CFO	Tsao, Yung-Hsiang	November 21, 2019 ~November 22, 2019	Accounting Supervisor Continuing Education Course	12													
(5) The training courses that the Company's internal audit participated as follows:																	
<table border="1"> <thead> <tr> <th>Position</th><th>Name</th><th>Date</th><th>Training Course</th><th>Hours</th></tr> </thead> <tbody> <tr> <td rowspan="2">Internal Auditor</td><td rowspan="2">Chiang, Hsin-Chih</td><td>April 25, 2019</td><td>Legal self-preservation: how to face investigation and trial procedures</td><td>6</td></tr> <tr> <td>April 26, 2019</td><td>Practice of auditing subsidiaries</td><td>6</td></tr> </tbody> </table>					Position	Name	Date	Training Course	Hours	Internal Auditor	Chiang, Hsin-Chih	April 25, 2019	Legal self-preservation: how to face investigation and trial procedures	6	April 26, 2019	Practice of auditing subsidiaries	6
Position	Name	Date	Training Course	Hours													
Internal Auditor	Chiang, Hsin-Chih	April 25, 2019	Legal self-preservation: how to face investigation and trial procedures	6													
		April 26, 2019	Practice of auditing subsidiaries	6													

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

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

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

3.3.9 Status of the execution of Internal Control Systems

1.Statement of Internal Controls

AirTAC International Group

Statement of Internal Controls

January 17, 2020

The Company states the following with regard to its internal control systems for 2019 based on the results of self-evaluation:

1. The Company is fully aware that the establishment, implementation, and maintenance of the internal control systems are the responsibility of the board of directors and management. The purpose is to make sure the target achieved and reasonable assurance on business operation effects/efficiency (profits, performance and asset security), reliable, timely, transparent reports in accordance with the related statements & laws.
2. An internal control system has its inherent limitations. No matter how perfect is its design, an effective internal control system can only provide reasonable assurance for the attainment of the three goals described above. Moreover, the effectiveness of internal control systems could change along with the changes in environment and circumstances. However the Company's internal control system is equipped with the function of self-monitoring, that the Company will take immediate action once a deficiency is identified.
3. The Company determines whether the design and implementation of its internal control systems are effective based on the criteria provided in the *Regulations Governing Establishment of Internal Control Systems by Public Companies* (referred to as the "Governing Regulations" hereunder). Said criteria divide internal control into five elements based on the process of management control: 1. Control Environment, 2. Risk Assessment and Response, 3. Control Operation, 4. Information and Communication, and 5. Supervision. Each element contains several items. Please refer to the Governing Regulations.
4. The Company has evaluated the validity of the design and implementation of its internal control systems based on the aforesaid criteria.
5. Based on the results of aforementioned evaluation, it is found that the internal control systems of the Company for the year ended December 31, 2018 (including the supervision and management of subsidiaries) was effective in design and implementation, that it reasonably assures the accomplishment of aforesaid goals. The understanding of the achieved results of the internal control system design and execution works that business operation effects/efficiency, reliable, timely, transparent reports in accordance with the related statements & laws and reasonably ensure the above targets to meet.
6. This Statement shall become a major part of the Company's annual report and be made public. Any false representation or concealment in this Statement shall be subjected to legal consequences as stipulated in Articles 20, 32, 171 and 174 of the *Securities and Exchange Act*.
7. This statement has been passed by the Company's board of directors in a meeting held on January 17, 2020, where all of the nine attending directors have agreed to the contents of this statement.

AirTAC International Group

Chairman: Wang, Shih-Chung

General Manager: Wang, Shih-Chung

- 2.If a CPA was engaged to examine the internal control systems, disclose the CPA examination report: None.

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

3.3.11 Major resolutions and execution of the shareholders' meetings in the most recent year and as the date of the publication of the annual report:

Date	Major resolutions of the shareholders' meetings	Status of the execution
June 21, 2019	1. Adoption of the Company's Operation and Business Report and Consolidated Financial Statements for the year 2018.	Approved
	2. Adoption of the proposal for earnings distribution for the year 2018.	Approved and executed according to the resolution of the shareholders meeting. It resolve that the cash dividend is CNY \$219,268,998 (CNY \$1.16 per share) and the dividend payment date is on October 4, 2019.
	3. Election of the directors (including independent directors) of the fifth term of the Company.	Approved. Nine directors were elected) including 3 independent directors) and the term of such directors shall commence from June 21, 2019 to June 20, 2022.
	4. The amendments to the Amended and Restated Memorandum and Articles of Association of the Company.	Approved and disclosed on the Company's website.
	5. The amendments to the "Guideline for Lending Funds to Others" of the Company.	Approved and disclosed on the Company's website.
	6. The amendments to the "Guidelines for Acquisition and Disposal of Assets" of the Company.	Approved and disclosed on the Company's website.
	7. The amendments to the "Guideline for Engaging in Derivatives Transactions" of the Company.	Approved and disclosed on the Company's website.
	8. Release the directors of the fifth term from non-competition restrictions.	Approved

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

Date	Important resolutions adopted in board of directors meetings
January 14, 2019	1. Approve the 2019 consolidated financial budget of the Company and its subsidiaries and the business report. 2. Approve the Company's ratio of profit distributable to the employees as compensation for the year 2019. 3. Approve the statement on internal control systems of the Company as of Dec. 31, 2018. 4. Approve the amendments to the "Guideline for Lending Funds to Others" of the Company. 5. Approve the purchase of directors' liability insurance.
March 14, 2019	1. Approve the business report and the consolidated financial statements of the Company and its subsidiaries for 2018. 2. Approve the Company's profit distributable to the employees as

Date	Important resolutions adopted in board of directors meetings
	<p>compensation for 2018.</p> <p>3. Approve the Company's earning distribution for 2018.</p> <p>4. Approve the election of the directors (including independent directors) of the fifth term of the Company.</p> <p>5. Approve the release from the prohibition on the directors of the fifth term from participation in competing business.</p> <p>6. Approve the amendments to the Amended and Restated Memorandum and Articles of Association (the "M&A") of the Company.</p> <p>7. Approve the amendments to the "Guidelines for Acquisition and Disposal of Assets" and the "Guideline for Engaging in Derivatives Transactions" of the Company.</p> <p>8. Approve the date, venue, record date for book-closed period, and meeting agenda of the 2019 annual general meeting of the shareholders of the Company.</p>
May 2, 2019	<p>1. Approve the consolidated financial statements of the Company and its subsidiaries for the first quarter of 2019.</p> <p>2. Approve the amendments to the "Guideline for Lending Funds to Others" of the Company.</p> <p>3. Approve the review of nominee qualification of independent director of the Company.</p>
June 21, 2019	Elect a Chairman of the Board of the Company.
July 8, 2019	<p>1. Approve the record date for the 2018 Earnings Distribution Plan and relevant matters of the Company.</p> <p>2. Approve amendments of the ratio of profit distributable to the employees as compensation for 2019 of the Company.</p> <p>3. Approve to appoint three independent directors of the Company as the members of the Remuneration Committee.</p>
August 8, 2019	Approve the consolidated financial statements of the Company and its subsidiaries for the second quarter of 2019.
November 11, 2019	<p>1. Approve the change of Certified Public Accountant of Deloitte & Touche.</p> <p>2. Approve the consolidated financial statements of the Company and its subsidiaries for the third quarter of 2019.</p> <p>3. Approve the 2020 audit plan of the Company.</p> <p>4. Approve the evaluation of the independence and the competence of the Certified Public Accountant for the audit of the financial statement of the Company.</p>
January 17, 2020	<p>1. Approve the 2020 consolidated financial budget of the Company and its subsidiaries and the business report.</p> <p>2. Approve the Company's ratio of profit distributable to the employees as compensation for the year 2020.</p> <p>3. Approve the statement on internal control systems of the Company as of December 31, 2019.</p> <p>4. Approve the purchase of directors' liability insurance.</p> <p>5. Approve the amendments to the "Remuneration Committee Charter" of the Company.</p>
March 12, 2020	<p>1. Approve the change of Certified Public Accountant of Deloitte & Touche.</p> <p>2. Approve the business report and the consolidated financial statements of the Company and its subsidiaries for 2019.</p> <p>3. Approve the Company's profit distributable to the employees as compensation for 2019.</p> <p>4. Pass the amendments to the Amended and Restated Memorandum and Articles of Association (the "M&A") of the Company.</p> <p>5. Approve the date, venue, record date for book-closed period, and meeting agenda of the 2019 annual general meeting of the shareholders of the Company.</p>

Date	Important resolutions adopted in board of directors meetings
	Company.
May 11, 2020	1. Approve the consolidated financial statements of the Company and its subsidiaries for the first quarter of 2020. 2. Approve the Company's earning distribution for 2019.

3.3.13 Different opinions of directors or supervisors on record or in written statement on major resolutions approved by the board of directors in the recent year and as of the date of the publication of the annual report: None.

3.3.14 Information on persons in connection with the Company

1. Statement of resignations/dismissals (including chairman, president, accounting chief, financial chief, internal chief auditing and R&D chief) in the recent year and as of the date of the publication of the annual report: None
2. Certifications obtained by the persons in connection with the disclosure of financial information

Certificate	Number of people	
	Internal audit	Financial
CPA	0	5
CICPA	0	3
CIA	0	0

3.4 Information on CPA Fees

3.4.1 CPA fees information

Name of accounting firm	Name of CPA		Audit period	Remark
Deloitte & Touche	Chih, Jui-Chuan	Kuo, Nai-Hua	2019.1.1~2019.6.30	Due to internal job adjustment at Deloitte & Touche
	Lee, Li-Huang	Chih, Jui-Chuan	2019.7.1~2019.9.30	
	Chih, Jui-Chuan	Chen, Hui-Min	2019.10.1~2019.12.31	

Monetary unit: NT\$ Thousand

Item of fee Amount bracket		Auditing fees	Non-auditing fees	Total
1	<\$2,000,000	—	V	—
2	\$2,000,000 (inclusive)~\$4,000,000	V	—	V
3	\$4,000,000 (inclusive)~\$6,000,000	—	—	—
4	\$6,000,000 (inclusive)~\$8,000,000	—	—	—
5	\$8,000,000 (inclusive)~\$10,000,000	—	—	—

6	>\$10,000,000 (inclusive)	—	—	—
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3.4.2 Mandatory disclosure of the auditing and non-auditing fees and the contents of non-auditing service of CPAs, their accounting firms, and affiliates whose non-auditing fee exceeds one fourth of the auditing fee: None.

Monetary unit: NT\$ Thousand

Name of accounting firm	Name of CPA	Auditing fee	Non-audit fees					Audit period	Remark
			System design	Business registration	Human resources	Others	Subtotal		
Deloitte & Touche	Chih, Jui-Chuan Chen, Hui-Min	2,000	—	—	—	590	590	2019.1.1~ 2019.12.31	Note

Note: The aforesaid CPA fees do not include fees of RMB \$1,835 thousand which included RMB 200 thousand of fees for transfer pricing analysis (equivalent to NTD \$7,900 thousand according to the exchange rate of 4.305 at the end of 2019) paid to Deloitte Touche Tohmatsu in China in 2019. Other non-audit fees refer to the fees to provide transfer pricing reports.

3.4.3 Replacement of accounting firm and the auditing fee for the replacement year decreases from the previous year which requires mandatory disclosure of the auditing fees of the two years and provision of reasons: None.

3.4.4 Auditing fee decrease over 15% from the previous year: None.

3.5 Information on Replacement of CPA:

3.5.1 Regarding the former CPA

Replacement Date	(1)November 11, 2019 (2) March 12, 2020		
Replacement reasons and explanations	Due to internal job adjustment at Deloitte & Touche (1) The current engagement partner Kuo, Nai-Hua was replaced by Lee, Li-Huang. (2) The current engagement partner Lee, Li-Huang was replaced by Chen, Hui-Min.		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties		CPA
	Status	The Company	
	Termination of appointment	Not available	
	No longer accepted (continued) appointment	Not available	
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the company	Yes	-	Accounting principles or practices
		-	Disclosure of Financial Statements
		-	Audit scope or steps
		-	Others
	None	✓	

	Remarks/specify details:
Other Revealed Matters	None

3.5.2 Regarding the successor CPA

Name of accounting firm	Deloitte & Touche
Name of CPA	(1)Lee, Li-Huang and Chih, Jui-Chuan (2)Chih, Jui-Chuan and Chen, Hui-Min
Date of appointment	(1)Approved by BOD on November 11, 2019 (2)Approved by BOD on March 12, 2020
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

3.5.3 The Reply of Former CPAs on Article 10.5.1 and Article 10.5.2.3 of the Standards: None.

3.6 Chairman, Presidents, and Financial or Accountant Managers Who Served at the Accounting Firm of the CPAs or Its Affiliates in the Most Recent Year: None.

3.7 Changes in Shareholding Transfer or Shareholding Pledge by Directors, Supervisors, or Managers, and Major Shareholders in the Most Recent Year and as of the Date of the Publication of the Annual Report:

3.7.1 Changes in shareholding transfer by directors, supervisors, or managers, and major shareholders (the Company does not have supervisors)

Unit: shares

Title	Name	2019		As of April 25, 2020	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
Chairman & GM	Wang, Shih-Chung	—	—	—	—
Director & GM	Lan, Shun-Cheng	—	—	—	—
Director	Wang, Hai-Ming	—	—	—	—
GM of Mainland China Business Group	Li, Huai-Wen	—	—	—	—
Director & CFO	Tsao, Yung-Hsiang	—	—	10,000	—
Director	Chen, Jui-Lung	50,000	—	—	—
Independent Director	Leong Kam Son	—	—	—	—

Title	Name	2019		As of April 25, 2020	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
Independent Director	Renn, Jyh-Chyang	—	—	—	—
Independent Director	Lin, Yu-Ya	—	—	—	—
Senior Manager of AIRTAC Taiwan	Liu, Jia-Bin	(1,000)	—	(19,000)	—
GM of AirTAC Jiangsu	Xu, Guan-Hua	—	—	—	—
Vice GM of AirTAC Guangdong	Huang, Yao-De	—	—	—	—
Vice GM of R&D Center and executive vice GM of AirTAC Taiwan	Hsiao, Yu-Chien	—	—	—	—
Deputy Sales GM of AirTAC China	Zhang, Xian-Ming	—	—	—	—
Deputy Sales GM of AirTAC China	Zhou, Hong-Yuan	—	—	—	—
Deputy Sales GM of AirTAC China	Dai, Jia-Xing	—	—	—	—
Chief Audit Officer	Chiang, Hsin-Chih	(200)	—	—	—
10% shareholder	Ding Kan Investment Ltd.	—	1,000,000	—	10,030,000

Note 1: Liu, Jia-Bin had resigned on December 31, 2019.

Note 2: Xu, Guan-Hua had resigned on January 31, 2019.

Note 3: Zhou, Hong-Yuan had resigned on April 30, 2019.

3.7.2 The counterparty of share transfer is a related party: None.

3.7.3 The counterparty of share pledge is a related party: None.

3.8 Information Disclosing the Relationship of the Top Ten Shareholders Who Are Related Parties According to Financial Accounting Criteria No.6:

Unit: shares; April 25, 2020

Name	Own shareholding		Shareholding of spouse and Shares held by spouse and minor children		Shares held in other's name		The title or name and relationship of top ten shareholders if they are a related party as defined in the Statement of Financial Accounting Standards No. 6, or the spouse or a relative within the second degree of kinship to another		Remark
	Shares	%	Shares	%	Shares	%	Title (name)	Relationship	
Ding Kan Investment Ltd. Chairman: Wang, Shih-Chung	27,902,495	14.76%	—	—	—	—	Proud Unit Company Ltd./Lin, Shu-Mei	Similar shareholding structure / Spouse of a Director	Note
YHZ Ltd. Chairman: Wang, Hai-Ming	11,546,180	6.11%	—	—	—	—	—	—	Note
Express Brilliant Ltd. Chairman: Lan, Shun-Cheng	10,000,000	5.29%	—	—	—	—	Lan, Shun-Cheng	Director	Note
Fubon Life Insurance Co., Ltd. Chairman: Tsai, Ming-Hsing	7,701,537	4.07%	—	—	—	—	—	—	None
Chen, Jui-Lung	5,248,753	2.78%	—	—	—	—	—	—	None
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Saudi Arabian Monetary Authority	5,033,250	2.66%	—	—	—	—	—	—	None
Lin, Shu-Mei	4,877,162	2.58%	—	—	—	—	Ding Kan Investment Ltd./ Proud Unit Company Ltd.	Spouse of a Director	None
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Stichting Depository APG Emerging Markets Equity Pool	3,945,000	2.09%	—	—	—	—	—	—	None
Lan, Shun-Cheng	3,470,000	1.84%	—	—	—	—	Express Brilliant Ltd.	Director	None
Proud Unit Company Ltd. Chairman: Wang, Shih-Chung	3,273,769	1.73%	—	—	—	—	Ding Kan Investment Ltd./ Lin, Shu-Mei	Similar shareholding structure / Spouse of a Director	Note

Note: All are trust accounts.

3.9 The Amount of Shares and Total Share of Stake in the Same Invested Company Owned by the Company, Directors, Supervisors, Managers of the Company, and the Enterprises Directly or Indirectly Controlled by the Company.

Unit: shares; %

Investment	Investment by the Company		Investment by directors, supervisors, managers and companies controlled directly or indirectly by the Company		Total investment	
	Shares	%	Shares	%	Shares	%
Airtac Industrial (Hong Kong) Limited	136,964,530	100%	—	—	136,964,530	100%
Airtac Trading (Hong Kong) Limited	7,000,000	100%	—	—	7,000,000	100%
Instant Reach International Limited	1	100%	—	—	1	100%
Airtac Holding (Singapore) Pte. Ltd.	17,000,000	100%	—	—	17,000,000	100%
Ningbo AirTAC Automatic Industrial Co.	Note	100%	—	—	Note	100%
Guangdong AirTAC Automatic Industrial Co.	Note	100%	—	—	Note	100%
AirTAC (China) Co., Ltd.	Note	100%	—	—	Note	100%
AirTAC (Jiangsu) Automation Co., Ltd.	Note	100%	—	—	Note	100%
AirTAC Industrial Co.	69,435	69.435%	—	—	69,435	69.435%
ATC(ITALIA)S.R.L	4,000,000	100%	—	—	4,000,000	100%
Airtac International (Singapore) Pte. Ltd.	12,500,000	100%	—	—	12,500,000	100%
Airtac Co., Ltd.	2,000	100%	—	—	2,000	100%
AIRTAC USA CORPORATION	3,000	100%	—	—	3,000	100%
Airtac Industrial (Malaysia) Sdn. Bhd.	1,000,000	100%	—	—	1,000,000	100%
Airtac Industrial Co., Ltd. (Thailand)	1,000,000	100%	—	—	1,000,000	100%
Guangdong AirTAC Intelligent Equipment Co., Ltd.	Note	100%	—	—	Note	100%
Airtac (Tianjin) Intelligent Technology Co., Ltd.	Note	100%	—	—	Note	100%
AirTAC (Fujian) Intelligent Equipment Co. Ltd.	Note	100%	—	—	Note	100%

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

3.10 The Procedure of Dealing with Corporate Key Information

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

4. Capital Overview

4.1 Capital and Shares

4.1.1 Sources of capital

1. Types of shares

April 25, 2020; Unit: shares

Type of shares	Registered capital			Remark
	Outstanding shares	Unissued shares	Total	
Registered common shares	189,024,998	10,975,002	200,000,000	Listed stocks

2. Capital formation

Unit: \$/ Share

Year/ Month	Issuing Price	Authorized capital		Paid-in capital		Remark		
		Shares	Amount	Shares	Amount	Sources of capital	Capital Increased by Assets other than Cash	Others
2009.09	US\$ 1	20,000,000	US\$ 20,000,000	1	US \$ 1	Capitalization by cash	—	—
2009.10	US\$ 1	20,000,000	US\$ 20,000,000	2	US \$ 2	—	Long-term Investment	—
2009.12	US\$ 1	20,000,000	US\$ 20,000,000	3	US \$ 3	—	Long-term Investment	—
2009.12	US\$ 1	20,000,000	US\$ 20,000,000	19,999,996	US \$ 19,999,996	Capitalization of capital surplus	—	—
2010.04	NTD 10	200,000,000	2,000,000,000	64,699,999	NTD 646,999,990	(1) The originally authorized capital of US\$20,000,000 is changed to NTD 2,000,000,000. (2) Originally issued USD\$20, 000,000 capital is converted to NTD 647,000,000.	—	Note 1
2010.06	NTD 10	200,000,000	2,000,000,000	132,999,998	NTD 1,329,999,980	Capitalization of capital surplus in the amount of NTD 683,000,000.	—	Note 2
2010.12	NTD 10	200,000,000	2,000,000,000	149,999,998	NTD 1,499,999,980	Issuance of new shares in the amount of NTD170,000,000 for capitalization.	—	Note 3
2013.06	NTD 10	200,000,000	2,000,000,000	160,499,998	NTD 1,604,999,980	Capitalization of earnings in the amount of NTD 105,000,000.	—	Note 4
2013.11	NTD 10	200,000,000	2,000,000,000	170,499,998	NTD 1,704,999,980	Issuance of new shares in the amount of NTD100,000,000 for Capitalization in cash.	—	Note 5
2015.06	NTD 10	200,000,000	2,000,000,000	179,024,998	NTD 1,790,249,980	Capitalization of earnings in the amount of NTD 85,250,000.	—	Note 6
2017.08	NTD 10	200,000,000	2,000,000,000	189,024,998	NTD 1,890,249,980	Issuance of new shares in the amount of NTD100,000,000 for Capitalization in cash.	—	Note 7

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

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

Note 3: Capitalization of issuing new shares for cash had been approved in shareholders' meeting held on 2010.06.29.

Note 4: Capitalization of earnings had been approved in shareholders' meeting held on 2013.05.22.

Note 5: Capitalization of issuing new shares for cash had been approved in shareholders' meeting held on 2013.05.22.

Note 6: Capitalization of earnings had been approved in shareholders' meeting held on 2015.05.28.

Note 7: Capitalization of issuing new shares for cash had been approved by board of directors' meeting held on 2017.03.29.

3. Information of Shelf Registration: None.

4.1.2 Shareholder structure

April 25, 2020; Unit: Shares

Amount \ Makeup of shareholders	Government institutions	Financial institutions	Other institutions	Individuals	Foreign institutions and foreigners	Total
Number of Shareholders	-	10	110	2,023	685	2,828
Shareholding	-	10,950,537	10,265,302	24,249,480	143,559,679	189,024,998
Shareholding ratio (%)	-	5.79%	5.43%	12.83%	75.95%	100.00%

Note 1: Calculated based on capital after issue of new shares for cash capital increase approved in the board of directors held on 2017.03.29.

Note 2: China investors own 6.53% of stocks.

4.1.3 Distribution of shareholding

1. Common Shares

April 25, 2020; unit: shares

Classification of shareholding	Number of shareholders	Shareholding	Shareholding ratio (%)
1 ~ 999	733	77,965	0.04%
1,000~ 5,000	1,332	2,181,743	1.15%
5,001~ 10,000	158	1,200,835	0.64%
10,001~ 15,000	82	1,035,712	0.55%
15,001~ 20,000	59	1,066,861	0.56%
20,001~ 30,000	66	1,686,742	0.89%
30,001~ 40,000	59	2,067,288	1.09%
40,001~ 50,000	38	1,754,615	0.93%
50,001~ 100,000	91	6,720,326	3.56%
100,001~ 200,000	65	8,952,637	4.74%
200,001~ 400,000	69	19,368,516	10.25%
400,001~ 600,000	25	12,192,455	6.45%
600,001~ 800,000	16	11,004,575	5.82%
800,001~ 1,000,000	6	5,531,340	2.93%
>1,000,001	29	114,183,388	60.40%
Total	2,828	189,024,998	100.00%

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

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

April 25, 2020; Unit: shares

Shareholding Name of major shareholder	Total shares held	Percentage of ownership
Ding Kan Investment Ltd.	27,902,495	14.76%
YHZ Ltd.	11,546,180	6.11%
Express Brilliant Ltd.	10,000,000	5.29%
Fubon Life Insurance Co., Ltd.	7,701,537	4.07%
Chen, Jui-Lung	5,248,753	2.78%
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Saudi Arabian Monetary Authority	5,033,250	2.66%
Lin, Shu-Mei	4,877,162	2.58%
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Stichting Depositary APG Emerging Markets Equity Pool	3,945,000	2.09%
Lan, Shun-Cheng	3,470,000	1.84%
Proud Unit Company Ltd.	3,273,769	1.73%

4.1.5 Information on market price, net worth per share, earnings, dividends and related matters in the most recent fiscal two years:

Unit: NTD; 1,000 shares

Year		2018	2019
Item			
Market price per share	High	621.00	472.00
	Low	216.50	276.00
	Average	398.67	373.86
Net worth per share	Basic	90.46	96.18
	Diluted	85.41	(Note 1)
Earnings per share	Weighted average shares	189,025	189,025
	Earnings per share	15.02	14.42
Dividends per share	Cash dividend	5.05412	4.75617(Note 1)
	Stock dividend	—	—
		—	—
	Accumulated unpaid dividend (Note 2)	—	—
Analysis for return on investment	Price-earnings ratio (Note 3)	26.54	25.93
	Price-dividend ratio (Note 4)	78.88	78.61
	Cash dividend yield (Note 5)	1.27%	1.27%

Note 1: The actual amount of 2019 earnings distribution will be subject to the amount of NTD cash dividends received by the shareholder agency.

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

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

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

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

4.1.6 Dividend policy and the status of implement:

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

According to the Company's amended Articles of Association passed in general shareholders' meeting held on June 21, 2019, the Company's Annual Net Income before tax and the distribution of the compensation of employees and directors, and offset its losses in previous years that have not been previously offset; the Company then shall set aside 1% to 3% of the profits proposed to be distributed, as compensation to employees of the Company, which may be distributed under an incentive program. A Director who also serves as an executive officer of the Company may receive a compensation in his/her capacity as an employee of the Company. The percentage of the distribution of compensation to employees and to Directors, and whether the distribution to employees shall be made by shares or cash, shall be approved by a majority of the Directors at a meeting attended by two-thirds or more of the total number of the Directors and the decision of the Directors shall be reported to the Members at the general meeting. The employees that are entitled to receive the shares or cash may include qualified employees of any Subsidiary of the Company. If there is any Annual Net Income (after tax) of the current fiscal year after final account, it shall first be used to offset its losses in previous years which have not been previously offset (include the adjusted amount of undistributed earnings); then a special capital reserve shall be set aside in accordance with the Applicable Public Company Rules or as requested by the authorities in charge. The board shall prepare and propose a profit distribution proposal to the shareholders' meeting for a dividend distribution of any surplus, plus the undistributed earnings (include the adjusted amount of undistributed earnings) to be resolved and adopted by the shareholders' meeting. Any balance left over may be distributed as Dividends in accordance with the Statute and the Applicable Public Company Rules, and after taking into consideration of the profits of the current year, current and future development plan, investment environment, funding requirements, the competition condition of domestic and foreign companies, as well as the shareholders' interest and the capital structure of the Company. Unless otherwise resolved by the Directors at the board meeting and the Members at the general meeting by an Ordinary Resolution, the amount of profits distributed to Members shall not be lower than 30% of the distributable surplus earnings generated from the current fiscal year and the amount of cash dividends distributed shall not be less than 10% of the profits proposed to be distributed of the current fiscal year.

2. Proposed dividend distribution for the year

According to the 2019 dividend distribution plan passed by the board of directors in meetings held on May 11, 2020, the Company will distribute cash dividends in the amount of RMB\$ 1.13 per share, equivalent to approximately NTD\$ 4.75617 per share.

4.1.7 The effects of stock dividends proposed by shareholders' meeting, on the operational performance and earning per share: None.

4.1.8 Employees' compensation and remuneration for directors and supervisors (the Company does not have supervisors):

1. Percentages and scope of employee compensation and remuneration for directors and supervisors provided in Company's Articles of Association:

The distribution of profits shall begin with the Company's Annual Net Income after tax and offset its losses in previous years that have not been previously offset; then set aside a statutory capital reserve or special capital reserve, if one is required, in accordance with the Applicable Public Company Rules or as requested by the authorities in charge; and then may set aside 1% to 3% of the profits proposed to be distributed, as bonus to employees of the Company. The Directors shall specify the exact percentages or amounts to be distributed as bonuses to employees in preparing the proposal for distribution of profits, and the Members may amend such proposal prior to its approval. A Director who also serves as an executive officer of the Company and/or its Subsidiaries may receive a bonus in his/her capacity as a Director and a bonus in his/her capacity as an employee. The distribution ratio for employee bonuses and remunerations to directors and whether employee bonus distributed by share or cash shall be approved by the resolution of directors' meeting, with above two-thirds attending directors and over a half of attending directors' agreement. The result of resolution shall be proposed in shareholders' meeting.

2. Accounting treatment for the difference between accrual and actual payment for employee compensation and remuneration for directors and supervisors:
 - (1) The Company's directors do not receive distribution of earnings.
 - (2) At the end of a fiscal year, significant changes in the amounts of employee bonus and remuneration to directors as decided by the board of directors will be recorded under the year's expense. If the amounts again change on the date earnings the earnings distribution plan is adopted in a shareholders' meeting, the difference will be treated as changes in accounting estimates and recorded in the year the shareholders adopt the resolution.
 - (3) If it is resolved in shareholders' meeting that employee compensation will be distributed in shares, the number of the employees' compensation will be determined by dividing the amount of the employees' compensation resolved by the closing price per share on the day immediately preceding the meeting of the Company's shareholders.
3. Information on proposal of the board of directors to issue employee bonus:
 - (1) Remuneration amount of employees and directors: Cash compensation for employees amounted to RMB 8,396,000.
 - (2) Earnings per share after the proposed payout of employee bonus and compensations for board directors and supervisors: Employee bonus expense has been provided in the 2019 financial statements, and earnings per share for the year are NTD 14.42 on such basis.

(3) The ratio of the proposed distribution of employee stock dividend payments to the total amount of the net income and employee bonus on the proprietary or individual financial statements : None.

4. Actual dividends for employee compensations and remuneration for board directors and supervisors of previous year: The earnings of 2018 were approved by the board of directors' meeting and shareholders' meeting held in 2019, and the employee compensations was RMB 17,027,000.

4.1.9 Repurchase of the bank's shares: None.

4.2 Issuance of Corporate Bonds: None.

4.3 Issuance of Preferred Shares: None.

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

4.5 Employee Stock Options: None.

4.6 Restricted Right Shares for Employees : None.

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

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

5. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

1. Main areas of business operations

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

2. Revenue breakdown by product

Unit: NT\$ thousands; %

Product	2018		2019	
	Amount	% of revenue	Amount	% of revenue
Actuator	7,488,128	48.00%	7,686,007	48.35%
Control components	3,724,588	23.87%	3,764,668	23.68%
Air preparation units	1,103,067	7.07%	1,099,980	6.92%
Others	3,284,960	21.06%	3,345,662	21.05%
Total	15,600,743	100.00%	15,896,317	100.00%

3. Main products (services)

Actuator (cylinder)	Standard cylinder, miniature cylinder, compact/ultra-compact cylinder, multi-mounting cylinder, twin rod and tri-rod cylinder, slide table cylinder, rodless cylinder, rotary table cylinder, air gripper, twist clamp cylinder, clamp cylinder, unclamping cylinder, stopper cylinder, accessories
Control components (valve)	Solenoid valve, air valve, manual control valve, mechanical control valve and other valve, fluid control valve
Air preparation unit	F.R.L. combination, FR.L. combination, filter & regulator, filter, regulator, lubricator, soft start-up valve, safe on-off valve, air distribution block, drain 、 pressure gauge
Accessories	Shock absorber, polyurethane tubing, fitting, silencer, speed controller
Sensor components	Standard digital pressure switches, minitype no display pressure switch, digital display magnetic sensor switch, CMS series sensor switch

4. New products (services) development

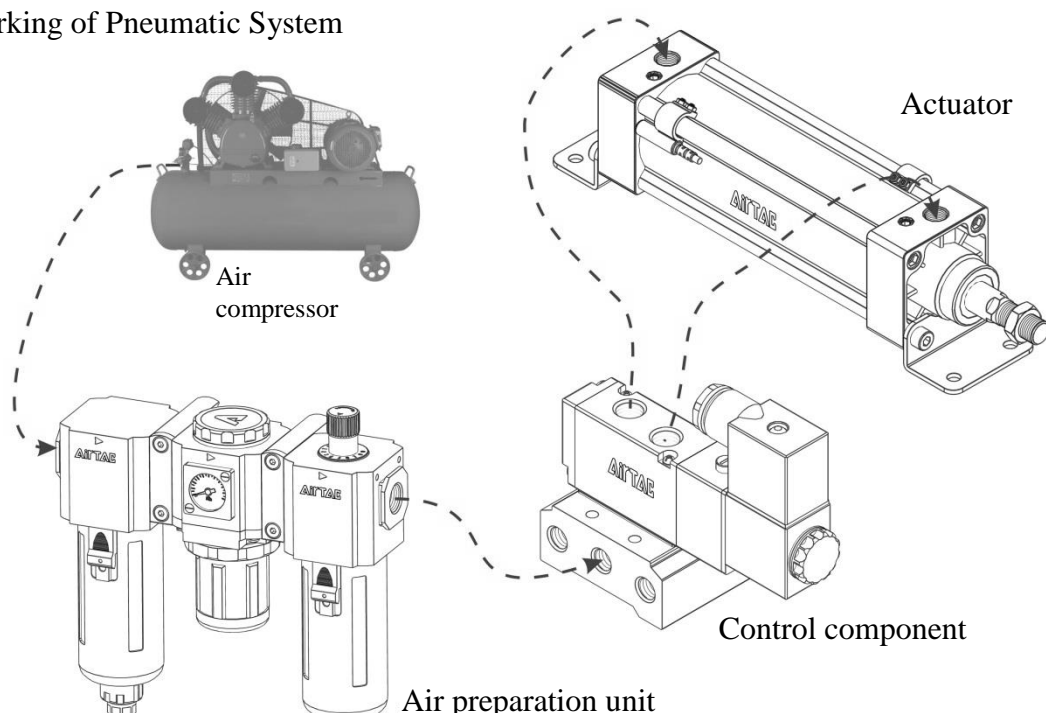
- (1) Actuator(cylinder): HRBS blade swing cylinder, HFKP dust-proof pneumatic finger, JCK32/40/50/63 lightweight clamp cylinder, swing cylinder, DSC cylinder, stainless mini cylinder, diaphragm cylinder.
- (2) Control components (valve): Proportional solenoid valve, 6D integrated valve, 6V400/600 solenoid valve, 2WA valve.
- (3) Preparation unit: GAHZ shut-off Valve, GAV slow Open Valve, Assembled Pressure Regulator, Quick Drain Valve, Shuttle Valve, Double Pressure Valve.
- (4) Sensor component: DPH analog output digital display switch, DPS digital display air pressure switch, DPHF acid and alkali resistant digital display switch, DPSW/DPHW waterproof digital display switch, strong magnetic sensor.
- (5) Transmission Unit: LSH 15/20/25/30/35 standard linear guideway, LSD ball screw, high dust-proof standard linear guideway, LRW wide micro linear guideway.
- (6) Electric actuator: Belt driven linear slider, screw slider, linear module.
- (7) Motor: stepping motor, servo motor.
- (8) Others: B60 clean products, air indicator.

5.1.2 Industry overview

1. Description of pneumatic components

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

The Working of Pneumatic System



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

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

- (1) A classic example of electro-mechanical integration is a control system composed of “computer remote control + programmable controller + sensor + pneumatic component.” In the example of automotive industry, such systems are used in welding production line, fixtures, robot, conveyor, assembly line, painting line, generator, and tire manufacturing.
- (2) Composite integration that helps reduce the use of cables (e.g. serial transmission), piping and components to save space, simplify assembly/disassembly process and improve work efficiency.
- (3) Production automation and parts processing and assembly on mechanical processing line, such as the handling, inversion, positioning, clamping, feeding, unloading, assembly, cleaning and testing of workpieces.
- (4) Automated metering and packaging of powder, granulated and lump materials in fertilizer, chemical, food, pharmaceutical and bioengineering industries, automated cigarette rolling and packaging in tobacco industry, and automated metering and filling of viscous liquids (e. g. paint, ink, cosmetic and toothpaste) and toxic gas (e.g. gas).

2. International pneumatic component technology

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

3. Market demand analysis

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

pneumatic components.

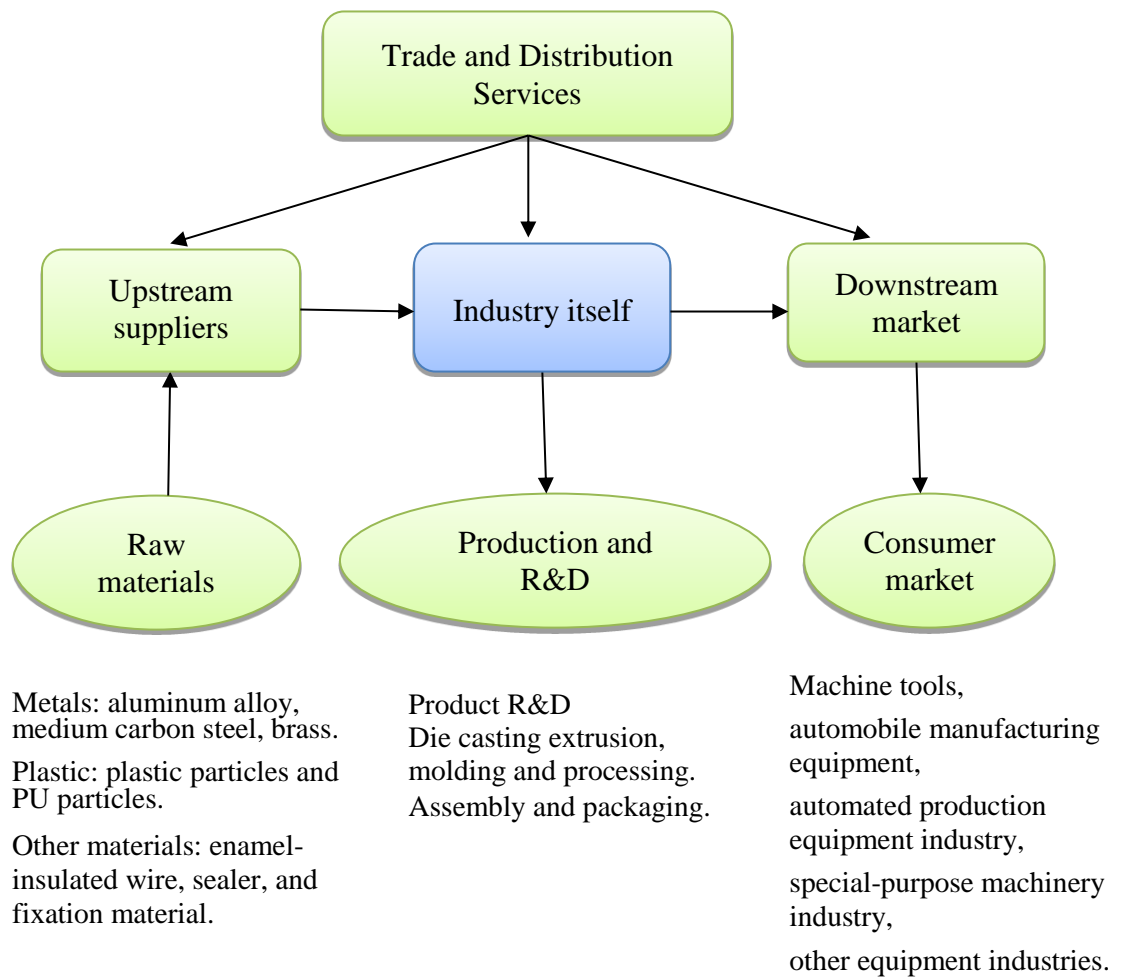
Along with changes in the macro environment of the mechanical industry, specifically agricultural machinery, electronic products manufacturing, automotive manufacturing, Medicare instruments, environment protection machinery, CNC machine. In addition, pneumatic products will have promising outlook in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

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

4. Pneumatic component industry chain

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

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



(1) Upstream material supplies

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

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

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

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

(2) Downstream industries

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

5. Market competition

Different industries need different kinds of pneumatic products. The costs of R&D, equipment, brand establishment, and marketing arising thereof also differ significantly. Pneumatic component manufacturers with brand recognition have great sales advantages. Although there are many manufacturers in the pneumatic component market, brand manufacturers that can be called competitors are quite limited. In China's market, the top three manufacturers are SMC (Japan), AirTAC (Taiwan), and FESTO (Germany) followed by global brands such as CKD in Japan, Norgren in the United Kingdom and the U.S. Parker, etc. Some domestic brands in mainland China have developed through market segmentation to find the correct positioning and gradually become bigger.

6. Various development trends of products

In recent years, with the development orientation of intelligent, digital, energy-saving and environmental protection in the automation industry advocated by "Industrial 4.0" in Germany and "Made in China 2025", the Company has successively planned to devote to the research and development of a series of new products, such as energy-saving pneumatic actuators, intelligent pneumatic control components, linear guides, ball screw, cylinders, etc., in response to the development trend of products in the automation industry proposed by the Government. In 2018, the company successfully launched the linear guide products, featuring "rolling", with the functions of high efficiency, energy saving, precise positioning, precise guidance, fast response to CNC instructions and high speed, synchronization and reversibility of transmission. It is an irreplaceable key accessory of CNC machine tools and mechatronics products, and an important basic component in line with the ecological and environmental protection concepts of the 21st century. In addition, integrated valves and new electrical proportional valves, which will be planned for market in 2019, are also developing in the direction of combination, integration and intellectualization. This series of product R&D investment will contribute to our company's vision of becoming a long-term strategic partner of automation machinery and equipment manufacturers.

5.1.3 Technology and R&D overview

1. Technical levels of Company products and R&D

The Company has been keen on nurturing R&D personnel, investing in R&D and creating a corporate environment conducive to innovation. Since 2007, 85 new products developed by the Company, including Regulator, Slide Table, Magnetic Coupled Rodless Cylinder have been included in the Ningbo City New Product R&D Initiative. The Company's R&D Center was also rated as a provincial level R&D Center and provincial level technology center and provincial level enterprise institute. The company currently has 27 invention patents including "Pneumatic Finger", "Integrated Valve", "Precision Pressure Regulating Valve", "Oil Mist Separator" and "Linear guideway", and 88 utility model patents such as "Sensor" and "Angle

Cylinder" 55 appearance patents such as "air source treatment element (GL300 oil feeder)". Five utility model patents, including the new product G-tooth quick connector developed in 2019, have been accepted by the State Intellectual Property Office.

AirTAC is currently developing new products in line with market needs and outpacing customer needs to set a solid foundation for the Company in market competition. In 2017, AirTAC prepared to build the second construction in Tainan plant and the new factory in Ningbo, 170,000 square feet. These two plants will be used to produce high-end pneumatics and electromotive components. AirTAC has invested a lot of capital to hire professional personnel in linear guide area and to design and produce the linear guide products with high quality and fair price. The linear guide will be utilized in the new products of AirTAC and make the products of AirTAC more diverse.

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

2. R&D personnel and education background

Unit: persons

Year \ Education	2018	2019	March 31, 2020
Master and higher	33	20	19
College	285	233	216
High school	204	225	177
Total	522	478	412

3. R&D expenditure in the last five years

Unit: NT\$ thousands

Item	2015	2016	2017	2018	2019
R&D expense	290,176	333,726	380,519	453,762	513,801
Net income	8,797,169	10,621,618	13,717,905	15,600,743	15,896,317
% of net income	3.30%	3.14%	2.77%	2.91%	3.23%

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

Year	Product
2015	TCM Tri Rod Cylinder (Small bore size)
	TC Tri Rod Cylinder (Big bore size)
	MBL Mini Cylinder (Aluminum)
	MPE Threaded Cylinder
	HLQ/SL Symmetrical Slide Table Cylinder
	JCK Power Clamp Cylinder
	PCV Pilot Check Valve
	3V2M Solenoid valve with manifold

Year	Product
2016	HFC Series Air Gripper
	HFK Air Gripper(parallel style--ball bearing)
	DPS Digital Display Pressure Switch
	DPC Mini type no Display Pressure Switch
	SE Series
	BSC/BCE Enclasp Type Cylinder
	RMS10 Magnetic Coupled Rodless Cylinder
	QCK Rotary Clamp Cylinder
	Stainless Steel Joint
	QDK Horizontal Rotary Clamp Cylinder
	HFT Air Gripper (Wide Style)
	MU4/12/16/20 Mini Free Mount Cylinder
	GPF Oil Mist Filter
	GPR Precision Regulator
	MBLC Double Acting with Cushion Type Cylinder
	5V/5A Solenoid valve
	New Oil Buffer
2017	DMS Solid State Sensor
	CMS Reed Sensor
	CPV15 Pilot Valve
	CPV15S Integrated Solenoid Valve
	CPV15 Manifold
	AQK/BAQK50 Pin Clamp Cylinder
	JCK Series Power Clamp Cylinder
	7V Solenoid Valve
	Floating Joint
	UND54
	PA6/PA12 Tube
2018	LGC Crossed Roller Way
	LRM Miniature Linear Guide
	SAI ISO Cylinder
	SAU Standard Cylinder
	MCK25/32 Clamping Cylinder
	BSAI Enclasp Type Cylinder
	HLF Ultra-thin Precision Slide Cylinder
	RMH Slide track type rodless cylinder
	HFD Ultra-thin Air Gripper
	HFKL Air Gripper- Long-stroke roller type
	HFCQ Hollow Air Gripper

Year	Product
	HGS Compact Slide Cylinder
	7S Integrated solenoid valve
	6V/6A Solenoid Valve
	GA Series
	GVR Pressure Controllers
	GPFR Precision Filter & Regulator
	Mini Joint
	PTL Speed Controllers
	NSU Standard Cylinder of American Specification
	NPB Standard Mini Cylinder of American Specification
	NACQ Ultra-thin cylinder of British Specification
	NACF Round Ultra-thin Cylinder
	Hydraulic Buffer of American Specification
	NPT quick-plug connector of American Specification
2019	HFD Compact air gripper
	HFKL Air gripper(Parallel with guide/longer stroke/ball bearing style)
	HFCQ Air gripper (Parallel open/close hollow style)
	HGS Slide table cylinder
	TMI/TMIC With guide frame cylinder
	TSAI With guide frame cylinder
	SAIL With locker type cylinder
	SCL With locker type cylinder
	SAI cylinder
	CPV10S Integrated solenoid valve
	6V300/7V300 solenoid valve
	6TA solenoid valve
	6TV solenoid valve
	6HV solenoid valve
	GA500 air preparation unit
	GVF vacuum filter
	G-tooth quick connector
	NPT gauge quick-plug connector of American Specification
2020	KERP belt slide table
	LRW wide micro linear guideway
	DPH digital pressure switches

5.1.4 Short and long-term development strategies and business plans

1. Short-term development strategy and plan

(1) R&D strategy and plan

- A. Upgrade the performance of existing product series by improving various functions tailored to client's use habit and feedback.
 - B. Develop more products for industries that have demands for pneumatic products.
- (2) Marketing strategy and plan
- A. Proactively offer professional assistance to clients to help them improve the efficiency of their production equipment, and help them in production line planning and cost saving to win client appreciation.
 - B. Salespersons assist the client to increase the efficiency of producing machine by offering professional techniques.
 - C. Vie for bigger market share with outstanding products and professional salespersons and create a win-win situation with clients, while achieving certain profit margin.
- (3) Production strategy and plan
- A. Search for qualified and steady suppliers. As pneumatic components are constantly exposed to acidic or dirty gases when they work in an industrial environment and tend to break down easily, it is necessary to implement rigorous control at the source of production, i.e. selection of raw materials, to maintain the quality of components.
 - B. Have a firm grip on costs and production efficiency and conduct onsite check regularly to ensure production optimization.
- (4) Operating and financial strategy and plan
- Improve management performance, stimulate employee potentials, and shore up the internal organization.
2. Long-term development strategy and plan
- (1) R&D strategy and plan
- A. Gear R&D towards the development of products for application in high-tech industries, and that are more compact, stable, and precise and have more complex mechanism. Upgrade from the current mid-end applications to applications in high-tech machinery and biotech machinery.
 - B. Build up system integration capability to provide customers with software/hardware design, whole-plant design and consulting services.
- (2) Marketing strategy and plan
- A. Cultivate international marketing personnel, build rapport with local customers, readily grasp market movement and discern the directions of product development.
 - B. Establish a worldwide sales network and set up sales centers to extend and reach the brand awareness and recognition worldwide.
- (3) Production strategy and plan
- A. Continue to search for qualified suppliers and build a long-term relationship with important suppliers to obtain reasonable prices and lower the costs of production.
 - B. Pick a suitable location to build up industry cluster so as expand capacity.
- (4) Operating and financial strategy and plan

- A. Promote the concept of internationalization and build the management capability of a multinational enterprise within the organization, and actively cultivate an internationalized workforce to strive towards the goal of becoming a multinational enterprise.
- B. Diversify the capital raising channels, strengthen the financial structure and group constitution.
- C. Step up risk management and operate with the tenets of stability, high efficiency and agility.

5.2 Market, Production and Sales Overview

5.2.1 Market analysis

1. Revenue breakdown by region

Unit: NT\$ thousands

Region	2018		2019	
	Amount	%	Amount	%
Greater China (Note)	14,868,808	95.31%	15,158,629	95.36%
Others	731,935	4.69%	737,688	4.64%
Total	15,600,743	100.00%	15,896,317	100.00%

Note: Including Revenue in Mainland China and Taiwan

2. Market share

According to the statistic of the China Hydraulics Pneumatics & Seals Association, the revenue of pneumatic components of main brands was RMB 16 billion in Mainland China in 2019. In the case of continuous economic growth slowdown, new trend of economic development under China-US trade friction and increasing competition in the industry, the company continued to strengthen the core competitiveness by strengthening the construction of marketing channels, improve service capabilities, the implementation of more competitive pricing strategy. Sales in mainland China remained growth in 2019 and can be more than RMB 3.3 billion, an increase of 5%. The Company's market share in Mainland China in 2019 was estimated to be 20%. The Company is expected to expand the market share and maintain the industrial leading position in 2020 by continually developing markets in key industries. As the scale of traffic industry, car industry and shipbuilding industry gradually expand, the demands of liner guide rise rapidly. The linear rail industry still has huge development potential. AirTAC also devotes to extend product line and involve into new rising industry. In the first half year of 2018, AirTAC is planning to get into liner guide rail industry. The domestic sales of linear guide in Mainland China was 15 billion. In 2019, linear slide market demand tends to be flat. AirTAC will make effort in researching and developing new products, quality assurance, increasing service level and selling arrangement. It is believed that AirTAC will expand fast and establish a new benchmark in linear guide industry in 2020.

3. Supply in pneumatic component market in the future

As China's pneumatic market plays an increasingly significant role in the world market, the labor charge in Mainland China increases substantially and customer demands for improvement of product quality have led to automated and semi-automated production situation turning more and more obvious. On the other hand, due to increased competition among enterprises, it will be more industry concentration and further similar situation upstream and downstream industry chain integration. To achieve scale, controllable costs and the quality of the business model, reconstruction and additional demand of automation will increase further. The Company's main products "pneumatic components" are the integral part of the critical components of various types of automated production equipment. In addition, the Chinese government proposed in May 2015 the "Made in China 2025" is more clearly put forward the brand's quality improvement and intelligent manufacturing (automation equipment is a prerequisite), which forecasts the tremendous demands for pneumatic components. Meanwhile, the "Standardized equipment manufacturing industry and plan of quality rising", the Chinese government proposed in April 2016, pointed out the growing quality of brands and wise manufacturing (automatic machinery is required). Therefore, the demand of pneumatic components, which are used to transfer and upgrade industry, increased in the market. In 2017, the Chinese government also proposed "Investment guide of transforming and upgrading business technology" to guide the business to use new technology, new technics, new materials and new equipment to to upgrade traditional industries. Besides, the Chinese government promotes industrial technology standards and the proportion of advanced production capacity continues to increase, so that in the next few years, there will also be a steady market growth in the field of automated equipment manufacturing. In 2018, the State Council issued the "guidance on deepening" Internet + advanced manufacturing industry "developing the industrial Internet", which is a major move to implement the requirements of "accelerating the development of advanced manufacturing industry and promoting the deep integration of Internet, big data, artificial intelligence and real economy."

Future economic growth mode is determined by the export to the domestic oriented market. But the Chinese domestic market is without sales channel due to the vast territory and difficult to access the market. Moreover, the current industry of mechanical equipment requires shorter delivery time, which results in the supplier of pneumatic components having to establish sufficient and effective service network and sophistic supplying capacity with quick response for maintain the leading position in the industry.

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

On the overseas market side, the World Bank issued its semi-annual "Global Economic Outlook" in mid-year. According to the report, global economic growth will rise to 2.5% in 2020. The overall growth rate of advanced economies is expected to decline to 1.4% in 2020, one of the reasons is the continued weakness of the manufacturing industry. Growth in emerging markets and developing economies is expected to accelerate to 4.1% this year. The World Bank predicts that China's economy will grow by 5.9% in 2020. For China, the

downside risks of the economic outlook are due to the vulnerability of the financial sector and the increased protectionist tendencies of major trading partners, leading to increased trade tensions.

Looking ahead to the economic outlook for the coming year, the World Bank points out that the main downside risks include the possible disruptive development of global financial markets and the escalation of trade protectionism as policy uncertainties rise. If a series of downside risks are realized, it may lead to an unexpected slowdown in global economic growth, which will have a significant negative impact on countries with insufficient policy buffers. Despite these downside risks, the World Bank also believes that a more sustained recovery is possible in major developed economies and EMDE countries, especially when policy uncertainties disappear. Over time, a cyclical recovery may help reverse some of the damage to potential output growth caused by the financial crisis a decade ago. If macroeconomic and financial imbalances do not worsen, long-term strong demand may help to increase labor participation, investment and productivity growth.

4.Competitive edge

(1) Brand name and customer recognition

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

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

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

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

(3) Global logistics capability

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

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

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

In the series of linear guide products, the first come out product is miniature linear guide. Except of the standard width of linear guide, AirTac also provide various kinds of customized size and function products to meet the variety needs of customers.

(5) Complete sales network

The Company has a complete sales network in China. Led by the subsidiary AirTAC (China) Co., Ltd., the Company has branch offices, representative offices and distributors throughout the urban and rural areas of China. The Company has 4 sales centers, which located in Huadong area, Huanan area, Huabei area and Northwest area , 130 direct selling office and more than 500 distributors by the end of December 2019. Airtac has continued to set up local sales branches and offices in 2020. Because the Company's clients are spread in different industries and areas, an extensive sales network gives customers quick access to AirTAC products. The Company also has more than 100 distributors in Europe, USA and Asia that allow AirTAC products to make headway into the world markets.

(6) Comprehensive after-sale service system

The Company provides not just products, but also a complete set of services. Starting from

first approaching a client, the Company helps the client make the most of their existing production resources and establish improvement plan to help them save costs. Technical supports and services available to clients include production line upgrade, implementation of automation items, maintenance and repair, as well as installation, testing, planning and project design to create maximum value beyond the pneumatic products. In after-sale service, the Company offers joint warranty. That is, a buyer of a Company product from any distributor in China is entitled to receive technical services from any branch office of AirTAC in China. The Company also guarantees that a customer will receive service in 24 hours after making a request for service. This way, customers are ensured quality services and the Company will gain customer trust in the long run.

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

(1) Favorable factors

A. Robust market development and market growth in China bring business opportunities

The Chinese government mentions in the “13 Five-Year Plan” that begins in 2016 that will support new information technics, new energy motors, biotechnology, green low-carbon, high-end equipment and materials, figure originality, etc. China will vigorously promote advanced semiconductors, robots, additive manufacturing, smart systems, next-generation aviation equipment, space technology integrated service systems, smart transportation, precision medicine, efficient energy storage and decentralized energy systems, smart materials, efficient energy conservation and environmental protection, virtual reality Innovate and industrialize with emerging frontier fields such as interactive film and television to form a number of new growth points.

At the same time, 24 provinces and cities in the "new infrastructure" station have recently launched nearly 50 trillion investment projects, and large-scale infrastructure projects have been launched everywhere. Under the new situation, investment will be tilted towards the new infrastructure, and various sub-sectors of the new infrastructure are expected to usher in an opportunity period. It must increase investment in public health services and emergency supplies, speed up the construction of new infrastructure such as 5G networks and data centers, and create a modern infrastructure system that is intensive, efficient, economical, smart, green, safe, and reliable. The increase in the proportion of new infrastructure not only supports the steady growth of infrastructure investment, but also has a positive significance for manufacturing investment.

China will build a batch of advanced manufacturing bases with international competitiveness. In order to strengthen the technological transformation of the enterprise, it will formulate policies to support the technological transformation of the enterprise, accelerate the application of new technologies, new processes, and new equipment to upgrade traditional industries, support enterprises to improve the level of equipment, accelerate the elimination of backward technology and equipment, and improve the comprehensive usage level of energy resources. The “2025 Made in China” published by the State Council of China in 2015 specified the guiding concept and concrete requirement of the industrial restructuring and upgrading and highlighted the development of advanced equipment manufacturing, the improvement of the R&D and integration level of basic components, the acceleration of the upgrading of key equipment, and the development of

high-end equipment manufacturing, which forecasted the tremendous demands for pneumatic components.

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

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

C. The emergence of green industry boosts demands for pneumatic components

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

D. Increased wages in mainland China, increased proportion of automation

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

E. The slowdown of global economy leads to reasonable demands from manufacturers

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

(2) Unfavorable factors and response strategy

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

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

Response strategy

- a. Externally forge long-term rapport with upstream suppliers to mitigate the impact of price volatility in raw materials; internally designate the material management and procurement unit of the parent company to carry out price management for the Group's procurement operation to get a better grip of the material price trends and make immediate response in times of steep price volatility.
 - b. Strengthen cost control capability and use vertically integrated production operation to better control the product cost and enhance competitiveness, and keep the impact of material price volatility on cost instability to the minimum.
- B. Although China's economy continues to grow and the markets expand, many small manufacturers would imitate the products or even the logo of large and well-known manufacturers and sell their copycats in the market at a much lower price, while giving buyers the impression that they were purchasing the brand name products. But the poor or unstable quality of those copyrights often leads to product breakdown or consumer dispute, which at times causes problem for brand manufacturers. Because such phenomenon is rather common in the China markets, it poses certain obstacle to brand manufacturers in operations.

Response strategy

- a. The Company has registered the brand “亞德客 AirTAC” in the local markets in China and has been accredited as a well-known trademark of China on April 27, 2012. Nobody else may register the “亞德客 AirTAC” trademark. The Company also adopts a defensive trademark strategy by registering similar trademarks in advance to prevent rivals from using similar trademark to confuse or mislead consumers.
 - b. The Company engages local attorneys and own distribution system to crack down counterfeits. The Company would collect evidence against individuals and stores that sell counterfeits and forward the evidence to local law enforcement for further actions. The actions of the Company are to let merchants realize that selling counterfeit products are subject to penalty and to derail the distribution of counterfeits, thereby achieving the purpose of reducing the sources of counterfeited products.
- C. Wage hike in China boosts the production costs

With the acceleration of population aging, rising labor costs is inevitable. Working-age population has already begun to reduce from few years ago. The number of migrant workers has been declining, and most of the young migrant workers have been transferred

to the city. According to supply and demand structure, wage inflation is an inevitable and irreversible trend. The goal of "13th five-year" plan is to double the GDP and per capita rural and urban income of 2010 by 2020. The above information shows that enterprises will continue to increase labor costs in mainland China.

Response strategy

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

D. RMB exchange rate fluctuation Intensification

In 2019, China-US trade frictions are gripping, and the RMB exchange rate fluctuates. On the whole, the trend of the RMB exchange rate presents three-stage changes, and the China-US trade friction has become the primary influential factor in pulling the exchange rate fluctuations. Looking ahead to 2020, the impact of the new COVID-19 epidemic will not affect China's long-term economic development. The balance of payments surplus will remain stable, and the renminbi exchange rate will fluctuate in the short term following the epidemic situation. Under normal circumstances, the whole year is expected to remain stable and have an upward trend, the fluctuation range may be between 6.6 and 7.1. At the same time, it is necessary to be alert to the spread of the COVID-19 epidemic in other parts of the world, the locust disaster and other events that have increased the global economic and financial risks, which in turn led to the extreme situation in which the dollar index continues to rise.

Response strategy

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

5.2.2 Usage and manufacturing processes of main products

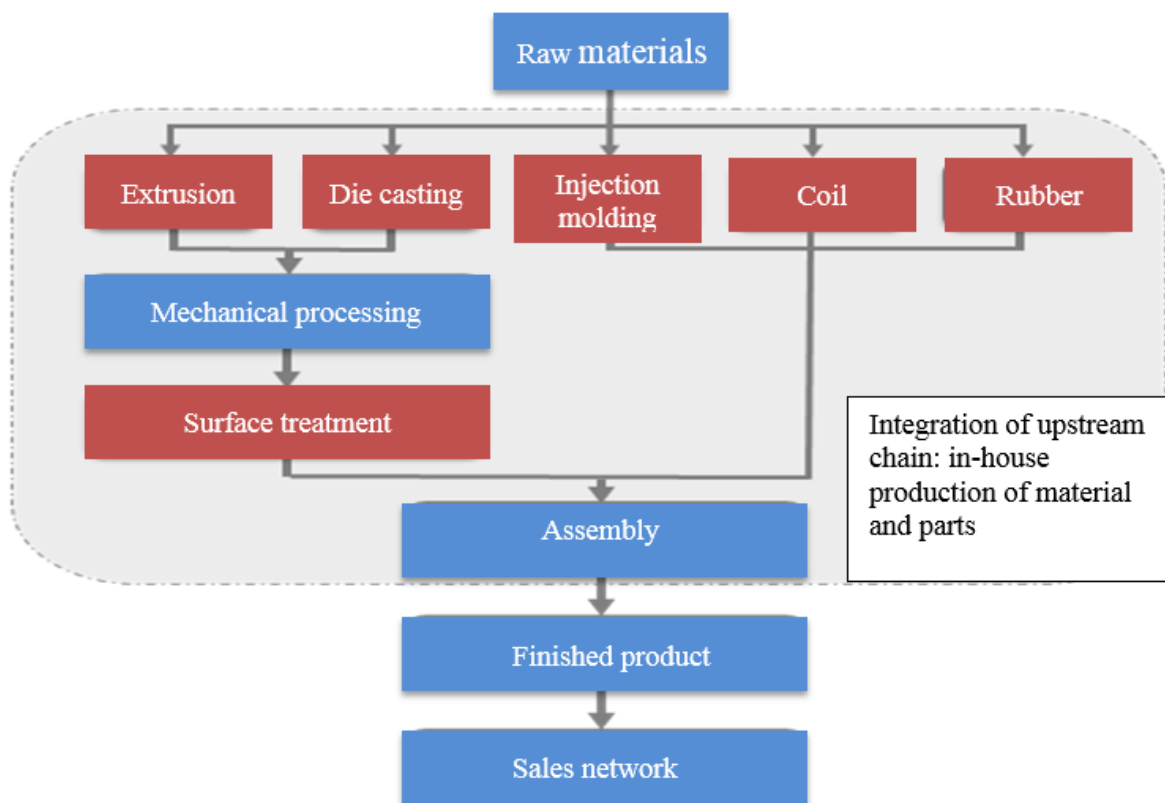
1. Usage of main products

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

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

- (3) Air preparation unit: Before air is transmitted to the equipment, it must pass through an air filter to remove moisture and impurities in it. A pressure regulator is then used to adjust the pressure in the pipeline. Finally a lubricator sprays oil mist into the pipe to mix with the air for lubrication purpose. The filtering, regulating and lubricating parts combined are called an air preparation unit that can increase the accuracy of air pressure and the service life of pipelines.
- (4) Sensing elements: Factory automation practice, often need to real-time monitor and feedback of position of pneumatic actuators such as cylinder and pressure values of pneumatic circuit, in order to achieve the purpose of open or closed loop control. Such sensing element comprises a pressure sensor sensing and feedback the switch or analog signal of digital pressure switch, and the use of magnetic induction to sense cylinder position and feedback the switch or analog signal of magnetic sensing switch.
- (5) Linear Guide: Linear guide is composed of cam block and slippery track. It has more load capacity than the linear bearing. It has a mechanism to bear more load and to guide their linear movement simultaneously.

2. The Production Procedures of Main Products



5.2.3 Supply Status of Main Materials

Main material	Supplier	Status of supply
Aluminum	China	Good
Medium carbon steel	China	Good
Brass	ROC, China	Good

5.2.4 Major Suppliers

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

Unit: NT\$ thousands

Rank	2018				2019			
	Name of supplier	Amount	% of net purchase	Relationship with AirTAC	Name of supplier	Amount	% of net purchase	Relationship with AirTAC
1	Supplier B	288,728	5.56%	None	Supplier A	474,574	10.62%	None
2	Supplier E	261,952	5.05%	None	Supplier B	253,444	5.67%	None
3	Supplier A	259,429	5.00%	None	Supplier C	194,688	4.36%	None
4	Supplier C	193,452	3.73%	None	Supplier D	184,688	4.13%	None
5	Supplier D	157,616	3.04%	None	Supplier E	182,489	4.08%	None
6	Supplier K	156,787	3.02%	None	Supplier F	138,461	3.10%	None
7	Supplier F	152,992	2.95%	None	Supplier O	106,252	2.38%	None
8	Supplier L	129,597	2.50%	None	Supplier G	83,479	1.87%	None
9	Supplier M	116,815	2.25%	None	Supplier H	83,169	1.86%	None
10	Supplier N	105,390	2.03%	None	Supplier I	81,669	1.83%	None
	Others	3,369,522	64.87%		Others	2,686,764	60.10%	
	Net sales	5,192,280	100.00%		Net sales	4,469,677	100.00%	

The amount of purchases from Supplier A this year was NT\$474,574 thousand, accounting for 10.62% of the total purchases. Due to the consideration of price and delivery coordination, the aluminum materials originally purchased from supplier K have been transferred to supplier A, so the proportion of suppliers A has increased, and supplier K withdrew from the top ten purchasers.

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

Unit: NT\$ thousands

Rank	2018				2019			
	Name of supplier	Amount	% of net purchase	Relationship with AirTAC	Name of supplier	Amount	% of net purchase	Relationship with AirTAC
1	Customer A	180,868	1.16%	None	Customer A	234,475	1.48%	None
2	Customer B	118,013	0.76%	None	Customer B	113,681	0.72%	None
3	Customer D	91,088	0.58%	None	Customer C	92,068	0.58%	None
4	Customer F	85,888	0.55%	None	Customer D	90,223	0.57%	None
5	Customer C	83,162	0.53%	None	Customer E	89,320	0.56%	None
6	Customer K	81,213	0.52%	None	Customer F	77,031	0.48%	None
7	Customer E	77,016	0.49%	None	Customer G	74,959	0.47%	None
8	Customer H	76,799	0.49%	None	Customer H	72,433	0.46%	None
9	Customer J	70,336	0.45%	None	Customer I	69,568	0.44%	None
10	Customer L	64,791	0.42%	None	Customer J	68,095	0.43%	None
	Others	14,671,569	94.05%		Others	14,914,464	93.81%	
	Net sales	15,600,743	100.00%		Net sales	15,896,317	100.00%	

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

5.2.5 Production quantity and value in the last two years

Unit: NT\$ thousands; 1,000 units

Production Main products	Year	2018			2019		
		Capacity	Output quantity	Output value	Capacity	Output quantity	Output value
Pneumatic control component		21,281	17,012	1,944,276	20,713	18,324	2,051,810
Pneumatic actuator		17,492	12,774	3,520,347	16,946	13,366	3,595,001
Air preparation unit		4,296	3,770	715,687	4,115	3,832	679,711
Others		Note	Note	2,239,978	Note	Note	2,371,151
Total				8,420,288			8,697,673

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

5.2.6 Sales volume/ revenue in the last two years

Unit: NT\$ thousands; 1,000 units

Sales Main product	Year	2018				2019			
		Domestic sale		Export sale		Domestic sale		Export sale	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Pneumatic control component		15,018	3,509,021	739	215,567	16,127	3,551,446	765	213,222
Pneumatic actuator		12,603	7,212,966	370	275,162	13,317	7,403,403	371	282,604
Air preparation unit		3,327	1,010,826	283	92,241	3,443	1,007,947	269	92,033
Others		84,278	3,135,995	2,721	148,965	88,098	3,195,833	3,174	149,829
Total		115,316	14,868,808	4,113	731,935	120,985	15,158,629	4,579	737,688

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

5.3 Employee Information in the Recent Two Years and as of the Date of the Publication of the Annual Report

Unit: persons; %

Year		2018	2019	Up to the date of annual report
Number of employees	Manager and higher	137	118	127
	Staff	2,970	2,851	2,795
	Production line worker	3,463	3,172	3,529
	Total	6,570	6,141	6,451
Average age		28.30	30.28	31.53
Average years of service		3.59	5.10	5.09
Education background (%)	Ph.D.	0.03	0.03	0.02
	Master	1.57	1.25	1.04
	University/College	43.01	43.38	41.71
	High school	48.22	48.40	50.70
	Below high school	7.17	6.94	6.53

5.4 Environmental Expenditures

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

5.5 Labor Relations

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

1. Employee benefit plans

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

2. Continuing education and training

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

3. Retirement system and state of implementation

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

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

● Ningbo AirTAC Automatic Industrial Co., Ltd.

Pension insurance	Basic insurance	
	Employee	Employer
Contribution rate	8%	14%
Contribution base	Average monthly salary of employee in the last year	

● Guangdong AirTAC Automatic Industrial Co., Ltd.

Pension insurance	Basic insurance (regardless Guangdong and outside city staff)	
	Employee	Employer
Contribution rate	8%	13%
Contribution base	The average monthly wage of the employees in the last year	

● AirTAC (China) Co., Ltd.

Pension insurance	Basic insurance	
	Employee	Employer
Contribution rate	8%	14%
Contribution base	Average monthly salary of employee in the last year	

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

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

5.6 Important Contracts

5.6.1 AirTAC International Group

Nature of contract	Party	Date of contract	Content	Covenant
Funds Lending	ATC Italia	2019.08.23~2020.08.22	The Company loans EUR 1.4million to ATC (Italia) S.r.l.	None
Funds Lending	Airtac International (Singapore)	2019.05.17~2020.05.16	The Company loans USD 1.5 million to Airtac International (Singapore).	None
Funds Lending	Airtac Co., Ltd.	2019.10.07~2020.10.06	The Company loans USD 780,000 to AirTAC Co., Ltd.	None
Funds Lending	Airtac Co., Ltd.	2020.02.04~2021.02.03	The Company loans USD 2,735,299 and RMB 3 million to AirTAC Co., Ltd.	None
Funds Lending	Airtac Co., Ltd.	2020.03.12~2021.02.03	The Company loans USD 230,000 to AirTAC Co., Ltd.	None
Funds Lending	Airtac Co., Ltd.	2020.04.20~2021.02.03	The Company loans USD 190,000 to AirTAC Co., Ltd.	None
Funds Lending	AirTAC Malaysia	2019.08.27~2020.08.26	The Company loans USD 2,370,000 to AirTAC Malaysia.	None
Funds Lending	AirTAC USA	2019.08.12~2020.08.11	The Company loans USD 2 million to AirTAC Malaysia.	None
Funds Lending	AirTAC USA	2020.02.04~2021.02.03	The Company loans USD 1.4 million to AirTAC Malaysia.	None
Funds Lending	AirTAC USA	2020.03.16~2021.02.03	The Company loans USD 600,000 to AirTAC Malaysia.	None
Funds Lending	AirTAC USA	2020.03.16~2021.03.15	The Company loans USD 500,000 to AirTAC Malaysia.	None

5.6.2 Branch of Airtac International Group

Nature of contract	Counterparty	Term of contract	Content	Covenant
Credit granting	Mega International Commercial Bank and other financial institutions, 12 financial institutions in total	2018.03.26~2023.03.26	The company signed a total of NT \$ 6 billion syndicated loan agreement with Bank Mega and other financial institutions, 12 financial institutions in total in February 2018. Since the first use date (March 26, 2018) starting within 18 months of completion of use, upon the expiration of the use period, the unspent amount is automatically canceled.	Have to meet certain financial ratios and standards since the year of 2018.
Mortgage	Mega International Commercial Bank Co., Ltd	2018.03.26~2023.03.26	In order to guarantee the debt of Mega International Commercial Bank, the land and plant in Xinshi Dist. Tainan of the Branch set the maximum mortgage to the mortgage Mega International Commercial Bank Co., Ltd.	None

5.6.3 AirTAC Ningbo

Nature of contract	Counterparty	Term of contract	Content	Covenant
Construction	Yuansheng Construction Co.	2019.07.19~2019.12.26	The total price is RMB 110.6 million.	None

5.6.4 AirTAC China

Nature of contract	Counterparty	Term of contract	Content	Covenant
Software	Digiwin Software Co., Ltd.	2018.01.01~2020.12.31	RMB 2.15 million.	None

5.6.5 ATC (Italia) S.r.l.

Nature of contract	Counterparty	Term of contract	Content	Covenant
Loan	The Company	2019.08.23~2020.08.22	The Company loans EUR 1.4million to ATC (Italia) S.r.l.	None
Lease	DELTA S.R.L.	2014.06.01~2020.10.31	Plant lease agreement	None
Lease	TORGIM SNC	2019.04.01~2025.03.31	Plant lease agreement	None

5.6.6 AirTAC International (Singapore)

Nature of contract	Counterparty	Term of contract	Content	Covenant
Loan	The Company	2019.05.17~2020.05.05 16	The Company loans USD 1.5 million to Airtac International (Singapore).	None
Land lease	JTC Corporation	2019.12.16~2020.12.15	Signed a lease agreement with JTC Corporation.	None

5.6.7 AirTAC Co., Ltd.

Nature of contract	Counterparty	Term of contract	Content	Covenant
Loan	The Company	2019.10.07~2020.10.06	The Company loans USD 780,000 to AirTAC Co., Ltd.	None
Loan	The Company	2020.02.04~2021.02.03	The Company loans USD 2,735,299 and RMB 3 million to AirTAC Co., Ltd.	None
Loan	The Company	2020.03.12~2021.02.03	The Company loans USD 230,000 to AirTAC Co., Ltd.	None
Loan	The Company	2020.04.20~2021.02.03	The Company loans USD 190,000 to AirTAC Co., Ltd.	None
Land lease	IMAS Co., Ltd.	2019.04.01~2020.03.31	Office lease agreement in Osaka	None
Land lease	Abe Sachiko	2018.07.24~2020.07.23	Office lease agreement in Tokyo	None
Land lease	Lux Co., Ltd.	2019.12.26~2021.12.25	Office lease agreement in Nagoya	None

5.6.8 AirTAC Malaysia

Nature of contract	Counterparty	Term of contract	Content	Covenant
Loan	The Company	2019.08.27~2020.08.26	The Company loans USD 2,370,000 to AirTAC Malaysia.	None
Lease	Lim Siew Lan	2017.08.01~2020.07.31	Office lease agreement in Johor	None
Lease	Chun Yip Realty Sdn. Bhd.	2019.06.01~2022.05.31	Office lease agreement in Kuala Lumpur	None
Lease	Gim Kang Timber Sdn. Bhd.	2018.08.16~2021.08.15	Office lease agreement in Penang	None

5.6.9 AirTAC Thailand

Nature of contract	Counterparty	Term of contract	Content	Covenant
Lease	Thriven Asset Co., Ltd.	2018.06.01~2021.05.31	Office lease agreement	None

5.6.10 AIRTAC USA CORPORATION

Nature of contract	Counterparty	Term of contract	Content	Covenant
Loan	The Company	2019.08.12~2020.08.11	The Company loans USD 2 million to AirTAC USA.	None
Loan	The Company	2020.02.04~2021.02.03	The Company loans USD 1.4 million to AirTAC USA.	None
Loan	The Company	2020.03.16~2021.02.03	The Company loans USD 600,000 to AirTAC USA.	None
Loan	The Company	2020.03.16~2021.03.15	The Company loans USD 500,000 to AirTAC USA.	None
Lease	Mason Creek Commerce Center	2019.04.15~2026.07.31	Office lease agreement	None

5.6.11 Airtac (Tianjin) Intelligent Technology Co., Ltd.

Nature of contract	Counterparty	Term of contract	Content	Covenant
Lease	Tianjin Academy Huigu Machinery R&D Co., Ltd	2017.08.01~2023.07.31	Total amount is RMB 2,071,500.	None

6. Financial Information

6.1 Five-Year Financial Summary

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

1. Condensed balance sheet - IFRS

Unite: NT\$ thousands

Year Item		Financial Summary for The Last Five Years				
		2015	2016	2017	2018	2019
Current assets		8,406,840	9,856,073	11,880,273	14,010,257	16,741,951
Fixed assets, plants and facilities		12,082,831	11,768,569	14,786,841	18,507,500	20,260,061
Intangible assets		107,634	77,156	76,410	76,741	60,332
Other assets		748,903	1,204,256	2,162,068	2,449,993	2,892,848
Total assets		21,456,017	22,962,912	28,905,592	35,044,491	39,955,192
Current liabilities	Basic	8,085,777	9,821,430	10,972,714	13,938,640	16,435,873
	Diluted	7,369,677	8,837,174	9,619,295	(Note 2)	(Note 2)
Non-current liabilities		2,961,388	2,389,285	1,970,861	3,996,852	5,329,215
Total liabilities	Basic	11,047,165	12,210,715	12,943,575	17,935,492	21,765,088
	Diluted	10,331,065	11,226,459	11,590,156	(Note 2)	(Note 2)
Profit attributed to the owner of the parent company		10,258,596	10,640,215	15,952,119	17,099,290	18,180,620
Capital stock		1,790,250	1,790,250	1,890,250	1,890,250	1,890,250
Capital surplus		3,906,960	3,906,960	6,870,172	6,870,172	6,870,172
Retained earnings	Basic	4,137,247	5,294,959	7,610,806	9,096,802	10,867,760
	Diluted	3,421,147	4,310,703	6,257,387	8,141,447	(Note 2)
Other equities		424,139	(351,954)	(419,109)	(757,934)	(1,447,562)
Treasury stock		—	—	—	—	—
Non-controlling interests		150,256	111,982	9,898	9,709	9,484
Total stockholders' equity	Basic	10,408,852	10,057,813	15,962,017	17,108,999	18,190,104
	Diluted	9,692,752	9,767,941	14,608,598	16,153,644	(Note 2)

Note 1: The 2015~ 2019 consolidated financial statements have been audited and certified by CPA.

Note 2: The actual amount of 2019 earnings distribution will be subject to the amount of NTD cash dividends received by the shareholder agency.

2. Condensed statements of income - IFRS

Unite: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years				
	2015	2016	2017	2018	2019
Operating revenue	8,797,169	10,621,618	13,717,905	15,600,743	15,896,317
Gross profit	4,537,348	5,435,272	7,127,172	7,533,084	7,425,715
Operating income (loss)	2,072,818	2,719,668	4,141,128	4,159,938	4,028,042
Non-operating income and gain	(233,242)	128,341	216,042	(353,231)	(325,618)
Net income before tax	1,839,576	2,848,009	4,357,170	3,807,707	3,702,424
Net income of the term from continuing operations	1,375,086	2,028,050	3,299,781	2,839,207	2,726,051
Loss on discontinued operations	—	—	—	—	—
Net income of the term	1,375,086	2,028,050	3,299,781	2,839,207	2,726,051
Other consolidated income and loss (net amount after tax)	(194,988)	(722,383)	(67,136)	(338,806)	(689,591)
Total consolidated income and loss	1,180,098	1,255,667	3,232,645	2,500,401	2,036,460
Net profit attributed to the owner of the parent company	1,367,550	1,918,675	3,300,103	2,839,415	2,726,313
Net profit attributed to non-controlling interests	7,536	109,375	(322)	(208)	(262)
Consolidated profit and loss attributed to the owner of the parent company	1,171,681	1,147,123	3,232,948	2,500,590	2,036,685
Consolidated profit and loss attributed to non-controlling interests	8,417	108,544	(303)	(189)	(225)
Earnings per share (NTD)	7.64	10.72	18.07	15.02	14.42

Note: The 2015~ 2019 consolidated financial statements have been audited and certified by CPA.

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

Year	Name of certifying accountant	Name of accounting firm	Audit opinion
2015	Hsieh, Ming-Chuang Weng, Bo-Ren	Deloitte & Touche	Unqualified opinion
2016	Hsieh, Ming-Chuang Weng, Bo-Ren	Deloitte & Touche	Unqualified opinion
2017	Chih, Jui-Chuan Weng, Bo-Ren	Deloitte & Touche	Unqualified opinion
2018	Chih, Jui-Chuan Kuo, Nai-Hua	Deloitte & Touche	Unqualified opinion
2019	Chih, Jui-Chuan Chen, Hui-Min	Deloitte & Touche	Unqualified opinion

6.2 Financial Analysis

6.2.1. Financial Analysis-IFRS

Item		Year	Financial Analysis for the Past Five Years				
			2015	2016	2017	2018	2019
Financial structure(%)	Debt to asset ratio		51.49	53.18	44.78	51.18	54.47
	Long-term capital to fixed assets ratio		107.97	108.66	118.77	111.37	112.64
Solvency (%)	Current ratio		103.97	100.35	108.27	100.51	101.86
	Quick ratio		79.36	77.89	71.49	70.76	82.35
	Times interest earned ratio		21.68	21.07	26.87	17.97	13.10
Operating ability	Accounts receivable turnover ratio (times)		3.03	3.12	2.98	2.99	3.18
	Average collection period (days)		120.46	116.98	122.48	122.07	114.77
	Inventory turnover ratio (times)		2.24	2.52	2.15	2.01	2.34
	Accounts payable turnover ratio (times)		10.71	10.86	8.12	8.99	10.95
	Average days to sell inventory		162.94	144.84	169.76	181.59	155.98
	Fixed asset turnover ratio (times)		0.78	0.89	1.03	0.94	0.82
	Total asset turnover ratio (times)		0.44	0.48	0.53	0.49	0.42
Profitability	Return on total assets (%)		7.14	9.59	13.22	9.40	7.87
	Return on stockholders' equity (%)		13.44	19.17	24.70	17.17	15.45
	Pre-tax profit to paid-in capital ratio (%)		102.76	159.08	231.51	201.44	195.87
	Net income ratio (%)		15.63	19.09	24.05	18.20	17.15
	Earnings per share (NTD) (Note 1)		7.64	10.72	18.07	15.02	14.42
Cash flow	Cash flow ratio (%)		18.88	17.34	10.68	28.44	31.32
	Cash flow adequacy ratio (%) (Note 3)		44.48	43.85	33.35	39.77	54.86
	Cash reinvestment ratio (%)		4.41	6.17	0.88	10.35	14.71
Leverage	Operating leverage		1.49	1.43	1.32	1.35	1.35
	Financial leverage		1.04	1.06	1.04	1.06	1.08
<p>The reason of recent 2 years changes up to 20% in the financial ratio:</p> <ol style="list-style-type: none"> 1. Because pre-tax profits decrease over last year, times interest earned ratio increased. 2. Accounts payable turnover ratio increase mainly due to a decrease in purchasing inventories in the end of 2019, which led to the reduction of accounts payable. 3. Because of the cash inflow of operating activities increase, the cash flow ratios increase. 							

Note 1:The 2015~2019 consolidated financial statements have been audited and certified by CPA.

Note 2:Calculation formulas for financial ratios:

1. Financial structure

(1) Debt to asset ratio = total liabilities / total assets.

(2) Long-term capital to fixed assets ratio = (net stockholders' equity + long-term liabilities) / net fixed assets.

2. Solvency

(1) Current ratio = current assets / current liabilities.

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

6.3. Audit Committee Report in the Most Recent Year

AirTAC International Group Audit Committee Report

We have examined the 2019 consolidated financial statements, together with business report and earnings distribution proposal prepared by the Board of Directors and audited and certified by the Audit Committee and did not find any discrepancy. We hereby produce this report in accordance with provisions specified in Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act and submit it for your review.

To

2020 General Shareholders' Meeting

AirTAC International Group

Chairman of the Audit Committee: Lin, Yu-Ya

May 11, 2020

6.4 Financial Statements and Accountant Audit Report in the Most Recent Year: None.

6.5 Consolidated Financial Statements of the Latest Year Audited by CPAs: See Appendix 1.

6.6 Financial Difficulties Encountered by the Company and Affiliates: None.

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

7.1 Analysis of Financial Status

Unite: NT\$ thousands

Year Item	2018	2019	Difference	
			Amount	%
Current assets	14,010,257	16,741,951	2,731,694	20
Long-term investments	-	-	-	-
Fixed assets	18,507,500	20,260,061	1,752,561	9
Intangible assets	76,741	60,332	(16,409)	(21)
Other assets	2,449,993	2,892,848	442,855	18
Total Assets	35,044,491	39,955,192	4,910,701	14
Current liabilities	13,938,640	16,435,873	2,497,233	18
Long-term liabilities	3,502,950	4,630,542	1,127,592	32
Other liabilities	493,302	698,673	205,471	42
Total liabilities	17,935,492	17,765,088	3,829,596	21
Capital stock	1,890,250	1,890,250	-	-
Capital surplus	6,870,172	6,870,172	-	-
Retained earnings	9,096,802	10,867,760	1,770,958	19
Other equity	(757,934)	(1,447,562)	(689,628)	91
Non-controlling interests	9,709	9,484	(225)	(2)
Total stockholders' equity	17,108,999	18,190,104	1,081,105	6
Reasons for significant changes: (Change in amount exceeding 20%)				
1.Current assets: Mainly due to the increase of bank deposits and financial assets at amortized cost.				
2.Intangible assets: Mainly due to the amortization of computer software.				
3.Long-term liabilities: Mainly due to increase of long-term liabilities for operation and capital expenditure.				
4.Other liabilities: Mainly due to recognize non-current liability because of initial application of IFRS 16 in 2019.				
5.Other equity: Mainly due to the increase of exchange differences on translating foreign operations.				

7.2 Analysis of Operating Results

Unit: NT\$ 1,000

Item \ Year	2018	2019	Change	
			Amount	%
Total sales revenue	15,600,743	15,896,317	295,574	2
Net sales revenue	15,600,743	15,896,317	295,574	2
Operating cost	8,067,659	8,470,602	402,943	5
Gross profit	7,533,084	7,425,715	(107,369)	(1)
Operating expense	3,373,146	3,397,673	24,527	1
Operating income	4,159,938	4,028,042	(131,896)	(3)
Non-operating income and expense	(352,231)	(325,618)	26,613	(8)
Net income before tax	3,807,707	3,702,424	(105,283)	(3)
Less: Income tax expense	968,500	976,373	7,873	1
Net income after tax	2,839,207	2,726,051	(113,156)	(4)
Other consolidated income and loss	(338,806)	(689,591)	(350,785)	104
Change in amount exceeding 20%: Other comprehensive loss increase: Mainly due to the increase of exchange differences on translating foreign operations.				

7.3 Analysis of Cash Flow

7.3.1 Cash flows analysis

Unit: NT\$1,000

Item \ Year	2018	2019	Amount of increase (decrease)	Increase (decrease) (%)
Inflow from operating activities	3,964,119	5,148,167	1,184,048	30
Outflow in investing activities	5,877,132	5,899,816	(22,684)	0
Inflow in financing activities	3,685,326	2,041,933	(1,643,393)	(45)
Change analysis: 1. Operating activity: Net cash inflow of operating activities in the current period increased, mainly due to the net cash inflow of accounts receivable and payment. 2. Financing activities: Net cash inflow from financing activities decreased, mainly due to the decrease of the loans.				

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

The Company has formulated several capital spending plans for 2020. The anticipated profit growth in 2020 is expected to provide net cash inflow from operating activities in the year and cover the cash outflows in investing and financing activities. Hence the Company does not anticipate liquidity problem.

7.4 Major Capital Expenditure Items

The Company acquired NT\$ 3,203,584 thousand and NT\$ 5,090,458 thousand of fixed assets in 2019 and 2018, respectively as the Company continues to expand capacity in response to market demands. The table below depicts the Company's fixed asset and total asset turnover ratios in the past three years, which indicate that various turnover ratios were kept at certain level, that increase in capital spending did not produce adverse effect on the Company's financial condition.

Turnover ratio	2017	2018	2019
Fixed asset turnover ratio (times)	1.03	0.94	0.82
Total asset turnover ratio (times)	0.53	0.49	0.42

7.5 Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

7.5.1 Company's investment policy

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

7.5.2 Major reasons for investment profit/ loss in recent years:

Unit: NT\$ thousands

Investee	Profit (loss) in the most recent year	Remark
Airtac Industrial (Hong Kong) Limited	3,567,829	Profit comes mainly from recognition of profit from investees AirTAC Ningbo, AirTAC Guangdong, and AirTAC China.
Airtac Trading (Hong Kong) Limited	(158)	Loss comes mainly from recognition of expenses for operation.
Instant Reach International Limited	(5,936)	Profit comes mainly from recognition of profit from investees ATC (ITALIA) S.R.L.
Airtac Holding (Singapore) Pte. Ltd.	(131,706)	Loss comes mainly from recognition of loss from investees Airtac International (Singapore) Pte. Ltd., Airtac Co. Ltd. and AIRTAC USA CORPORATION.
Ningbo AirTAC Automatic Industrial Co., Ltd.	1,947,598	Expansion of operations.
Guangdong AirTAC Automatic Industrial Co., Ltd.	571,761	Expansion of operations.
AirTAC (China) Co., Ltd.	961,616	Expansion of operations.
AirTAC (Jiangsu) Automation Co., Ltd.	271,111	Expansion of operations.
Guangdong AirTAC Intelligent Equipment Co., Ltd.	366,552	Expansion of operations.
Airtac (Tianjin) Intelligent Technology Co., Ltd.	24,946	The Company established this year.
AirTAC (Fujian) Intelligent Equipment Co. Ltd.	53,620	Expansion of operations.
AirTAC Industrial Co.	(596)	Loss comes mainly from recognition of expenses for operation.
ATC (ITALIA) S.R.L	(5,306)	Expansion of operations.
Airtac International (Singapore) Pte. Ltd.	(30,750)	The Company adjusted the market strategy because of the global allocation. The sales from America are transferred to AIRTAC USA CORPORATION.
Airtac Co., Ltd.	(24,398)	The operation has not reached economy of scale.
AIRTAC USA CORPORATION	(76,506)	The operation has not reached economy of scale.
Airtac Industrial (Malaysia) Sdn. Bhd.	(6,559)	The operation has not reached economy of scale.
Airtac Industrial Co., Ltd.	(8,452)	The operation has not reached economy of scale.

7.5.3 Investment plan for the coming year

1. Expect for setting up the selling branches and office in China, the Company added new factory buildings in Ningbo, Zhejiang China and Tree Valley Park located in Tainan, Taiwan. The Company also bought some machines and equipment for production.
2. The Company will continue to expand the scale of operations in overseas regions and actively participate in client-side industry exhibitions to increase market share and enhance the company's profitability. It will also develop new products such as electric cylinders and use the company's close marketing system in China and around the world to represent other automation-related components and products.

7.6 Analysis of Risk Management

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

1. Interest rate: The Company's interest expense in 2019 and 2018 was NTD 305,876 thousand and NTD 224,430 thousand respectively; respectively accounting for 7.59% and 5.40% of the year's operating profit. High interest expense was mainly due to the fact that the Company's vertically integrated production processes required more working capital. As the Company's business scale expands, profitability improves and own capital is replenished, the Company is not expected to face the risk of interest rate increase that leads to jump in interest expense. However, if the Company needs to borrow funds from financial institutions and interest rate rises in the future, increased interest expense will affect the Company's profit.
2. Exchange rate: The main operations of the Group include AirTAC Ningbo, AirTAC Guangdong and AirTAC China that use RMB as their functional currency. Those companies would hold small-sum USD and Euro to pay for miscellaneous expenses of employees stationed abroad. The Company's exchange gain (loss) in 2015~2019 were (\$291,933) thousand, (\$348,374) thousand, \$274,054 thousand, (\$211,424) thousand, and (\$268,563) thousand respectively accounting for a low percentage of the year's operating profit, at 14.08%, 12.81%, 6.62%, 5.08% and 6.67% respectively.

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

finance department might take the following actions:

Response measures:

- a. The finance department holds proper foreign currency positions in view of the trends of exchange rate to provide for the operation needs of subsidiaries and to reduce the effects of exchange rate fluctuation on the Company's profit.
- b. The finance department keeps close communication with corresponding banks and constantly monitors the foreign exchange market to enable the management to fully grasp the exchange rate variations and make timely adjustment in case of any contingent events relating to change of payment currency.
- c. The finance department adopts automatic offset principle to address currency risk (i.e. both exports and imports are quoted in USD) and use forward exchange contracts and foreign currency borrowing in view of needs to reduce the effects of exchange rate fluctuation on Company profit.

3. Inflation/ deflation:

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

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

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

also adopts a conservative financial policy and stay away from high-leverage investment. Thus the Company is exposed to limited associated risks.

7.6.3 Future R&D projects and estimated R&D expenditure

1. The Company believes in technology autonomy and develops major process technologies in-house. The Company also puts equal emphasis on new technology and process technology R&D to improve and upgrade technological know-how continuously.
2. The Company expands from mid and low-end automation application into the arena of high-end automation equipment based on existing technology, expansion of product lines and application of end-products.

The Company's R&D expenditure as a percentage of sales revenue was 2.77%, 2.91%, and 3.23% respectively in the past three years, showing a general rising trend. The Company will continue to put in more R&D resources in line with the product development plans. R&D investment in the future is expected to cost as 3% to 4% of the annual sales revenue. If the Company fails to allocate resources to R&D in the future, future product development and R&D projects could be constrained, or the Company's products could no longer keep up with the market trends or customer demands. Furthermore, the Company could lose customer orders that could produce material adverse impact on the Company's operations.

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

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

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

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

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

Guided by the principle of honesty and the spirit of solid pragmatism, the Company has been operating based on the beliefs of "People Oriented, Commitments, Profit Sharing and Common Development" to strengthen internal management, and improve quality and efficiency. The Company continues to bring in outstanding and talented personnel to strengthen the management team. The Company shares its positive operating results with shareholders and acts as a good corporate citizen in giving back to the society. The Company maintains a good corporate image and presently there is no incident that changes corporate image or puts the Company in crisis.

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

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

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

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

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

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

1. Supplier concentration:

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

2. Client concentration:

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

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

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

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

7.6.12 The outcome of concluded or pending litigious, non-litigious, or administrative litigation events involving the director, supervisor, president, de facto responsible person, major shareholders holding more than 10% interest, or subsidiary of the Company up to the date of annual report that might have material impact on stockholders' equity or Company stock price (facts in dispute, amounts involved, litigation commencement date, parties concerned, and progress as of the date of annual report): None.

7.6.13 Other major risks and response measures

1. Please see the section of the report on factors advantageous and disadvantageous to the future prospects of the Company and response measures for other major operational risks faced by the Company.
2. Risk of patent infringement: Under the trends of global economic liberalization, many companies would use patent infringement lawsuit as a strategic instrument to disrupt the business development of rivals. Thus as the Company continues to grow, the likelihood of facing patent infringement lawsuit from competitors also rises.
3. The Company has set up a department to take charge of application and management of patents and trademark to protect our intellectual property rights. But those moves cannot assure that the Company's intellectual properties are fully protected from infringement by competitors or other companies.
4. Possible lack of full protection under specific circumstances
The operations of a company are faced with a variety of risks and hazards, such as equipment breakdown, damage or malfunction, delay in delivery of equipment, limited capacity, employee strike, fire, natural disasters (e.g. earthquake or typhoon), environmental hazards or occupational hazards that could produce material adverse effects on the Group's operations. Although the Group has acquired insurance coverage for fixed assets and inventories according to the customary practice at the territory or country of operation, such insurance might not provide full protection under specific circumstances. If the Group sustains loss in any incident thereof, it could have adverse effect on the Group's operations.
5. Information security
In order to strengthen the risk management of information security, the company has a department responsible for information security. The department is responsible for formulating information security related specifications including ERP authority management, information equipment management, data processing control, etc. The Company continuously improve the management system, including strengthening education and training and deepening protection technology, in order to find possible problems early and implement repairs and have related mechanisms such as remote backup and data backup. Information security inspection is also included in the audit items of the annual audit plan.

7.7 Other Important Affairs: None.

8. Special Disclosure

8.1 Summary of Affiliated Companies:

8.1.1 Organization chart: Please see Company Overview

8.1.2 Profile of affiliates

Unit: NT\$ thousands

Name of Affiliate	Date of establishment	Address	Paid-in capital	Major businesses or products
Airtac Industrial (Hong Kong) Limited	2008.11.10	15/F., BOC Group Life Assurance Tower, 136 Des Voeux Road Central, Central, Hong Kong	USD 87,500 RMB 331,000	General investment
Airtac Trading (Hong Kong) Limited	2008.11.10	15/F., BOC Group Life Assurance Tower, 136 Des Voeux Road Central, Central, Hong Kong	USD -	General investment
Instant Reach International Limited	2006.4.18	Vistra Corporate Service Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	USD 2,283 EUR 1,000 RMB 17,500	General investment
Airtac Holding (Singapore) Pte. Ltd.	2011.8.11	12 Gul Drive #01-00 Singapore (629463)	USD 17,000	General investment
Ningbo AirTAC Automatic Industrial Co.	2001.8.16	No. 88, Siming East Rd., Hi-tech. Park, Fenghua Dist., Ningbo City, Zhejiang, China	USD 52,000 RMB 244,000	Production of all kinds of pneumatic controlling components and auxiliary parts
Guangdong AirTAC Automatic Industrial Co.	2006.9.30	No. 7, Kaixuan Rd., Songxia Industrial Park, Shishan Town, Nanhai District, Foshan, Guangdong, China	USD 6,000	Production of all kinds of pneumatic controlling components and auxiliary parts
AirTAC (China) Co., Ltd.	2011.5.6	No.8 Huisheng Road, Fenghua Dist., Ningbo City, Zhejiang, China	USD 18,000 RMB 126,000	Wholesale, distribution of all kinds of pneumatics, tools and equipment and providing related services
AirTAC (Jiangsu) Automation Co., Ltd.	2015.7.2	No.188 Ruike Road, Yushan Town, Kunshan City, Jiangsu, China	USD 1,500 RMB 23,000	Wholesale, distribution of all kinds of pneumatics, tools and equipment and providing related services
Guangdong AirTAC Intelligent Equipment Co., Ltd.	2016.11.30	No.40 Warehouse 5th Zone, Tashin Group, No. 48 East Star Road Chenjiang Street, Zhongkai High-Tech. Development Zone, Huizhou City Guangdong, China	RMB 10,000	Wholesale, distribution of all kinds of pneumatics, tools and equipment and providing related services

Name of Affiliate	Date of establishment	Address	Paid-in capital	Major businesses or products
Airtac (Tianjin) Intelligent Technology Co., Ltd.	2017.9.20	Factory A, 1-3 Floor, D10 of Easter District, No.1 of School west Road, Xiqing School Industrial Area, Tianjin City, China	RMB 10,000	Wholesale, distribution of all kinds of pneumatics, tools and equipment and providing related services
AirTAC (Fujian) Intelligent Equipment Co. Ltd.	2018.7.18	101, No.1, Guankou Zhenping Road, Jimei District, Xiamen, Fujian, China	RMB 10,000	Wholesale, distribution of all kinds of pneumatics, tools and equipment and providing related services
AirTAC Industrial Co.	1989.5.9	No. 163, Sec. 1, Wenzhong Rd., Luzhu Dist., Taoyuan City 338, Taiwan (R.O.C.)	NTD 54,581	Production, sales, import and export of machineries and parts
ATC (ITALIA) S.R.L.	2008.6.10	Via San Vittore 16, 20123 Milano, Italy	EUR 4,000	All types of production and sales of pneumatic and hydraulic control elements
Airtac International (Singapore) Pte. Ltd.	2011.8.11	12 Gul Drive #01-00 Singapore (629463)	USD 12,500	Production and sales of pneumatics and auxiliary components
Airtac Co., Ltd.	2013.4.18	3-6-3, Kusune, Higashiosaka-shi, Osaka, Japan (577-0006)	JPY 98,000	Production and sales of pneumatics and auxiliary components
AIRTAC USA CORPORATION	2016.11.4	21201 Park Row Drive, Katy, TX, USA 77449	USD 3,000	Production, sales, import and export of machineries and parts
Airtac Industrial (Malaysia) Sdn. Bhd.	2013.7.16	No 20, Jalan Tiong Emas 1, Kawasan Perindustrian Tiong Nam, 81100 Johor Bahre, Malaysia	MYR 1,000	Production, sales, import and export of machineries and parts
Airtac Industrial Co., Ltd.	2015.4.21	No. 11/12 M00 9, Bangchalong, Bangplee, Samutprakarn, Thailand 10540.	THB 100,000	Production and sales of pneumatics and auxiliary components

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

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

Unit: 1,000 shares

Name of affiliate	Title	Name	Shares held (Note)	Shareholding (Note)
Airtac Industrial (Hong Kong) Limited	Chairman	Wang, Shih-Chung	4,052,799	100.00%
Airtac Trading (Hong Kong) Limited	Chairman	Wang, Shih-Chung	-	100.00%
Instant Reach International Limited	Chairman	Wang, Shih-Chung	177,492	100.00%
	Director	Lan, Shun-Cheng		
	Director	Tsao, Yung-Hsiang		
Airtac Holding (Singapore) Pte. Ltd	Chairman	Wang, Shih-Chung	510,553	100.00%
Ningbo AirTAC Automatic Industrial Co., Ltd.	Chairman	Wang, Shih-Chung	2,612,110	100.00%
	GM/Director	Li, Huai-Wen		
	Director	Lan, Shun-Cheng		
	Director	Wang, Hai-Ming		
	Director	Tsao, Yung-Hsiang		
	Supervisor	Yang, Yung-Liang		
Guangdong AirTAC Automatic Industrial Co.	Chairman	Wang, Shih-Chung	180,195	100.00%
	GM/Director	Li, Huai-Wen		
	Director	Lan, Shun-Cheng		
	Director	Wang, Hai-Ming		
	Director	Tsao, Yung-Hsiang		
	Supervisor	Yang, Yung-Liang		
AirTAC (China) Co., Ltd.	Chairman	Wang, Shih-Chung	1,083,015	100.00%
	GM/Director	Li, Huai-Wen		
	Director	Lan, Shun-Cheng		
	Director	Wang, Hai-Ming		
	Director	Tsao, Yung-Hsiang		
	Supervisor	Yang, Yung-Liang		
AirTAC (Jiangsu) Automation Co., Ltd	Chairman	Wang, Shih-Chung	144,064	100.00%
	GM	Dai, Jia-Xing		
	Director	Lan, Shun-Cheng		
	Director	Li, Huai-Wen		
	Supervisor	Tsao, Yung-Hsiang		
Guangdong AirTAC Intelligent Equipment Co., Ltd.	Chairman	Wang, Shih-Chung	43,050	100.00%
	GM	Dai, Jia-Xing		
	Supervisor	Tsao, Yung-Hsiang		
Airtac (Tianjin) Intelligent Technology Co., Ltd.	Chairman	Wang, Shih-Chung	43,050	100.00%
	GM	Dai, Jia-Xing		
	Supervisor	Tsao, Yung-Hsiang		

Name of affiliate	Title	Name	Shares held (Note)	Shareholding (Note)
AirTAC (Fujian) Intelligent Equipment Co. Ltd.	Chairman	Wang, Shih-Chung	43,050	100.00%
	GM	Dai, Jia-Xing		
	Supervisor	Li, Huai-Wen		
AirTAC Industrial Co.	Chairman	Wang, Shih-Chung	—	—
	Director	Lan, Shun-Cheng	—	—
	Director	Lin, Shu-Mei	—	—
	Director	Tsao, Yung-Hsiang	—	—
	Director	Lin, Tao-Hsuan	—	—
	Supervisor	Yang, Yung-Liang	—	—
ATC (ITALIA) S.R.L.	Chairman	Tsao, Yung-Hsiang	134,361	100.00%
	Director	Wang, Shih-Chun		
	Director	Lan, Shun-Cheng		
Airtac International (Singapore) Pte. Ltd	Chairman	Wang, Shih-Chung	375,406	100.00%
Airtac Co., Ltd.	Representative Director	Wang, Shih-Chun	27,048	100.00%
	Director	Lan, Shun-Cheng		
	Director	Tsao, Yung-Hsiang		
AIRTAC USA CORPPORATION	Chairman	Wang, Shih-Chun	90,098	100.00%
	Director	Lan, Shun-Cheng		
	Director	Tsao, Yung-Hsiang		
Airtac Industrial (Malaysia) Sdn. Bhd.	Chairman	Wang, Shih-Chun	7,034	100.00%
	Director	Lan, Shun-Cheng		
	Director	Tsao, Yung-Hsiang		
	Director	Nurul Amirah Binti A. Rashid		
Airtac Industrial Co., Ltd	Chairman	Wang Shih-Chung	100,930	100.00%
	Director	Lan, Shun-Cheng		
	Director	Tsao, Yung-Hsiang		

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

8.1.5 Operational highlights of affiliates

Unit: NT\$ thousands

Name of Affiliate	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Operating Income	Operating Profit (Loss)	Profit (Loss) for the period	EPS (\$)
Airtac Industrial (Hong Kong) Limited	4,052,799	22,377,868	533,682	21,844,186	-	(152)	3,567,829	Note 1
Airtac Trading (Hong Kong) Limited	-	1,507	43	1,464	-	(174)	(158)	Note 1
Instant Reach International Limited	177,492	107,969	-	107,969	-	(40)	(5,936)	Note 1
Airtac Holding (Singapore) Pte. Ltd.	510,553	219,107	405	218,702	-	(219)	(131,706)	Note 1
Ningbo AirTAC Automatic Industrial Co.	2,612,110	14,889,226	1,830,266	13,058,960	8,614,866	2,140,941	1,880,141	Note 1
Guangdong AirTAC Automatic Industrial Co.	180,195	4,003,723	277,440	3,726,283	2,292,409	697,037	556,415	Note 1
AirTAC (China) Co., Ltd.	1,083,015	7,613,074	2,892,796	4,720,278	11,693,202	597,969	944,346	Note 1
AirTAC (Jiangsu) Automation Co., Ltd.	144,064	1,521,077	360,217	1,160,860	3,867,380	361,765	271,111	Note 1
Guangdong AirTAC Intelligent Equipment Co., Ltd.	43,050	1,859,304	900,529	958,775	5,232,711	489,433	366,552	Note 1
Airtac (Tianjin) Intelligent Technology Co., Ltd.	43,050	251,623	159,182	92,441	715,548	29,691	24,946	Note 1
AirTAC (Fujian) Intelligent Equipment Co. Ltd.	43,050	172,493	61,471	111,022	626,922	71,247	53,620	Note 1
ATC (ITALIA) S.R.L.	134,360	224,618	142,087	82,531	292,787	(4,361)	(5,306)	Note 1
AirTAC Industrial Co.	1,000	36,193	1,686	34,507	-	(1,439)	(877)	(8.77)
Airtac International (Singapore) Pte. Ltd.	375,406	391,417	101,775	289,642	179,477	(16,363)	(30,750)	Note 1
Airtac Co., Ltd.	27,048	65,883	138,694	(72,811)	58,799	(25,057)	(24,398)	Note 1
AIRTAC USA CORPORATION	90,098	258,039	264,586	(6,547)	114,941	(75,846)	(76,506)	Note 1
Airtac Industrial (Malaysia) Sdn. Bhd.	7,034	78,025	99,561	(21,536)	59,655	(7,858)	(6,559)	Note 1
Airtac Industrial Co., Ltd. (Thailand)	100,930	108,732	25,589	83,143	64,933	(10,144)	(8,452)	Note 1

Note 1: Earnings per share could not be calculated for it is not a company limited by shares.

Note 2: The amounts were converted to thousand NTD at exchange rate on 2019.12.31.

8.1.6 Consolidated financial statements of affiliates: See Appendix 1.

8.1.7 Affiliation report: None.

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

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

8.4 Other Necessary Supplementary Explanation: None.

8.5 Any Event Which Has a Material Impact on Shareholders' Equity or Securities Prices Was Stipulated in Subparagraph 2, Paragraph 2, Article 36 of Securities Exchange Act in the Most Recent Fiscal Year and up to the Date of the Publication of the Annual Report: None.

Appendix 1

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:

Valuation of Inventory

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 logicity 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 were 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)

ASSETS	2019		2018	
	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)	<u>175,551</u>	<u>-</u>	<u>344,981</u>	<u>1</u>
Total current assets	<u>16,741,951</u>	<u>42</u>	<u>14,010,257</u>	<u>40</u>
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)	<u>1,452,405</u>	<u>4</u>	<u>1,466,831</u>	<u>4</u>
Total non-current assets	<u>23,213,241</u>	<u>58</u>	<u>21,034,234</u>	<u>60</u>
TOTAL	<u>\$ 39,955,192</u>	<u>100</u>	<u>\$ 35,044,491</u>	<u>100</u>
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)	<u>231,288</u>	<u>1</u>	<u>154,002</u>	<u>-</u>
Total current liabilities	<u>16,435,873</u>	<u>41</u>	<u>13,938,640</u>	<u>40</u>
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)	<u>535,338</u>	<u>1</u>	<u>493,902</u>	<u>1</u>
Total non-current liabilities	<u>5,329,215</u>	<u>13</u>	<u>3,996,852</u>	<u>11</u>
Total liabilities	<u>21,765,088</u>	<u>54</u>	<u>17,935,492</u>	<u>51</u>
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	<u>(1,447,562)</u>	<u>(3)</u>	<u>(757,934)</u>	<u>(2)</u>
Total equity attributable to owners of the Company	18,180,620	46	17,099,290	49
NON-CONTROLLING INTERESTS	<u>9,484</u>	<u>-</u>	<u>9,709</u>	<u>-</u>
Total equity	<u>18,190,104</u>	<u>46</u>	<u>17,108,999</u>	<u>49</u>
TOTAL	<u>\$ 39,955,192</u>	<u>100</u>	<u>\$ 35,044,491</u>	<u>100</u>

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)	<u>(8,470,602)</u>	<u>(53)</u>	<u>(8,067,659)</u>	<u>(52)</u>
GROSS PROFIT	<u>7,425,715</u>	<u>47</u>	<u>7,533,084</u>	<u>48</u>
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	<u>(2,966)</u>	<u>-</u>	<u>(53,443)</u>	<u>(1)</u>
Total operating expenses	<u>(3,397,673)</u>	<u>(22)</u>	<u>(3,373,146)</u>	<u>(22)</u>
PROFIT FROM OPERATIONS	<u>4,028,042</u>	<u>25</u>	<u>4,159,938</u>	<u>26</u>
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	<u>(305,876)</u>	<u>(2)</u>	<u>(224,430)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(325,618)</u>	<u>(2)</u>	<u>(352,231)</u>	<u>(2)</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	3,702,424	23	3,807,707	24
INCOME TAX EXPENSE (Notes 4 and 23)	<u>(976,373)</u>	<u>(6)</u>	<u>(968,500)</u>	<u>(6)</u>
NET PROFIT FOR THE YEAR	<u>2,726,051</u>	<u>17</u>	<u>2,839,207</u>	<u>18</u>
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	<u>38,274</u>	<u>-</u>	<u>48,974</u>	<u>-</u>

(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	<u>(689,591)</u>	<u>(4)</u>	<u>(338,806)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,036,460</u>	<u>13</u>	<u>\$ 2,500,401</u>	<u>16</u>
NET PROFIT ATTRIBUTABLE TO:				
Owner of the Company	\$ 2,726,313	17	\$ 2,839,415	18
Non-controlling interests	<u>(262)</u>	<u>-</u>	<u>(208)</u>	<u>-</u>
	<u>\$ 2,726,051</u>	<u>17</u>	<u>\$ 2,839,207</u>	<u>18</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the Company	\$ 2,036,685	13	\$ 2,500,590	16
Non-controlling interests	<u>(225)</u>	<u>-</u>	<u>(189)</u>	<u>-</u>
	<u>\$ 2,036,460</u>	<u>13</u>	<u>\$ 2,500,401</u>	<u>16</u>
EARNINGS PER SHARE (Note 24)				
Basic	<u>\$ 14.42</u>		<u>\$ 15.02</u>	
Diluted	<u>\$ 14.41</u>		<u>\$ 15.00</u>	

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									
						Other Equity				
	Share Capital			Retained Earnings		Exchange Differences on Translating Foreign Operations	Remeasurement of Defined Benefits Plans	Total	Non-controlling Interests	Total Equity
	Shares (In Thousands)	Ordinary Shares	Capital Surplus	Unappropriated Earnings	Special Reserve					
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)

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018

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

1. GENERAL

Airtac International Group (the “Company,” the Company and its subsidiaries are collectively referred to as the “Group”) was incorporated on September 16, 2009 in British Cayman Islands under reorganization mainly for the purpose of applying for listing on Taiwan Stock Exchange (“TWSE”). Admire Fame International Limited (“Admire Fame”), the Company’s parent company decided on December 23, 2009 with the approval of the shareholders to convert all stocks of Admire Fame to the stocks of the Company at the ratio of 1:1 (referred to as “stock swap” hereunder), and decided to dissolve and liquidate Admire Fame in 2010. Following the stock swap and reorganization, the Company becomes the holding company of a group of enterprises and engages in investment. The main businesses of other companies under the Group are set out in Note 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	<u>\$ 98,621</u>
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	<u>48,781</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 141,433</u>

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	<u>\$ 509,580</u>	<u>\$ 141,433</u>	<u>\$ 651,013</u>
	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	<u>\$ -</u>	<u>\$ 141,433</u>	<u>\$ 141,433</u>
Total effect on equity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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	<u>\$ 509,580</u>	<u>\$ 141,433</u>	<u>\$ 651,013</u>
Lease liabilities - current	\$ -	\$ 51,077	\$ 51,077
Lease liabilities - non-current	-	90,356	90,356
Total effect on liabilities	<u>\$ -</u>	<u>\$ 141,433</u>	<u>\$ 141,433</u>
Total effect on equity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	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	<u>\$ 141,433</u>
Increase in lease liabilities - current	\$ 51,077

	January 1, 2019
Increase in lease liabilities - non-current	<u>90,356</u>
Increase in liabilities	<u>\$ 141,433</u>
Total effect on equity	<u>\$ -</u>

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.

(1) 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.

(2) 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.

1. 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.

2018

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 benefit 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 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	<u>3,254,312</u>	<u>1,768,528</u>
	<u>\$ 5,236,004</u>	<u>\$ 3,887,916</u>

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
<u>Financial assets at FVTPL- current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
— Mutual funds	<u>\$ 9,900</u>	<u>\$ -</u>

8. FINANCIAL ASSETS AT AMORTIZED COST

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

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

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

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

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

	<u>Not Past Due</u>	<u>Less than 90 days</u>	<u>91 to 180 days</u>	<u>181 to 365 days</u>	<u>366 to 547 days</u>	<u>548 to 730 days</u>	<u>Over 731 days</u>	<u>Total</u>
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	<u>\$ 4,735,236</u>	<u>\$ 220,589</u>	<u>\$ 28,681</u>	<u>\$ 11,884</u>	<u>\$ 3,271</u>	<u>\$ 336</u>	<u>\$ -</u>	<u>\$ 4,999,997</u>

December 31, 2018

	<u>Not Past Due</u>	<u>Less than 90 days</u>	<u>91 to 180 days</u>	<u>181 to 365 days</u>	<u>366 to 547 days</u>	<u>548 to 730 days</u>	<u>Over 731 days</u>	<u>Total</u>
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	<u>\$ 4,552,581</u>	<u>\$ 353,605</u>	<u>\$ 60,440</u>	<u>\$ 26,479</u>	<u>\$ 2,011</u>	<u>\$ 118</u>	<u>\$ -</u>	<u>\$ 4,995,234</u>

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	<u>\$ 22,038</u>	<u>\$ 23,025</u>

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	<u>\$ 97,331</u>	<u>\$ 118,281</u>

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
	<u>\$ 3,153,016</u>	<u>\$ 4,082,701</u>

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

Investor	Investee	Proportion of Ownership	
		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
	<u>\$ 20,260,061</u>

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	<u>\$ 890,359</u>	<u>\$ 11,287,785</u>	<u>\$ 10,409,376</u>	<u>\$ 360,566</u>	<u>\$ 1,465,653</u>	<u>\$ 762,869</u>	<u>\$ 25,176,608</u>
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	<u>\$ -</u>	<u>\$ 1,250,417</u>	<u>\$ 2,697,952</u>	<u>\$ 187,598</u>	<u>\$ 839,713</u>	<u>\$ -</u>	<u>\$ 4,975,680</u>
Carrying amount at December 31, 2019	<u>\$ 890,359</u>	<u>\$ 10,037,368</u>	<u>\$ 7,711,424</u>	<u>\$ 172,968</u>	<u>\$ 625,940</u>	<u>\$ 762,869</u>	<u>\$ 20,200,928</u>

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

	<u>Buildings</u>
<u>Cost</u>	
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	<u>\$ 70,588</u>
<u>Accumulated depreciation</u>	
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	<u>\$ 11,455</u>
Carrying amounts at January 1, 2019	<u>\$ -</u>
Carrying amounts at December 31, 2019	<u>\$ 59,133</u>

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:

	<u>December 31, 2019</u>
Year 1	\$ 2,115
Year 2	2,794
Year 3	2,622
Year 4	2,334
Year 5	537
	<u>\$ 10,402</u>

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	<u>\$ 890,359</u>	<u>\$ 8,425,762</u>	<u>\$ 8,659,183</u>	<u>\$ 349,317</u>	<u>\$ 1,319,361</u>	<u>\$ 2,974,998</u>	<u>\$ 22,618,980</u>
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	<u>\$ -</u>	<u>\$ 1,063,270</u>	<u>\$ 2,163,246</u>	<u>\$ 171,741</u>	<u>\$ 713,223</u>	<u>\$ -</u>	<u>\$ 4,111,480</u>
Carrying amount at December 31, 2018	<u>\$ 890,359</u>	<u>\$ 7,362,492</u>	<u>\$ 6,495,937</u>	<u>\$ 177,576</u>	<u>\$ 606,138</u>	<u>\$ 2,974,998</u>	<u>\$ 18,507,500</u>

13.LEASE AGREEMENT

1) Right-of-use assets – 2019

	December 31, 2019
Carrying amount	
Land	\$ 632,287
Buildings	232,951
Transportation equipment	4,253
	<u>\$ 869,491</u>
	December 31, 2019
Additions to right-of-use assets	<u>\$ 348,076</u>
Depreciation of right-of-use assets	
Land	\$ 11,583
Buildings	69,598
Transportation equipment	2,268
	<u>\$ 83,449</u>

2) Lease Liabilities – 2019

	December 31, 2019
Carry amount	
Current	<u>\$ 63,611</u>
Non-current	<u>\$163,335</u>

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Buildings and structures	<u>1.79%~4.35%</u>

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	<u>\$ 34,502</u>
Total cash outflow for leases	<u>\$ 31,637</u>

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
	<u>\$ 98,621</u>

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

	For the year ended December 31, 2018
Minimum lease payments	<u>\$ 84,672</u>

14. PREPAYMENTS FOR LEASE

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

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

15. OTHER ASSETS

	December 31, 2019	December 31, 2018
<u>Current</u>		
Excess VAT paid	\$ 68,348	\$ 217,115
Prepaid expenses	53,915	64,928
Prepayments	53,273	52,213
Prepayments for lease	-	10,715
Others	<u>15</u>	<u>10</u>
	<u>\$ 175,551</u>	<u>\$ 344,981</u>
<u>Non-current</u>		
Prepayments for equipment	\$ 1,407,955	\$ 1,422,294
Refundable deposits	37,493	37,580
Net defined benefit assets	<u>6,957</u>	<u>6,957</u>
	<u>\$ 1,452,405</u>	<u>\$ 1,466,831</u>

16. LOANS

(1) Short-term loans

	December 31, 2019	December 31, 2018
<u>Unsecured loans</u>		
Line of credit loans	<u>\$ 11,991,261</u>	<u>\$ 10,745,173</u>

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	<u>\$ 850,000</u>	<u>\$ 950,000</u>

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
	<u>\$ 850,000</u>	<u>\$ -</u>	<u>\$ 950,000</u>

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
	<u>\$ 950,000</u>	<u>\$ -</u>	<u>\$ 950,000</u>

- 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
<u>Secured loans</u>		
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	<u>\$ 4,630,542</u>	<u>\$ 3,502,950</u>

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

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)	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>189,025</u>	<u>189,025</u>
Shares issued	<u>\$ 1,890,250</u>	<u>\$ 1,890,250</u>

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
<u>Used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Issuance of ordinary shares	\$ 6,123,279	\$ 6,123,279
Organization Reconstruction	704,640	704,640

Donations	<u>41,552</u>	<u>41,552</u>
	6,869,471	6,869,471
<u>Used to offset a deficit only</u>		
Void employee share option (2)	<u>701</u>	<u>701</u>
	<u>\$ 6,870,172</u>	<u>\$ 6,870,172</u>

- 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	<u>\$ 4,991</u>	<u>\$ 16,451</u>
Cash dividends	<u>\$955,355</u>	<u>\$1,353,419</u>
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	<u>(\$1,453,824)</u>	<u>(\$ 764,196)</u>

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	<u>\$ 15,896,317</u>	<u>\$ 15,600,743</u>

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)	<u>\$ 3,519,405</u>	<u>\$ 3,445,549</u>	<u>\$ 3,350,839</u>
Contract liabilities-current			
Sale of goods	<u>\$ 50,977</u>	<u>\$ 52,863</u>	<u>\$ 55,619</u>

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
<u>From contract liabilities at the start of the year</u>		
Sale of goods	<u>\$ 49,101</u>	<u>\$ 50,293</u>

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
<u>Interest revenue</u>		
Bank deposits	\$ 89,171	\$ 37,304
Financial assets at amortized cost	<u>52,608</u>	<u>2,365</u>
	<u>\$ 141,779</u>	<u>\$ 39,669</u>

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	<u>12,920</u>	<u>3,995</u>
	<u>(\$ 161,521)</u>	<u>(\$ 167,470)</u>

c. Financial costs

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

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	<u>16,895</u>	<u>16,140</u>
	<u>\$ 1,386,005</u>	<u>\$ 1,093,973</u>
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	<u>100,052</u>	<u>57,633</u>
	<u>\$ 1,369,110</u>	<u>\$ 1,077,833</u>
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	<u>3,758</u>	<u>4,294</u>
	<u>\$ 16,895</u>	<u>\$ 16,140</u>

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	<u>-</u>	<u>4</u>
	182,675	199,771
Other employee benefits	<u>3,778,715</u>	<u>3,839,596</u>
Total employee benefits expense	<u>\$ 3,961,390</u>	<u>\$ 4,039,367</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 2,028,682	\$ 2,092,028
Operating expenses	<u>1,932,708</u>	<u>1,947,339</u>
	<u>\$ 3,961,390</u>	<u>\$ 4,039,367</u>

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:

<u>Accrual rate</u>		For the Year Ended December 31		
		2019	2018	
Employees' compensation		1.0%	2.0%	
<u>Amount</u>				
	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)
	<u>(\$ 268,563)</u>	<u>(\$ 211,424)</u>

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
	<u>904,022</u>	<u>923,121</u>
Deferred tax		
In respect of the current year	72,351	83,215
Adjustments to deferred tax attributable to changes in tax rates	-	(37,836)
	<u>72,351</u>	<u>45,379</u>
Income tax expense recognized in profit or loss	<u>\$ 976,373</u>	<u>\$ 968,500</u>

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	<u>\$ 3,702,424</u>	<u>\$ 3,807,707</u>
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	<u>\$ 976,373</u>	<u>\$ 968,500</u>

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
<u>Deferred Tax Assets</u>					
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	<u>3,260</u>	<u>39,423</u>	<u>(427)</u>	<u>-</u>	<u>42,256</u>
	138,379	15,865	(4,905)	-	149,339
Loss carryforwards	<u>345,918</u>	<u>75,557</u>	<u>138</u>	<u>-</u>	<u>421,613</u>
	<u>\$ 484,297</u>	<u>\$ 91,422</u>	<u>(\$ 4,767)</u>	<u>\$ -</u>	<u>\$ 570,952</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Unrealized exchange gains	\$ 3,036	(\$ 2,746)	\$ 48	\$ -	\$ 338
Defined benefit obligation	1,391	-	-	-	1,391
Withholding tax	<u>489,475</u>	<u>166,519</u>	<u>(20,518)</u>	<u>(101,867)</u>	<u>533,609</u>
	<u>\$ 493,902</u>	<u>\$ 163,773</u>	<u>(\$ 20,470)</u>	<u>(\$ 101,867)</u>	<u>\$ 535,338</u>

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Others	Closing Balance
<u>Deferred Tax Assets</u>					
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	<u>2</u>	<u>2,481</u>	<u>777</u>	<u>-</u>	<u>3,260</u>
	135,471	5,053	(2,145)	-	138,379
Loss carryforwards	<u>234,578</u>	<u>110,924</u>	<u>416</u>	<u>-</u>	<u>345,918</u>
	<u>\$ 370,049</u>	<u>\$ 115,977</u>	<u>(\$ 1,729)</u>	<u>\$ -</u>	<u>\$ 484,297</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Unrealized exchange gains	\$ 3,754	(\$ 809)	\$ 91	\$ -	\$ 3,036
Defined benefit obligation	1,184	207	-	-	1,391
Withholding tax	<u>365,812</u>	<u>161,958</u>	<u>(10,274)</u>	<u>(28,021)</u>	<u>489,475</u>
	<u>\$ 370,750</u>	<u>\$ 161,356</u>	<u>(\$ 10,183)</u>	<u>(\$ 28,021)</u>	<u>\$ 493,902</u>

- 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	<u>587</u>	<u>587</u>
	<u>\$ 1,953</u>	<u>\$ 1,953</u>

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

Loss carryforwards as of December 31, 2018 comprised of :

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

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	<u>\$2,726,313</u>	<u>\$2,839,415</u>
Earnings used in the computation of basic earnings per share	2,726,313	2,839,415
Effect of potentially dilutive ordinary shares:	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$2,726,313</u>	<u>\$2,839,415</u>

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	<u>117</u>	<u>289</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>189,142</u>	<u>189,314</u>

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			Balance as of December 31, 2019
			New Leases	Finance cost	Foreign Exchange Movement	
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
	<u>\$ 15,339,556</u>	<u>\$ 2,997,288</u>	<u>\$ 182,494</u>	<u>\$ 9,527</u>	<u>(\$ 63,616)</u>	<u>\$ 18,465,249</u>

For the year ended December 31, 2018

	Balance as of January 1, 2018	Financing Cash Flow	Non-cash changes			Balance as of December 31, 2018
			New Leases	Finance cost	Foreign Exchange Movement	
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
	<u>\$ 10,041,834</u>	<u>\$ 5,038,745</u>	<u>\$ -</u>	<u>\$ 6,615</u>	<u>\$ 110,929</u>	<u>\$ 15,198,123</u>

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTPL				
Mutual Funds	<u>\$ 9,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,900</u>

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets at FVTPL		
Designated as at FVTPL	\$ 9,900	\$ -
Financial assets at amortized cost (Note 1)	13,393,645	9,579,222
<u>Financial liabilities</u>		
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
<u>Non-derivative financial liabilities</u>				
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	<u>10,544,947</u>	<u>3,117,291</u>	<u>4,785,056</u>	-
	<u>\$ 12,153,588</u>	<u>\$ 3,815,471</u>	<u>\$ 4,955,954</u>	<u>\$ -</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10+ Years
Lease liabilities	<u>\$ 68,637</u>	<u>\$ 170,898</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2018

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

(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	<u>5,337,503</u>	<u>4,411,538</u>
	<u>\$ 18,478,764</u>	<u>\$ 16,406,711</u>
Secured bank loans		
-Amounts used	\$ 5,110,000	\$ 3,220,000
-Amounts unused	<u>-</u>	<u>2,280,000</u>
	<u>\$ 5,110,000</u>	<u>\$ 5,500,000</u>

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	2018
Sales	Other related parties (the responsible person of the party is the director of the Group)	\$ <u>109</u>	\$ <u>255</u>

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)	\$ <u>18</u>	\$ <u>12</u>

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	2018
Short-term employee benefits	<u>\$ 87,520</u>	<u>\$ 97,084</u>

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	<u>2,044,664</u>	<u>1,737,552</u>
	<u>\$ 7,801,377</u>	<u>\$ 5,440,533</u>

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	<u>\$1,580,915</u>	<u>\$3,159,027</u>

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 plants in Zhejiang and Guangdong. Since the main manufacturing plants, 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
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,769	30.03 (USD: NTD)	\$ 53,132
USD	20,210	6.98 (USD: RMB)	606,958
RMB	1,295,003	4.30 (RMB: NTD)	<u>5,574,987</u>
			<u>\$ 6,235,077</u>
<u>Financial liabilities</u>			
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)	<u>135,115</u>
			<u>\$ 6,235,077</u>

December 31, 2018

	Foreign currency	Exchange rate	Carrying amount
<u>Financial assets</u>			
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)	<u>3,290,523</u>
			<u>\$ 3,877,664</u>
<u>Financial liabilities</u>			
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)	<u>122,490</u>
			<u>\$ 4,467,639</u>

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		For the Year ended	
	December 31		December 31	
	2019	2018	2019	2018
Pneumatic components				
-Direct sales	\$ 11,482,163	\$ 11,563,595	\$ 3,544,543	\$ 3,804,498
-Distributors	<u>4,414,154</u>	<u>4,037,148</u>	<u>1,361,700</u>	<u>1,328,151</u>
Total amounts of continuing operations	<u>\$ 15,896,317</u>	<u>\$ 15,600,743</u>	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			(<u>305,876</u>)	(<u>224,430</u>)
Profit before income tax from continuing operations			<u>\$ 3,702,424</u>	<u>\$ 3,807,707</u>

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
<u>Segment assets</u>		
Pneumatic components		
-Direct sales	\$28,434,073	\$25,607,687
-Distributors	<u>10,940,328</u>	<u>8,949,154</u>
Total segment total assets	39,374,401	34,556,841
Unallocated assets	<u>580,791</u>	<u>487,650</u>
Consolidated total assets	<u><u>\$39,955,192</u></u>	<u><u>\$35,044,491</u></u>

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

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

Table 1

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

LOANS PROVIDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 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.

Table 2

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

**INFORMATION FOR INVESTEEES
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			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2019 (Note1)	December 31, 2018 (Note1)	Shares	%	Carrying Amount			
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
			Purchase (Sale)	Amount	% of Total	Payment Term	Unit Price (Note)	Payment Terms (Note)	Balance	% to Total	
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.

TABLE 7**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		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
					Outflow	Inflow							
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, 1 RMB=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	-

No.	Company Name	Counter Party	Nature of Relationship (Note)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Sales or Assets
2	Guangdong Airtac Automatic Industrial Co., Ltd.	Airtac International (Singapore) Pte. Ltd.	3	Sales revenue	99,396	General terms and conditions	1%
		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	-
		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%
3	Airtac (China) Co., Ltd	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%
		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	-

No.	Company Name	Counter Party	Nature of Relationship (Note)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Sales or Assets
4	Guangdong Airtac Intelligent Equipment Co., Ltd.	Airtac (Fujian) Intelligent Equipment Co., Ltd.	3	Sales revenue	462,201	General terms and conditions	3%
		Airtac International Group	3	Trade receivables	27,907	General terms and conditions	-
		Airtac International Group	3	Sales revenue	25,656	General terms and conditions	-
		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.