

**Airtac International Group
and Subsidiaries**

**Consolidated Financial Statements for the
Six Months Ended June 30, 2020 and 2019 and
Independent Auditors' Review Report**

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

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Airtac International Group

Introduction

We have reviewed the accompanying consolidated balance sheets of Airtac International Group and its subsidiaries (collectively, the “Company”) as of June 30, 2020 and 2019, the related consolidated statements of comprehensive income for the three months ended June 30, 2020 and 2019 and for the six months then ended June 30, 2020 and 2019, the consolidated statements of changes in equity and cash flows for the six months ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as 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 Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects the consolidated financial position of the Company as of June 30, 2020 and 2019, its consolidated financial performance for the three months ended June 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2020 and 2019 in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 13, 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 (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2020 (Reviewed)		December 31, 2019 (Audited)		June 30, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 4 and 6)	\$ 5,137,723	13	\$ 5,236,004	13	\$ 4,606,716	12
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	9,890	-	9,900	-	10,059	-
Financial assets at amortized cost - current (Notes 4, 8 and 29)	3,531,649	9	3,127,961	8	1,472,960	4
Notes receivable (Note 9)	1,333,896	3	1,480,592	4	1,549,017	4
Trade receivables (Notes 9 and 28)	4,526,149	11	3,519,405	9	3,979,992	10
Other receivables	17,607	-	29,683	-	47,905	-
Current tax assets (Note 4)	14,607	-	9,839	-	82,974	-
Inventories (Notes 4, 5 and 10)	3,159,933	8	3,153,016	8	3,794,543	10
Other current assets (Note 14)	169,320	-	175,551	-	269,071	1
Total current assets	<u>17,900,774</u>	<u>44</u>	<u>16,741,951</u>	<u>42</u>	<u>15,813,237</u>	<u>41</u>
NON-CURRENT ASSETS						
Property, plant and equipment (Notes 12 and 29)	20,764,503	51	20,260,061	51	19,784,637	51
Right-of-use assets (Note 13)	818,224	2	869,491	2	950,932	3
Other intangible assets	51,707	-	60,332	-	69,348	-
Deferred tax assets (Note 4)	628,268	1	570,952	1	523,759	1
Other non-current assets (Note 14)	711,976	2	1,452,405	4	1,709,372	4
Total non-current assets	<u>22,974,678</u>	<u>56</u>	<u>23,213,241</u>	<u>58</u>	<u>23,038,048</u>	<u>59</u>
TOTAL	<u>\$ 40,875,452</u>	<u>100</u>	<u>\$ 39,955,192</u>	<u>100</u>	<u>\$ 38,851,285</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term loans (Note 15)	\$ 12,063,345	30	\$ 11,991,261	30	\$ 11,462,312	30
Short-term bills payable (Note 15)	1,150,000	3	850,000	2	950,000	2
Financial liabilities at fair value through profit and loss - current (Notes 4 and 7)	13,095	-	-	-	-	-
Contract liabilities - current (Note 20)	61,056	-	50,977	-	33,603	-
Notes payable (Note 16)	120,641	-	289,239	1	138,286	-
Trade payables (Note 16)	657,765	2	523,235	1	560,980	1
Lease liability - current (Notes 4 and 13)	57,886	-	63,611	-	70,375	-
Other payables (Note 17)	1,760,944	4	1,382,660	3	2,300,973	6
Current tax liabilities (Note 4)	456,859	1	287,102	1	260,783	1
Current portion of long-term loans (Notes 15 and 29)	766,500	2	766,500	2	315,000	1
Other current liabilities (Note 17)	223,909	1	231,288	1	80,013	-
Total current liabilities	<u>17,332,000</u>	<u>43</u>	<u>16,435,873</u>	<u>41</u>	<u>16,172,325</u>	<u>41</u>
NON-CURRENT LIABILITIES						
Lease liabilities (Notes 4 and 13)	144,748	-	163,335	-	200,855	1
Long-term loans (Notes 15 and 29)	4,249,338	10	4,630,542	12	4,169,996	11
Deferred tax liabilities (Note 4)	620,165	2	535,338	1	553,885	1
Total non-current liabilities	<u>5,014,251</u>	<u>12</u>	<u>5,329,215</u>	<u>13</u>	<u>4,924,736</u>	<u>13</u>
Total liabilities	<u>22,346,251</u>	<u>55</u>	<u>21,765,088</u>	<u>54</u>	<u>21,097,061</u>	<u>54</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 19)						
Share capital	1,890,250	5	1,890,250	5	1,890,250	5
Capital surplus	6,870,172	17	6,870,172	17	6,870,172	18
Retained earnings	11,694,141	28	10,867,760	27	9,565,362	25
Other equity	(1,934,665)	(5)	(1,447,562)	(3)	(581,282)	(2)
Total equity attributable to owners of the Company	18,519,898	45	18,180,620	46	17,744,502	46
NON-CONTROLLING INTERESTS						
Total equity	<u>18,529,201</u>	<u>45</u>	<u>18,190,104</u>	<u>46</u>	<u>17,754,224</u>	<u>46</u>
TOTAL	<u>\$ 40,875,452</u>	<u>100</u>	<u>\$ 39,955,192</u>	<u>100</u>	<u>\$ 38,851,285</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

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE								
Sales (Notes 20 and 33)	\$ 5,335,621	100	\$ 4,403,161	100	\$ 8,492,763	100	\$ 7,781,674	100
OPERATING COSTS								
Cost of goods sold (Notes 10 and 21)	<u>2,620,121</u>	<u>49</u>	<u>2,314,704</u>	<u>53</u>	<u>4,403,905</u>	<u>52</u>	<u>4,145,577</u>	<u>53</u>
GROSS PROFIT	<u>2,715,500</u>	<u>51</u>	<u>2,088,457</u>	<u>47</u>	<u>4,088,858</u>	<u>48</u>	<u>3,636,097</u>	<u>47</u>
OPERATING EXPENSES								
(Note 21)								
Selling and marketing expenses	537,933	10	545,884	12	932,663	11	991,924	13
General and administrative expenses	223,722	4	222,267	5	407,030	5	438,888	6
Research and development expenses	118,118	2	127,666	3	205,989	2	243,734	3
Expected credit loss (gain)	<u>(1,051)</u>	<u>-</u>	<u>6,016</u>	<u>-</u>	<u>13,631</u>	<u>-</u>	<u>4,849</u>	<u>-</u>
Total operating expenses	<u>878,722</u>	<u>16</u>	<u>901,833</u>	<u>20</u>	<u>1,559,313</u>	<u>18</u>	<u>1,679,395</u>	<u>22</u>
PROFIT FROM OPERATIONS	<u>1,836,778</u>	<u>35</u>	<u>1,186,624</u>	<u>27</u>	<u>2,529,545</u>	<u>30</u>	<u>1,956,702</u>	<u>25</u>
NON-OPERATING INCOME AND EXPENSES (Note 21)								
Other income	45,686	1	32,942	1	94,184	1	58,144	1
Other gains and losses	(62,815)	(1)	(83,874)	(2)	(145,427)	(1)	95,413	1
Finance costs	<u>(71,763)</u>	<u>(2)</u>	<u>(73,651)</u>	<u>(2)</u>	<u>(154,976)</u>	<u>(2)</u>	<u>(144,482)</u>	<u>(2)</u>
Total non-operating income and expenses	<u>(88,892)</u>	<u>(2)</u>	<u>(124,583)</u>	<u>(3)</u>	<u>(206,219)</u>	<u>(2)</u>	<u>9,075</u>	<u>-</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	1,747,886	33	1,062,041	24	2,323,326	28	1,965,777	25
INCOME TAX EXPENSE (Notes 4 and 22)	<u>431,107</u>	<u>8</u>	<u>289,116</u>	<u>7</u>	<u>602,177</u>	<u>7</u>	<u>506,755</u>	<u>6</u>
NET PROFIT FOR THE PERIOD	<u>1,316,779</u>	<u>25</u>	<u>772,925</u>	<u>17</u>	<u>1,721,149</u>	<u>21</u>	<u>1,459,022</u>	<u>19</u>
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified subsequently to profit or loss:								
Exchange differences arising on translation to the presentation currency	(282,855)	(5)	(239,138)	(5)	(499,762)	(6)	175,505	2
Items that may be reclassified subsequently to profit or loss:								

(Continued)

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
Exchange differences on translating foreign operations	<u>18,616</u>	<u>-</u>	<u>13,699</u>	<u>-</u>	<u>12,687</u>	<u>-</u>	<u>1,136</u>	<u>-</u>
Other comprehensive income for the period, net of income tax	<u>(264,239)</u>	<u>(5)</u>	<u>(225,439)</u>	<u>(5)</u>	<u>(487,075)</u>	<u>(6)</u>	<u>176,641</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 1,052,540</u>	<u>20</u>	<u>\$ 547,486</u>	<u>12</u>	<u>\$ 1,234,074</u>	<u>15</u>	<u>\$ 1,635,663</u>	<u>21</u>
NET PROFIT ATTRIBUTABLE TO:								
Owner of the Company	\$ 1,316,840	25	\$ 772,932	18	\$ 1,721,358	20	\$ 1,458,998	19
Non-controlling interests	<u>(61)</u>	<u>-</u>	<u>(7)</u>	<u>-</u>	<u>(209)</u>	<u>-</u>	<u>24</u>	<u>-</u>
	<u>\$ 1,316,779</u>	<u>25</u>	<u>\$ 772,925</u>	<u>18</u>	<u>\$ 1,721,149</u>	<u>20</u>	<u>\$ 1,459,022</u>	<u>19</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owner of the Company	\$ 1,052,584	20	\$ 547,476	12	\$ 1,234,255	15	\$ 1,635,650	21
Non-controlling interests	<u>(44)</u>	<u>-</u>	<u>10</u>	<u>-</u>	<u>(181)</u>	<u>-</u>	<u>13</u>	<u>-</u>
	<u>\$ 1,052,540</u>	<u>20</u>	<u>\$ 547,486</u>	<u>12</u>	<u>\$ 1,234,074</u>	<u>15</u>	<u>\$ 1,635,663</u>	<u>21</u>
EARNINGS PER SHARE (Note 23)								
Basic	<u>\$ 6.97</u>		<u>\$ 4.09</u>		<u>\$ 9.11</u>		<u>\$ 7.72</u>	
Diluted	<u>\$ 6.97</u>		<u>\$ 4.09</u>		<u>\$ 9.10</u>		<u>\$ 7.71</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
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company						Other Equity		Non-controlling Interests	Total Equity
	Share Capital		Capital Surplus (Note 19)	Retained Earnings		Exchange Differences on Translating Foreign Operations	Remeasurement of Defined Benefits Plans	Total		
	Shares (In Thousands)	Ordinary Shares		Unappropriated Earnings	Special Reserve					
BALANCE AT JANUARY 1, 2019	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	-	-	-	(990,438)	-	-	-	(990,438)	-	(990,438)
Net profit for the six months ended June 30, 2019	-	-	-	1,458,998	-	-	-	1,458,998	24	1,459,022
Other comprehensive income for the six months ended June 30, 2019, net of income tax	-	-	-	-	-	176,652	-	176,652	(11)	176,641
Total comprehensive income for the six months ended June 30, 2019	-	-	-	1,458,998	-	176,652	-	1,635,650	13	1,635,663
BALANCE AT JUNE 30, 2019	189,025	\$ 1,890,250	\$ 6,870,172	\$ 9,565,362	\$ -	\$ (587,544)	\$ 6,262	\$ 17,744,502	\$ 9,722	\$ 17,754,224
BALANCE AT JANUARY 1, 2020	189,025	\$ 1,890,250	\$ 6,870,172	\$ 10,867,760	\$ -	\$ (1,453,824)	\$ 6,262	\$ 18,180,620	\$ 9,484	\$ 18,190,104
Special reserve under Rule No. 1010012865 issued by the FSC	-	-	-	(894,977)	-	-	-	(894,977)	-	(894,977)
Appropriation of 2019 earnings Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-
Net profit for the six months ended June 30, 2020	-	-	-	1,721,358	-	-	-	1,721,358	(209)	1,721,149
Other comprehensive income for the six months ended June 30, 2020, net of income tax	-	-	-	-	-	(487,103)	-	(487,103)	28	(487,075)
Total comprehensive income for the six months ended June 30, 2020	-	-	-	1,721,358	-	(487,103)	-	1,234,255	(181)	1,234,074
BALANCE AT JUNE 30, 2020	189,025	\$ 1,890,250	\$ 6,870,172	\$ 11,694,141	\$ -	\$ (1,940,927)	\$ 6,262	\$ 18,519,898	\$ 9,303	\$ 18,529,201

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

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,323,326	\$ 1,965,777
Adjustments for:		
Depreciation expenses	750,161	653,056
Amortization expenses	7,997	9,788
Expected credit loss	13,631	4,849
Net gain on financial assets at fair value through profit or loss	13,100	(709)
Finance costs	154,976	144,482
Interest income	(94,184)	(58,144)
Loss on disposal of property, plant and equipment	(16,164)	(12,041)
Write-down of inventories	45,364	26,976
Net loss on foreign currency exchange	78,146	10,077
Changes in operating assets and liabilities:		
Increase in notes receivables	109,225	17,888
Increase in trade receivables	(1,131,802)	(506,122)
Decrease in other receivables	(37,896)	(10,905)
Increase in inventories	(136,933)	311,747
(Increase) decrease in other current assets	(2,653)	106,854
Increase in contract liabilities	11,619	(20,009)
Increase in notes payables	(163,615)	(66,107)
Increase (decrease) in trade payables	150,929	22,302
Increase in other payables	21,729	(61,075)
Increase in other current liabilities	(1,275)	(76,326)
Cash generated from operations	2,095,681	2,462,358
Interest received	96,969	37,395
Interest paid	(156,216)	(139,040)
Income tax paid	(390,039)	(606,459)
Net cash generated from operating activities	<u>1,646,395</u>	<u>1,754,254</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets measured at amortized cost	(7,775,778)	(3,351,453)
Proceeds on sale of financial assets at amortized cost	7,331,996	2,521,531
Purchase of financial assets at fair value through profit or loss	-	(20,000)
Proceeds from sale of financial assets at fair value through profit or loss	-	10,650
Payments for property, plant and equipment	(1,386,700)	(1,429,378)
Proceeds from disposal of property, plant and equipment	61,950	21,650
Increase in refundable deposits	(2,777)	(7,834)
Decrease in refundable deposits	3,608	11,904
Acquisitions of intangible assets	(474)	(1,660)
Acquisitions of right-of-use assets	-	(168,686)

(Continued)

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended	
	June 30	
	2020	2019
Increase in prepayments for equipment	-	(232,429)
Net cash used in investing activities	<u>(1,768,175)</u>	<u>(2,645,705)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	129,806	662,226
Proceeds from short-term bills payables	300,000	-
Proceeds from long-term loans	-	1,180,000
Repayments of long-term loans	(383,250)	(200,000)
Repayment of the principal portion of lease liability	<u>(44,274)</u>	<u>(34,252)</u>
Net cash generated from financing activities	<u>2,282</u>	<u>1,607,974</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>21,217</u>	<u>2,277</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(98,281)	718,800
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>5,236,004</u>	<u>3,887,916</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 5,137,723</u>	<u>\$ 4,606,716</u>
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 SIX MONTHS ENDED JUNE 30, 2020 and 2019

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

(Reviewed, Not Audited)

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 August 13, 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) Amendments to IFRS 3 “Definition of a Business”

The Group applies the amendments to IFRS 3 to transactions that occur on or after

January 1, 2020. The amendments require that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. To judge whether the acquired process is substantive, there will be different judgement requirements depending on whether there is output on the acquisition date. 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”

Upon retrospective application of the amendments, the Group complied with the hedge accounting requirements under the assumption that the interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) 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. Refer to Note XX for the affected hedge relationship.

3) Amendments to IAS 1 and IAS 8 “Definition of Material”

The Group adopted the amendments starting from January 1, 2020. The threshold for materiality influencing users has been changed to “could reasonably be expected to influence” and, therefore, the disclosures in the consolidated financial report have been adjusted and immaterial information that may obscure material information has been deleted.

4) Amendment to IFRS 16 “Covid-19-Related Rent Concessions”

The Group elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. Related accounting policies are stated in Note 4. Before the application of the amendment, the Group was required to determine whether the abovementioned rent concessions are lease modifications and thus have to be accounted for as lease modifications.

The Group applied the amendment from January 1, 2020. Retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018–2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
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, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts–Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable 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, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e., the Group’s share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e., the Group’s share of the gain or loss is eliminated.

2) 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.

3) Annual Improvements to IFRS Standards 2018-2020

Several standards, including IFRS 9 “Financial Instruments”, were amended in the annual improvements. IFRS 9 requires to compare the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, with that of the cash flows under the original financial liability when there is an exchange or modification of debt instruments. The new terms and the original terms are substantially different if the difference between those discounted present values is at least 10 per cent. The amendments to IFRS 9 clarify that the only fees that should be included in the above assessment are those fees paid or received between the borrower and the lender.

4) Amendments to IFRS 3 “Reference to the Conceptual Framework”

The amendments replace the references to the Conceptual Framework of IFRS 3 and specify that the acquirer shall apply IFRIC 21 “Levies” to determine whether the event that gives rise to a liability for a levy has occurred at the acquisition date.

5) Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 “Inventories”. Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards.

The amendments are applicable only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021. The Group will restate its comparative information when it initially applies the aforementioned amendments

6) Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”

The amendments specify that when assessing whether a contract is onerous, the “cost of fulfilling a contract” includes both the incremental costs of fulfilling that contract (for example, direct labor and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of depreciation for an item of property, plant and equipment used in fulfilling the contract).

The Group will recognize the cumulative effect of the initial application of the aforementioned amendments in the retained earnings at the date of the initial application.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continually 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 IAS 34 “Interim Financial Reporting” as endorsed by the FSC. Disclosure information included in the consolidated financial statements is less than those required in a complete set of annual financial statements.

b. Basis of Preparation

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

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which 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 12 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 12 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 12 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 (i.e. its subsidiaries, including structured entities).

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 dates of acquisitions up to the effective dates of disposals, 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 interests of the Group 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, Table 2 and Table 8 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Other significant accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2019.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

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.

Key Sources of Estimation Uncertainty

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Cash on hand	\$ 880	\$ 4,559	\$ 1,288
Check accounts	36,530	259,607	70,957
Demand deposits	2,616,045	1,717,526	1,849,767
Cash equivalent (investments with original maturities of less than 3 months)			
Time deposits	<u>2,484,268</u>	<u>3,254,312</u>	<u>2,684,704</u>
	<u>\$ 5,137,723</u>	<u>\$ 5,236,004</u>	<u>\$ 4,606,716</u>

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Bank Balance	0.001%~0.30%	0.001%~0.35%	0.001%~0.48%
Time deposits	0.50%~2.68%	1.10%~3.30%	1.10%~3.30%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
<u>Financial assets - current</u>			
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
— Mutual funds	<u>\$ 9,890</u>	<u>\$ 9,900</u>	<u>\$ 10,059</u>
<u>Financial liabilities - current</u>			
Financial liabilities held for trading			
Derivative financial liabilities (not under hedge accounting)			
— Foreign exchange forward contracts	<u>\$ 13,095</u>	<u>\$ -</u>	<u>\$ -</u>

At the end of the reporting period, outstanding interest rate swap contracts not under hedge accounting were as follows:

June 30, 2020

	<u>Currency</u>	<u>Maturity Date</u>	<u>Notional Amount (In Thousands)</u>
Buy	RMB /NTD	2020.7.17~2020.9.23	RMB 312,940/ NTD 1,313,255

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
<u>Current</u>			
Time deposits with original maturity of more than 3 month	\$ 5,867	\$ 5,923	\$ 6,221
Restricted bank deposits	14,669	10,763	11,302
Structured deposits	<u>3,511,113</u>	<u>3,111,275</u>	<u>1,455,437</u>
	<u>\$ 3,531,649</u>	<u>\$ 3,127,961</u>	<u>\$ 1,472,960</u>

Refer to Note 29 for information relating to investments in financial assets at amortized cost pledged as security.

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
<u>Notes receivable</u>			
At amortized cost			
Notes receivable - operating	\$ 1,355,401	\$ 1,502,630	\$ 1,572,206
Less: Allowance for impairment loss	<u>(21,505)</u>	<u>(22,038)</u>	<u>(23,189)</u>
	<u>\$ 1,333,896</u>	<u>\$ 1,480,592</u>	<u>\$ 1,549,017</u>
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount	\$ 4,630,984	\$ 3,616,736	\$ 4,101,888
Less: Allowance for impairment loss	<u>(104,835)</u>	<u>(97,331)</u>	<u>(121,896)</u>
	<u>\$ 4,526,149</u>	<u>\$ 3,519,405</u>	<u>\$ 3,979,992</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 Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

June 30, 2020

	Not Past Due	Less than 90 days	91 to 180 days	181 to 365 days	366 to 547 days	548 to 730 days	Over 731 days	Total
Expected credit loss rate	0.90%	3.50%	21.99%	40.11%	78.39%	96.95%	100%	
Gross carrying amount	\$ 5,673,585	\$ 215,047	\$ 19,274	\$ 18,379	\$ 16,094	\$ 14,113	\$ 29,893	\$ 5,986,385
Loss allowance (Lifetime ECL)	(51,020)	(7,520)	(4,238)	(7,371)	(12,616)	(13,682)	(29,893)	(126,340)
Amortized cost	<u>\$ 5,622,565</u>	<u>\$ 207,527</u>	<u>\$ 15,036</u>	<u>\$ 11,008</u>	<u>\$ 3,478</u>	<u>\$ 431</u>	<u>\$ -</u>	<u>\$ 5,860,045</u>

December 31, 2019

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

June 30, 2019

	Not Past Due	Less than 90 days	91 to 180 days	181 to 365 days	366 to 547 days	548 to 730 days	Over 731 days	Total
Expected credit loss rate	0.91%	3.92%	24.71%	45.13%	91.77%	98.63%	100%	
Gross carrying amount	\$ 3,615,515	\$ 344,753	\$ 60,444	\$ 34,086	\$ 23,087	\$ 9,251	\$ 14,752	\$ 4,101,888
Loss allowance (Lifetime ECL)	(33,019)	(13,496)	(14,936)	(15,383)	(21,186)	(9,124)	(14,752)	(121,896)
Amortized cost	<u>\$ 3,582,496</u>	<u>\$ 331,257</u>	<u>\$ 45,508</u>	<u>\$ 18,703</u>	<u>\$ 2,435</u>	<u>\$ 127</u>	<u>\$ -</u>	<u>\$ 3,979,992</u>

The movements of the loss allowance of note receivables were as follows:

	For the Six Months Ended June 30	
	2020	2019
Balance at January 1	\$ 22,038	\$ 23,025
Add: Net remeasurement of loss allowance	39	-
Less: Net remeasurement of loss allowance	-	(82)
Foreign exchange gains and losses	(572)	246
Balance at June 30	<u>\$ 21,505</u>	<u>\$ 23,189</u>

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

	For the Six Months Ended June 30	
	2020	2019
Balance at January 1	\$ 97,331	\$ 118,281
Add: Amounts recovered	-	237
Add: Net remeasurement of loss allowance	13,592	4,931
Less: Amounts written off	(3,253)	(2,831)
Foreign exchange gains and losses	(2,835)	1,287
Balance at June 30	<u>\$ 104,835</u>	<u>\$ 121,896</u>

10. INVENTORIES

	June 30, 2020	December 31, 2019	June 30, 2019
Raw materials	\$ 999,028	\$ 1,001,124	\$ 1,119,695
Finished goods	1,296,465	1,262,274	1,719,038
Work in progress	864,440	889,618	955,810
	<u>\$ 3,159,933</u>	<u>\$ 3,153,016</u>	<u>\$ 3,794,543</u>

As of June 30, 2020, December 31, 2019, and June 30, 2019, the allowance for inventory devaluation was \$143,366 thousand, \$101,620 thousand and \$87,603 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the three months and six months ended June 30, 2020 and 2019 were \$2,620,121 thousand, \$2,314,704 thousand, \$4,403,905 thousand and \$4,145,577 thousand, respectively. The cost of goods sold included inventory write-downs for the three months and six months ended June 30, 2020 and 2019, were \$13,777 thousand, \$8,508 thousand, \$45,364 thousand and \$26,976 thousand, respectively.

The cost of goods sold included scraps for the three months and six months ended June 30, 2020 and 2019 were \$32,959 thousand, \$30,151 thousand, \$55,986 thousand and \$58,249 thousand, respectively.

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

The consolidated entities were as follows:

Name of investing company	Name of subsidiary	% of Ownership		
		June 30, 2020	December 31, 2019	June 30, 2019
Airtac International Group	AIRTAC TRADING (HONG KONG) LIMITED	100	100	100
	AIRTAC INDUSTRIAL (HONG KONG) LIMITED	100	100	100
	INSTANT REACH INTERNATIONAL LIMITED	100	100	100
	AIRTAC HOLDING (SINGAPORE) PTE. LTD.	100	100	100

Name of investing company	Name of subsidiary	% of Ownership		
		June 30, 2020	December 31, 2019	June 30, 2019
AIRTAC INDUSTRIAL (HONG KONG) LIMITED	Ningbo Airtac Automatic Industrial Co., Ltd.	100	100	100
	Guangdong Airtac Automatic Industrial Co., Ltd.	100	100	100
	Airtac (China) Co., Ltd.	100	100	100
	Airtac (Jiangsu) Automatic Co., Ltd.	100	100	100
INSTANT REACH INTERNATIONAL LIMITED	ATC (ITALIA) S.R.L.	100	100	100
	Airtac Enterprise Co., Ltd.	69.44	69.44	69.44
AIRTAC HOLDING (SINGAPORE) PTE. LTD.	AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	100	100	100
	Airtac Co., Ltd.	100	100	100
	AIRTAC USA CORPORATION	100	100	100
AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	100	100	100
	AIRTAC INDUSTRIAL CO., LTD.	100	100	100
Airtac (China) Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	100	100	100
	Airtac (Tianjin) Intelligent Technology Co., Ltd.	100	100	100
	Airtac (Fujian) Intelligent Equipment Co., Ltd.	100	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. was established on May 6, 2011 with an operation period of 50 years, and engages primarily in the production, R&D, distribution, storage of industrial control components, pneumatic components, hydraulic components, pneumatic whole set equipment, wind power tools, electric tools, low-voltage electric appliances, and hand tools, import and export of the aforementioned products and support services. Airtac (Jiangsu) Automatic 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 Enterprise 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 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

	June 30, 2020	December 31, 2019	June 30, 2019
Assets used by the Group	\$20,687,922	\$20,200,928	\$19,721,617
Assets leased under operating leases	<u>76,581</u>	<u>59,133</u>	<u>63,020</u>
	<u>\$20,764,503</u>	<u>\$20,260,061</u>	<u>\$19,784,637</u>

(1) Assets used by the Group

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office facilities and other equipment	Property in construction	Total
Cost							
Balance at January 1, 2020	\$ 890,359	\$ 11,287,785	\$ 10,409,376	\$ 360,566	\$ 1,465,653	\$ 762,869	\$ 25,176,608
Additions	-	87,952	1,095,958	8,113	69,108	328,999	1,590,130
Disposals	-	(54,573)	(6,948)	(5,756)	(25,520)	-	(92,797)
Transfers to assets leased under operating leases	-	(20,283)	-	-	-	-	(20,283)
Reclassification	-	42,066	-	-	552	(42,618)	-
Effects of foreign currency exchange differences	-	(170,841)	(226,315)	(9,186)	(34,888)	(24,887)	(466,117)
Balance at June 30, 2020	<u>\$ 890,359</u>	<u>\$ 11,172,106</u>	<u>\$ 11,272,071</u>	<u>\$ 353,737</u>	<u>\$ 1,474,905</u>	<u>\$ 1,024,363</u>	<u>\$ 26,187,541</u>
Accumulated depreciation							
Balance at January 1, 2020	\$ -	\$ 1,250,417	\$ 2,697,952	\$ 187,598	\$ 839,713	\$ -	\$ 4,975,680
Depreciation expense	-	130,669	444,006	26,213	97,457	-	698,345
Disposals	-	(10,068)	(6,184)	(5,254)	(25,505)	-	(47,011)
Transfers to assets leased under operating leases	-	(85)	-	-	-	-	(85)
Effects of foreign currency exchange differences	-	(24,855)	(71,467)	(9,706)	(21,282)	-	(127,310)
Balance at June 30, 2020	<u>\$ -</u>	<u>\$ 1,346,078</u>	<u>\$ 3,064,307</u>	<u>\$ 198,851</u>	<u>\$ 890,383</u>	<u>\$ -</u>	<u>\$ 5,499,619</u>
Carrying amounts at June 30, 2020	<u>\$ 890,359</u>	<u>\$ 9,826,028</u>	<u>\$ 8,207,764</u>	<u>\$ 154,886</u>	<u>\$ 584,522</u>	<u>\$ 1,024,363</u>	<u>\$ 20,687,922</u>
Carrying amounts at December 31, 2019 and January 1, 2020	<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>
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	-	5,071	932,428	35,142	142,631	668,650	1,783,922
Disposals	-	(6,666)	(13,473)	(21,710)	(17,248)	-	(59,097)
Transfers to assets leased under operating leases	-	(74,765)	-	-	-	-	(74,765)
Reclassification	-	1,033,622	819	-	8,502	(1,042,943)	-
Effects of foreign currency exchange differences	-	54,564	69,697	3,537	12,559	18,940	159,297
Balance at June 30, 2019	<u>\$ 890,359</u>	<u>\$ 9,437,588</u>	<u>\$ 9,648,654</u>	<u>\$ 366,286</u>	<u>\$ 1,465,805</u>	<u>\$ 2,619,645</u>	<u>\$ 24,428,337</u>
Accumulated depreciation							
Balance at January 1, 2019	\$ -	\$ 1,063,270	\$ 2,163,246	\$ 171,741	\$ 713,223	\$ -	\$ 4,111,480
Depreciation expense	-	104,952	388,594	27,142	97,204	-	617,892
Disposals	-	(7,078)	(9,120)	(20,812)	(12,478)	-	(49,488)
Effects of foreign currency exchange differences	-	(10,771)	-	-	-	-	(10,771)
Effects of foreign currency exchange differences	-	23,251	11,781	(2,965)	5,540	-	37,607
Balance at June 30, 2019	<u>\$ -</u>	<u>\$ 1,173,624</u>	<u>\$ 2,554,501</u>	<u>\$ 175,106</u>	<u>\$ 803,489</u>	<u>\$ -</u>	<u>\$ 4,706,720</u>
Carrying amounts at June 30, 2019	<u>\$ 890,359</u>	<u>\$ 8,263,964</u>	<u>\$ 7,094,153</u>	<u>\$ 191,180</u>	<u>\$ 662,316</u>	<u>\$ 2,619,645</u>	<u>\$ 19,721,617</u>

No impairment assessment was performed for the three months ended June 30, 2020 and 2019 as there was no indication of impairment.

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

(2) Assets leased under operating leases

	<u>Buildings</u>
<u>Cost</u>	
Balance at January 1, 2020	\$ 70,588
Transfers from assets used by the Group	20,283
Effect of foreign currency exchange differences	(2,201)
Balance at June 30, 2020	<u>\$ 88,670</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2020	\$ 11,455
Transfers from assets used by the Group	85
Depreciation expenses	868
Effect of foreign currency exchange differences	(319)
Balance at June 30, 2020	<u>\$ 12,089</u>
Carrying amounts at June 30 , 2020	<u>\$ 76,581</u>
Carrying amounts at December 31, 2019 and January 31, 2020	<u>\$ 59,133</u>
<u>Cost</u>	
Balance at January 1, 2019	\$ -
Transfers from assets used by the Group	74,765
Effect of foreign currency exchange differences	(636)
Balance at June 30, 2019	<u>\$ 74,129</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2019	\$ -
Transfers from assets used by the Group	10,771
Depreciation expenses	434
Effect of foreign currency exchange differences	(96)
Balance at June 30, 2019	<u>\$ 11,109</u>
Carrying amounts at January 1, 2019	<u>\$ -</u>
Carrying amounts at June 30, 2019	<u>\$ 63,020</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>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Year 1	\$ 2,566	\$ 2,115	\$ 2,167
Year 2	2,729	2,794	2,947
Year 3	2,209	2,622	3,067
Year 4	1,642	2,334	2,414
Year 5	-	537	1,845
	<u>\$ 9,146</u>	<u>\$ 10,402</u>	<u>\$ 12,440</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

13. LEASE AGREEMENT

(1) Right-of-use assets

	June 30, 2020	December 31, 2019	June 30, 2019	
Carrying amount				
Land	\$ 608,767	\$ 632,287	\$ 670,333	
Buildings	206,289	232,951	275,066	
Transportation equipment	<u>3,168</u>	<u>4,253</u>	<u>5,533</u>	
	<u>\$ 818,224</u>	<u>\$ 869,491</u>	<u>\$ 950,932</u>	
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Additions to right-of-use assets			<u>\$ 20,871</u>	<u>\$ 342,750</u>
Depreciation of right-of-use assets				
Land	\$ 3,392	\$ 2,728	\$ 6,889	\$ 5,463
Buildings	21,610	14,614	43,031	28,131
Transportation equipment	<u>437</u>	<u>818</u>	<u>1,028</u>	<u>1,136</u>
	<u>\$ 25,439</u>	<u>\$ 18,160</u>	<u>\$ 50,948</u>	<u>\$ 34,730</u>

(2) Lease Liabilities

	June 30, 2020	December 31, 2019	June 30, 2019
Carry amount			
Current	<u>\$ 57,886</u>	<u>\$ 63,611</u>	<u>\$ 70,375</u>
Non-current	<u>\$ 144,748</u>	<u>\$ 163,335</u>	<u>\$ 200,855</u>

Range of discount rate for lease liabilities was as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Buildings	1.79%~4.35%	1.79%~4.35%	1.79%~4.35%

(3) Material terms of right-of-use assets

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 investment properties are set out in Note 12.

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2020	2019	2020	2019
Expenses relating to short-term leases	<u>\$ 6,161</u>	<u>\$ 9,811</u>	<u>\$ 13,124</u>	<u>\$ 18,204</u>
Total cash outflow for leases	<u>(\$ 32,563)</u>	<u>(\$ 33,213)</u>	<u>(\$ 57,660)</u>	<u>(\$ 218,641)</u>

All lease commitments (the Group as a lessee) with lease terms commencing after the balance sheet dates are as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Lease commitments	<u>\$ 10,950</u>	<u>\$ 3,867</u>	<u>\$ 22,313</u>

14. OTHER ASSETS

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Current</u>			
Prepayments	\$ 91,554	\$ 53,273	\$ 41,458
Prepaid expenses	52,339	53,915	71,548
Excess VAT paid	25,409	68,348	156,052
Others	<u>18</u>	<u>15</u>	<u>13</u>
	<u>\$ 169,320</u>	<u>\$ 175,551</u>	<u>\$ 269,071</u>
<u>Non-current</u>			
Prepayments for equipment	\$ 669,218	\$ 1,407,955	\$ 1,668,330
Refundable deposits	35,801	37,493	34,085
Net defined benefit assets	<u>6,957</u>	<u>6,957</u>	<u>6,957</u>
	<u>\$ 711,976</u>	<u>\$ 1,452,405</u>	<u>\$ 1,709,372</u>

15. LOANS

(1) Short-term loans

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Unsecured loans</u>			
Line of credit loans	<u>\$ 12,063,345</u>	<u>\$ 11,991,261</u>	<u>\$ 11,462,312</u>

The range of interest rate on bank loans was 0.80%-1.50%, 0.80%-4.57%, and 0.78%-3.47% per annum as of June 30, 2020, December 31, 2019, and June 30, 2019, respectively.

(2) Short-term bills payable

	June 30, 2020	December 31, 2019	June 30, 2019
Commercial paper	<u>\$1,150,000</u>	<u>\$ 850,000</u>	<u>\$ 950,000</u>

Outstanding short-term bills payable were as follows:

June 30, 2020

<u>Promissory Institutions</u>	<u>Nominal amount</u>	<u>Discount amount</u>	<u>Discount amount</u>
<u>Commercial paper</u>			
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	200,000	-	200,000
China Bills	<u>200,000</u>	-	<u>200,000</u>
	<u>\$ 1,150,000</u>	<u>\$ -</u>	<u>\$ 1,150,000</u>

December 31, 2019

<u>Promissory Institutions</u>	<u>Nominal amount</u>	<u>Discount amount</u>	<u>Discount amount</u>
<u>Commercial paper</u>			
Grand Bills	\$ 150,000	\$ -	\$ 150,000
International Bills	200,000	-	200,000
TC Bills	200,000	-	200,000
Mega Bills	100,000	-	100,000
TaChing Bills	<u>200,000</u>	-	<u>200,000</u>
	<u>\$ 850,000</u>	<u>\$ -</u>	<u>\$ 850,000</u>

June 30, 2019

<u>Promissory Institutions</u>	<u>Nominal amount</u>	<u>Discount amount</u>	<u>Discount amount</u>
<u>Commercial paper</u>			
Grand Bills	\$ 150,000	\$ -	\$ 150,000
International Bills	200,000	-	200,000
Taiwan Bills	100,000	-	100,000
TC Bills	200,000	-	200,000
Mega Bills	200,000	-	200,000
TaChing Bills	<u>100,000</u>	-	<u>100,000</u>
	<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 1.1300%-1.2280%, 1.2400%-1.2500% and 1.2500%-1.2780% per annum as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively.

(3) Long-term loans

	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>June 30,</u> <u>2019</u>
<u>Secured loans</u>			
Between March 2018 and March 2023 (with interest rate of 1.7895%)	\$ 5,026,750	\$ 5,410,000	\$ 4,50,000
Deduct: Current portion	(766,500)	(766,500)	(315,000)
Deduct : Syndication loan charge fee	(<u>10,912</u>)	(<u>12,958</u>)	(<u>15,004</u>)
Long-term loans	<u>\$ 4,249,338</u>	<u>\$ 4,630,542</u>	<u>\$ 4,169,996</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 facilities will be automatically cancelled as the effective term terminated. As of June 30, 2020, 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 facilities will be automatically cancelled as the effective term terminated. As of June 30, 2020, 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 on a revolving basis. The purpose of this loan is for providing medium-term working capital. As of June 30, 2020, the Group draw all the amount of this loan. If the Group meet 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 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 29 for the information relating to the Group's assets pledged as collateral bank loans.

16. NOTES PAYABLE AND TRADE PAYABLES

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

17. OTHER LIABILITIES

	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>June 30,</u> <u>2020</u>
<u>Current</u>			
Other payables			
Payables for dividends	\$ 894,977	\$ -	\$ 990,438
Salaries and bonus	685,707	683,292	604,558
Payables for purchase of equipment	81,519	598,725	615,188
Others	<u>98,741</u>	<u>100,643</u>	<u>90,789</u>
	<u>\$ 1,760,944</u>	<u>\$ 1,382,660</u>	<u>\$ 2,300,973</u>
Other current liabilities			
Other taxes	\$ 210,008	\$ 219,506	\$ 69,686
Others	<u>13,901</u>	<u>11,782</u>	<u>10,327</u>
	<u>\$ 223,909</u>	<u>\$ 231,288</u>	<u>\$ 80,013</u>

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

Airtac Enterprise Co. Ltd. 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 Enterprise 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 Enterprise Co. Ltd. contribute amounts 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.

19. EQUITY

a. Share capital

Ordinary shares

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Numbers of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 2,000,000</u>	<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>	<u>189,025</u>
Shares issued	<u>\$ 1,890,250</u>	<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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
<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	\$ 6,123,279
Organization Reconstruction	704,640	704,640	704,640
Donations	<u>41,552</u>	<u>41,552</u>	<u>41,552</u>
	6,869,471	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>701</u>
	<u>\$ 6,870,172</u>	<u>\$ 6,870,172</u>	<u>\$ 6,870,172</u>

- 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).
- 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 employees' 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

The shareholders of the Company held their regular meeting on June 23, 2020 and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). The amendments explicitly stipulate that the board of directors is authorized

to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting.

Under the dividends policy as set forth in the 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 21 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 2019 and 2018 that was approved in the shareholders' meetings on May 11, 2020 and June 21, 2019 was as follow:

	<u>2019</u>	<u>2018</u>
Special reserve reversed	<u>\$ -</u>	<u>\$ 4,991</u>
Cash dividends	<u>\$ 894,977</u>	<u>\$ 955,355</u>
Cash dividends per share (NT\$)	\$ 4.73	\$ 5.05

The shareholders' meeting approved to issue cash dividends from capital surplus of RMB \$213,598 thousand, RMB \$1.13 (NT\$4.73) per share on June 23, 2020. 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\$ by the stock agency.

The shareholders' meeting approved to issue cash dividends from capital surplus of RMB \$219,269 thousand, RMB \$1.6 per share on June 21, 2019. The actual amount converted and paid in New Taiwan Dollars were 955,355 thousand, 5.05 per share. The exchange rate was based on the rate on September 20, 2019.

d. Other equity items

Exchange differences on translating foreign operations

	For the Six Months Ended June 30	
	2020	2019
Balance at January 1	(\$1,453,284)	(\$ 764,196)
Exchange differences on translating foreign operations	12,407	1,254
Exchange differences on translating to presentation currency	(499,510)	175,398
Balance at June 30	<u>(\$1,940,927)</u>	<u>(\$ 587,544)</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.

20. REVENUE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Revenue from contracts with customers				
Revenue from sale of goods	<u>\$ 5,335,621</u>	<u>\$ 4,403,161</u>	<u>\$ 8,492,763</u>	<u>\$ 7,781,674</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

	June 30, 2020	December 31, 2019	June 30, 2019
Note receivables and trade receivables (Note 9)	<u>\$ 5,860,045</u>	<u>\$ 4,999,997</u>	<u>\$ 5,529,009</u>
Contract liabilities-current			
Sale of goods	<u>\$ 61,056</u>	<u>\$ 50,977</u>	<u>\$ 33,603</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 Six Months Ended June 30	
	2020	2019
<u>From contract liabilities at the start of the year</u>		
Sale of goods	<u>\$ 45,919</u>	<u>\$ 46,649</u>

c. Disaggregation of revenue

Refer to Note 33 for information about the disaggregation of revenue.

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

Net income from continuing operations includes:

a. Interest income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Bank deposits	\$ 20,808	\$ 18,203	\$ 47,763	\$ 36,622
Financial assets at amortized cost	<u>24,878</u>	<u>14,739</u>	<u>46,421</u>	<u>21,522</u>
	<u>\$ 45,686</u>	<u>\$ 32,942</u>	<u>\$ 94,184</u>	<u>\$ 58,144</u>

b. Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Gain/(loss) on disposal of financial assets				
Financial assets designated as at FVTPL	\$ 156	\$ 319	(\$ 14)	\$ 709
Financial liabilities held for trading (Note 7)	(13,086)	-	(13,086)	-
Net foreign exchange gains (losses)	(74,409)	(127,166)	(206,603)	24,416
Government grants	6,766	41,688	55,574	55,360
Gain on disposal of property, plant and equipment	16,150	(704)	16,164	12,041
Others	<u>1,608</u>	<u>1,989</u>	<u>2,538</u>	<u>2,887</u>
	<u>(\$ 62,815)</u>	<u>(\$ 83,874)</u>	<u>(\$ 145,427)</u>	<u>\$ 95,413</u>

c. Financial costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Interest on bank loans	\$ 70,377	\$ 72,449	\$ 152,128	\$ 142,148
Interest on lease liability	<u>1,386</u>	<u>1,202</u>	<u>2,848</u>	<u>2,334</u>
	<u>\$ 71,763</u>	<u>\$ 73,651</u>	<u>\$ 154,976</u>	<u>\$ 144,482</u>

Information about capitalized interest was as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Capitalized interest	\$ -	\$ 8,038	\$ -	\$ 15,462
Capitalization rate	-	1.58%	-	1.56%

d. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Property, plant and equipment	\$ 348,649	\$ 315,648	\$ 699,213	\$ 618,326
Right-of-use assets	25,439	18,160	50,948	34,730
Intangible assets	<u>3,963</u>	<u>4,869</u>	<u>7,997</u>	<u>9,788</u>
Total	<u>\$ 378,051</u>	<u>\$ 338,677</u>	<u>\$ 758,158</u>	<u>\$ 662,844</u>

An analysis of deprecation by function

Operating costs	\$ 274,962	\$ 242,729	\$ 552,692	\$ 476,889
Selling and marketing expenses	40,938	33,923	80,325	66,131
General and administration expenses	37,641	35,921	75,980	70,038
Research and development expenses	<u>20,547</u>	<u>21,235</u>	<u>41,164</u>	<u>39,998</u>
	<u>\$ 374,088</u>	<u>\$ 333,808</u>	<u>\$ 750,161</u>	<u>\$ 653,056</u>

An analysis of amortization by function

Operating costs	\$ 234	\$ 228	\$ 470	\$ 448
Selling and marketing expenses	287	307	575	611
General and administration expenses	2,620	3,374	5,281	6,755
Research and development expenses	<u>822</u>	<u>960</u>	<u>1,671</u>	<u>1,974</u>
	<u>\$ 3,963</u>	<u>\$ 4,869</u>	<u>\$ 7,997</u>	<u>\$ 9,788</u>

e. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Post-employment benefits				
Defined contribution plans	\$ 24,469	\$ 35,609	\$ 55,986	\$ 86,172
Other employee benefits	<u>1,135,774</u>	<u>1,007,432</u>	<u>1,912,193</u>	<u>1,916,702</u>
Total employee benefits expense	<u>\$ 1,160,243</u>	<u>\$ 1,043,041</u>	<u>\$ 1,968,179</u>	<u>\$ 2,002,874</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 628,805	\$ 528,615	\$ 1,054,275	\$ 1,032,348
Operating expenses	<u>531,438</u>	<u>514,426</u>	<u>913,904</u>	<u>970,526</u>
	<u>\$ 1,160,243</u>	<u>\$ 1,043,041</u>	<u>\$ 1,968,179</u>	<u>\$ 2,002,874</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.

For the three months and six months ended June 30, 2020 and 2019, the employees' compensation and the remuneration of directors and supervisors were as follows:

Accrual rate

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2020	2019	2020	2019
Employees' compensation	1.0%	1.0%	1.0%	1.0%

Amount

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2020	2019	2020	2019
Employees' compensation	<u>\$ 17,597</u>	<u>\$ 1,344</u>	<u>\$ 23,501</u>	<u>\$ 19,815</u>

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.

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:

Amount

	For the Year Ended December 31			
	2019		2018	
	Cash	Shares	Cash	Shares
Employees' compensation	\$ 36,145	\$ -	\$ 77,832	\$ -

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 years ended December 31, 2019 and 2018.

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

g. Gain or loss on foreign currency exchange

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Foreign exchange gains	\$ 51,894	(\$ 11,888)	\$ 113,545	\$ 178,972
Foreign exchange losses	(126,303)	(115,278)	(320,148)	(154,556)
Net losses (gains)	<u>(\$ 74,409)</u>	<u>(\$ 127,166)</u>	<u>(\$ 206,603)</u>	<u>\$ 24,416</u>

22. 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 Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Current tax				
In respect of the current period	\$ 392,057	\$ 274,609	\$ 557,007	\$ 466,144
Adjustments for prior periods	<u>5,613</u>	<u>(2,287)</u>	<u>5,613</u>	<u>(2,287)</u>
	<u>397,670</u>	<u>272,322</u>	<u>562,620</u>	<u>463,857</u>
Deferred tax				
In respect of the current period	<u>33,437</u>	<u>16,794</u>	<u>39,557</u>	<u>42,898</u>
Income tax expense recognized in profit or loss	<u>\$ 431,107</u>	<u>\$ 289,116</u>	<u>\$ 602,177</u>	<u>\$ 506,755</u>

b. Income tax assessments

The income tax returns of the Company and subsidiaries, except the Company and Instant Reach International Limited are exempted from income tax, Airtac International Group Taiwan Branch, and Airtac Industrial Co., Ltd have been examined and cleared by the ROC tax authority through 2017 and 2018. The other subsidiaries have also filed business income tax returns by the deadlines set by the local governments.

23. EARNINGS PER SHARE

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

Net profit for the period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Profit for the period attributable to owners of the Company	<u>\$ 1,316,840</u>	<u>\$ 772,932</u>	<u>\$ 1,721,358</u>	<u>\$ 1,458,998</u>
Earnings used in the computation of basic earnings per share	1,316,840	772,932	1,721,358	1,458,998
Effect of dilutive potential ordinary shares	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,316,840</u>	<u>\$ 772,932</u>	<u>\$ 1,721,358</u>	<u>\$ 1,458,998</u>

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Weighted average number of ordinary shares in computation of basic earnings per share	189,025	189,025	189,025	189,025
Effect of dilutive potential ordinary shares:				
Employees' compensation	<u>34</u>	<u>4</u>	<u>78</u>	<u>141</u>
Weighted average number of ordinary shares used in computation of dilutive earnings per share	<u>189,059</u>	<u>189,029</u>	<u>189,103</u>	<u>189,166</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.

24. GOVERNMENT GRANTS

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

25. 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 six months ended June 30, 2020 and 2019.

- a. The Group acquired property, plant and equipment with an aggregate fair value of \$1,590,130 thousand during the period of the six months ended June 30, 2020. Other non-current assets decrease \$713,119 thousand in total. Other payables decrease \$509,689 thousand in total. The cash paid of the Group for acquisition of property, plant and equipment was \$1,386,700 thousand (see the Note 12).
- b. The Group acquired the right-of-use assets with value of \$20,871 thousand during the six months ended June 30, 2020. Lease liability increase \$20,871 thousand. (see the Note 13).
- c. The Group acquired property, plant and equipment with an aggregate fair value of \$1,783,922 thousand during the period of the six months ended June 30, 2019. Other payables increase \$354,544 thousand in total. The cash paid of the Group for acquisition of property, plant and equipment was \$1,429,378 thousand (see the Note 12).

d. The Group acquired the right-of-use assets with value of \$342,750 thousand during the six months ended June 30, 2019. Lease liability increase \$174,064 thousand. The cash paid of the Group for acquisition of the right-of-use assets was \$168,686 thousand (see the Note 13).

e. The cash dividends approved in the shareholders' meetings were not yet distributed as of Jun 30, 2020 and June 30, 2019 (refer to Notes 17 and 19, respectively).

2. Reconciliation of liabilities arising from financing activities

For the period of the six months ended June 30, 2020

	Balance as of January 1, 2020	Cash Flow	Non-cash changes			Balance as of June 30, 2020
			New Leases	Finance cost	Foreign Exchange Movement	
Short-term loans	\$ 11,991,261	\$ 129,806	\$ -	\$ -	(\$ 57,722)	\$ 12,063,345
Short-term bill payable	850,000	300,000	-	-	-	1,150,000
Long-term loans	5,397,042	(383,250)	-	2,046	-	5,015,838
Lease liabilities	226,946	(44,274)	20,871	2,848	(3,757)	202,634
	<u>\$ 18,465,249</u>	<u>\$ 2,282</u>	<u>\$ 20,871</u>	<u>\$ 4,894</u>	<u>(\$ 61,479)</u>	<u>\$ 18,431,817</u>

For the period of the six months ended June 30, 2019

	Balance as of January 1, 2019	Cash Flow	Non-cash changes			Balance as of June 30, 2019
			New Leases	Finance cost	Foreign Exchange Movement	
Short-term loans	\$ 10,745,173	\$ 662,226	\$ -	\$ -	\$ 54,913	\$ 11,462,312
Short-term bill payable	950,000	-	-	-	-	950,000
Long-term loans	3,502,950	980,000	-	2,046	-	4,484,996
Lease liabilities	141,433	(34,252)	174,064	2,334	(12,349)	271,230
	<u>\$ 15,339,556</u>	<u>\$ 1,607,974</u>	<u>\$ 174,064</u>	<u>\$ 4,380</u>	<u>\$ 42,564</u>	<u>\$ 17,168,538</u>

26. CAPITAL MANAGEMENT

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

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

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

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

27. 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 measured at fair value on a recurring basis

(1) Fair value hierarchy

June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTPL				
Mutual Funds	\$ 9,890	\$ -	\$ -	\$ 9,890
Financial assets at FVTPL				
Foreign exchange forward contracts	\$ -	\$ 13,095	\$ -	\$ 13,095

December 31, 2019:

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

June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTPL				
Mutual Funds	\$ 10,059	\$ -	\$ -	\$ 10,059

There were no transfers between the level 1 and level 2 during the period of the six months ended June 30, 2020 and 2019.

(2) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instrument</u>	<u>Valuation Technique and Inputs</u>
Derivatives - foreign exchange forward contracts	Discounted cash flow Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
<u>Financial assets</u>			
Financial assets at FVTPL			
Designated as at FVTPL	\$ 9,890	\$ 9,900	\$ 10,059
Financial assets at amortized cost (Note 1)	14,547,024	13,393,645	11,656,590

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
<u>Financial liabilities</u>			
FVTPL			
Held for trading	13,095	-	-
Measured at amortized cost (Note 2)	20,082,826	19,750,145	19,292,989

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, and notes receivable and trade receivables. Those reclassified to held-for-sale disposal groups are also included.

Note 2: The balances include financial liabilities at amortized cost, which comprise short-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 31.

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 Six Months Ended June 30	
	2020	2019
Profit and losses	\$ 39,006	\$ 39,756

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:

	June 30, 2020	December 31, 2019	June 30, 2019
Fair value risk			
-Financial assets	\$ 6,001,248	\$ 6,371,510	\$ 4,146,362
-Financial liabilities	18,229,183	18,195,253	16,897,308
Cash flow risk			
-Financial assets	2,630,714	1,728,289	1,861,069
-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 six months ended June 30, 2020 and 2019 would increase or decrease by \$13,154 thousand and \$9,305 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits and borrowings.

2. Credit risk

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

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

The Group 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 six months ended June 30, 2020 and 2019.

The Group's concentration of credit risk by geographical locations was mainly in Mainland China, which accounted for 93.22%, 91.59%, and 92.43% of the total trade receivables as of June 30, 2020, December 31, 2019, and June 30, 2019, 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 June 30, 2020, December 31, 2019, and June 30, 2019, 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.

June 30, 2020

	On Demand or Less than 3 Month	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing	\$ 2,457,830	\$ 81,519	\$ -	\$ -
Lease liabilities	18,562	43,652	151,092	-
Fixed interest rate liabilities	<u>12,165,054</u>	<u>1,909,548</u>	<u>4,361,070</u>	-
	<u>\$ 14,641,446</u>	<u>\$ 2,034,719</u>	<u>\$ 4,512,162</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>\$ 62,214</u>	<u>\$ 151,092</u>	<u>\$ -</u>	<u>\$ -</u>

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>

June 30, 2019

	On Demand or Less than 3 Month	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing	\$ 2,385,051	\$ 615,188	\$ -	\$ -
Lease liabilities	32,190	38,185	200,855	-
Fixed interest rate liabilities	<u>11,986,916</u>	<u>840,426</u>	<u>4,328,121</u>	-
	<u>\$ 14,404,157</u>	<u>\$ 1,493,799</u>	<u>\$ 4,528,976</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>\$ 70,375</u>	<u>\$ 200,855</u>	<u>\$ -</u>	<u>\$ -</u>

(2) Financing facilities

	June 30, 2020	December 31, 2019	June 30, 2019
Unsecured bank loans (re-examined annually)			
-Amounts used	\$ 13,513,345	\$ 13,141,261	\$ 12,712,312
-Amounts unused	<u>5,446,134</u>	<u>5,337,503</u>	<u>4,891,893</u>
	<u>\$ 18,959,479</u>	<u>\$ 18,478,764</u>	<u>\$ 17,604,205</u>
Secured bank loans			
-Amounts used	\$ 4,726,750	\$ 5,110,000	\$ 4,200,000
-Amounts unused	<u>-</u>	<u>-</u>	<u>1,300,000</u>
	<u>\$ 4,726,750</u>	<u>\$ 5,110,000</u>	<u>\$ 5,500,000</u>

e. Transfers of financial assets

During the six months ended June 30, 2020, the Group transferred a portion of its commercial acceptance bills in mainland China with an aggregate carrying amount of \$193,133 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 June 30, 2020, the carrying amount of these commercial acceptance bills that have been transferred but not derecognized was \$59,263 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 June 30, 2020, the face amounts of these unsettled bills receivable was \$126,532 thousand. The unsettled bills receivable will be due in eleven months after June 30, 2020. 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 six months ended June 30, 2020, 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 current year or cumulatively.

28. TRANSACTIONS WITH RELATED PARTIES

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

(1) 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 Three Months Ended June 30		For the Six Months Ended June 30	
		2020	2019	2020	2019
Sales	Substantive related parties (the responsible person of the party is the director of the Group)	\$ 59	\$ 27	\$ 145	\$ 53

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

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

Line Item	Related Party Category/Name	June 30, 2020	December 31, 2019	June 30, 2019
Trade Receivables	Substantive related parties (the responsible person of the party is the director of the Group)	\$ -	\$ 18	\$ 25

No expense was recognized for the six months ended June 30, 2020 and 2019 for allowance for impaired trade receivables with respect to the amounts owed by related parties.

(3) Compensation of key management personnel

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

	For the Three Months Ended		For the Six Months Ended June	
	June 30		30	
	2020	2019	2020	2019
Short-term employee benefits	<u>\$27,496</u>	<u>\$25,395</u>	<u>\$55,453</u>	<u>\$53,389</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.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	June 30, 2020	December 31,	June 30, 2019
		2020	
Pledge deposits (classified as financial assets at amortized cost)	\$ 5,867	\$ 5,923	\$ 6,221
Restricted bank deposits (classified as financial assets at amortized cost)	14,669	10,763	11,302
Land	890,359	890,359	890,359
Machinery and Equipment	1,936,014	2,044,664	1,657,669
Buildings, net	<u>4,886,322</u>	<u>4,849,668</u>	<u>2,733,996</u>
	<u>\$ 7,733,231</u>	<u>\$ 7,801,377</u>	<u>\$ 5,299,547</u>

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

	June 30,	December 31,	June 30,
	2020	2019	2019
Acquisition of property, plant and equipment	<u>\$ 1,156,818</u>	<u>\$ 1,580,915</u>	<u>\$ 2,983,709</u>

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

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

June 30, 2020

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,207	29.67(USD: NTD)	\$ 35,824
USD	25,984	7.08(USD: RMB)	770,956
RMB	1,235,231	4.19(RMB: NTD)	<u>5,176,853</u>
			<u>\$ 5,983,633</u>
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 293	29.67(USD: NTD)	\$ 8,688
USD	158,363	7.08(USD: RMB)	4,698,661
RMB	39,285	4.19(RMB: NTD)	<u>164,644</u>
			<u>\$ 4,871,993</u>

December 31, 2019

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<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>\$ 4,622,586</u>

June 30, 2019

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Financial assets</u>			
Monetary items			
USD	\$ 3,181	31.08(USD: NTD)	\$ 98,854
USD	12,671	6.87(USD: RMB)	393,813
RMB	981,968	4.52(RMB: NTD)	<u>4,439,476</u>
			<u>\$ 4,932,143</u>
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 1,038	31.08(USD: NTD)	\$ 32,273

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
USD	142,727	6.87(USD: RMB)	4,436,034
RMB	24,087	4.52(RMB: NTD)	<u>108,899</u>
			<u>\$ 4,577,206</u>

For the three months and six months ended June 30, 2020 and 2019, realized and unrealized net foreign exchange gains (losses) were \$(74,409) thousand, \$(127,166) thousand, \$(206,603) thousand and \$24,416 thousand, respectively. It is impractical to disclose net foreign exchange gains by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

32. 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)

(2) Information for investments in Mainland China

operations by reportable segment.

	Revenues		Profit Before Tax	
	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2020	2019	2020	2019
Pneumatic components				
-Direct sales	\$ 5,994,466	\$ 5,675,679	\$ 2,064,325	\$ 1,747,950
-Distributors	<u>2,498,297</u>	<u>2,105,995</u>	<u>872,250</u>	<u>647,640</u>
Total amounts of continuing operations	<u>\$ 8,492,763</u>	<u>\$ 7,781,674</u>	2,936,575	2,395,590
Interest income			94,184	58,144
Gain on disposal of property, plant and equipment			16,164	12,041
Net exchange gains (losses)			(206,603)	24,416
Net gain arising on financial assets designated as at FVTPL			(13,100)	709
HQ admin. cost and directors' salaries			(348,918)	(380,641)
Finance costs			<u>(154,976)</u>	<u>(144,482)</u>
Profit before income tax from continuing operations			<u>\$ 2,323,326</u>	<u>\$ 1,965,777</u>

The segment revenues were accounted for the transactions with external customers. No inter-segment sales occurred for the six months ended June 30, 2020 and 2019.

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
<u>Segment assets</u>			
Pneumatic components			
-Direct sales	\$ 28,395,881	\$ 28,434,073	\$ 27,893,549
-Distributors	<u>11,836,696</u>	<u>10,940,328</u>	<u>10,351,003</u>
Total segment total assets	40,232,577	39,374,401	38,244,552
Unallocated assets	<u>642,875</u>	<u>580,791</u>	<u>606,733</u>
Consolidated total assets	<u>\$ 40,875,452</u>	<u>\$ 39,955,192</u>	<u>\$ 38,851,285</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.

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

LOANS PROVIDED TO OTHER PARTIES

FOR THE SIX MONTHS ENDED JUNE 30, 2020

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

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note1)	Ending Balance (Note1)	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits	Note
													Item	Value			
0	Airtac International Group	ATC (ITALIA) S.R.L	Other receivables	Yes	EUR 2,000 (NTD 66,540)	EUR 2,000 (NTD 66,540)	EUR 1,400 (NTD 46,578)	-	Short-term financing needs	\$ -	Revolving fund	\$ -	-	-	\$ 7,407,959	\$ 7,407,959	Note 2
0	Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd	Other receivables	Yes	USD 20,000 (NTD 593,404)	USD 10,000 (NTD 296,702)	USD - (NTD -)	-	Short-term financing needs	-	Revolving fund	-	-	-	7,407,959	7,407,959	Note 2
0	Airtac International Group	AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	Other receivables	Yes	USD 5,000 (NTD 148,351)	USD 2,500 (NTD 74,176)	USD 1,500 (NTD 44,505)	-	Short-term financing needs	-	Revolving fund	-	-	-	7,407,959	7,407,959	Note 2
0	Airtac International Group	Airtac Co., Ltd	Other receivables	Yes	USD 8,500 (NTD 256,197)	USD 5,000 (NTD 148,351)	USD 4,185 (NTD 124,179)	-	Short-term financing needs	-	Revolving fund	-	-	-	7,407,959	7,407,959	Note 2
0	Airtac International Group	AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	Other receivables	Yes	USD 3,500 (NTD 103,846)	USD 3,500 (NTD 103,846)	USD 2,370 (NTD 70,318)	-	Short-term financing needs	-	Revolving fund	-	-	-	7,407,959	7,407,959	Note 2
0	Airtac International Group	AIRTAC USA CORPORATION	Other receivables	Yes	USD 6,000 (NTD 178,021)	USD 6,000 (NTD 178,021)	USD 5,000 (NTD 148,351)	-	Short-term financing needs	-	Revolving fund	-	-	-	7,407,959	7,407,959	Note 2

Note 1: Conversion to NTD used the spot exchange rate on June 30, 2020, that is, 1USD=29.6702 NTD, 1EUR=33.2698 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 SIX MONTHS ENDED JUNE 30, 2020

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		June 30, 2020			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				June 30, 2020 (Note1)	December 31, 2019 (Note1)	Shares	%	Carrying Amount			
Airtac International Group	AIRTAC INDUSTRIAL (HONG KONG) LIMITED	Hong Kong	General investment	USD 87,500 RMB 331,000 (NTD 3,983,364)	USD 87,500 RMB 331,000 (NTD 3,983,364)	136,964,530	100	\$ 23,249,562	\$ 2,000,720	\$ 2,000,720	2
	AIRTAC TRADING (HONG KONG) LIMITED	Hong Kong	General investment	USD - (NTD -)	USD - (NTD -)	7,000,000	100	2,473	6	6	2
	INSTANT REACH INTERNATIONAL LIMITED	British Virgin Island	General investment	USD 2,283 EUR 1,000 RMB 17,500 (NTD 174,350)	USD 2,283 EUR 1,000 RMB 17,500 (NTD 174,350)	1	100	121,853	(8,653)	(8,653)	2
	AIRTAC HOLDING (SINGAPORE) PTE. LTD.	Singapore	General investment	USD 17,000 (NTD 504,393)	USD 17,000 (NTD 504,393)	17,000,000	100	139,234	(67,771)	(67,771)	2
INSTANT REACH INTERNATIONAL LIMITED	Airtac Enterprise 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	24,523	(684)	-	4
	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 133,079)	EUR 4,000 (NTD 133,079)	4,000,000	100	73,078	(8,544)	-	4
AIRTAC HOLDING (SINGAPORE) PTE. LTD.	AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	Singapore	Production and sales of pneumatic control components and accessories	USD 12,500 (NTD 370,878)	USD 12,500 (NTD 370,878)	12,500,000	100	262,381	(14,619)	-	4
	Airtac Co., Ltd.	Japan	Production and sales of pneumatic control components and accessories	JPY 98,000 (NTD 26,940)	JPY 98,000 (NTD 26,940)	2,000	100	(83,468)	(11,062)	-	4
	AIRTAC USA CORPORATION	USA	Production and sales of pneumatic control components and accessories	USD 3,000 (NTD 89,011)	USD 3,000 (NTD 89,011)	3,000	100	(47,852)	(42,074)	-	4
AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	Malaysia	Production and sales of pneumatic control components and accessories	MYR 1,000 (NTD 6,621)	MYR 1,000 (NTD 6,621)	1,000,000	100	(28,609)	(8,585)	-	4
	AIRTAC INDUSTRIAL CO., LTD.	Thailand	Production and sales of pneumatic control components and accessories	THB 100,000 (NTD 96,430)	THB 100,000 (NTD 96,430)	1,000,000	100	80,267	856	-	4

Note 1 : Conversion to NTD used the spot exchange rate on June 30, 2020, that is, 1 USD=29.6702 NTD, 1 EUR=33.2698 NTD, 1 JPY=0.2749 NTD, 1 RMB= 4.1910 NTD, 1 MYR=6.6205 NTD, 1THB=0.9643 NTD.

Note 2 : The amount was eliminated upon consolidation.

Note 3 : Please refer to Table 8 for information on investment in mainland China.

Note 4: 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

JUNE 30, 2020

(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	JUNE 30, 2020				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	-	\$ 379,195 (RMB 90,479)	-	\$ 379,195 (RMB 90,479)	1
Airtac (China) Co., Ltd.	Structured deposits	-	Financial assets at amortized cost - current	-	\$ 3,131,918 (RMB 747,296)	-	\$ 3,131,918 (RMB 747,296)	1
Airtac Enterprise Co., Ltd.	Mega International Nordea callable mortgage bond index Fund	-	Financial assets at fair value through profit or loss - current	-	\$ 9,890	-	\$ 9,890	-

Note 1 : Conversion to NTD used the spot exchange rate on June 30, 2020, that is, 1 RMB=4.1910 NTD.

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 SIX MONTHS ENDED JUNE 30, 2020
(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)	-	-	\$ 547,056 (RMB 130,531)	-	\$ 1,047,750 (RMB 250,000)	-	\$ 1,222,263 (RMB 291,640)	\$ 1,215,390 (RMB 290,000)	\$ 6,876 (RMB 1,640)	-	\$ 379,195 (RMB 90,479)
Guangdong Airtac Automatic Industrial Co., Ltd.	Structured deposits	Financial assets at amortized cost - current	Fubon Bank (China)	-	-	\$ 884,287 (RMB 210,997)	-	\$ 628,650 (RMB 150,000)	-	\$ 1,520,021 (RMB 362,687)	\$ 1,508,760 (RMB 360,000)	\$ 11,261 (RMB 2,687)	-	\$ -
Airtac (China) Co., Ltd.	Structured deposits	Financial assets at amortized cost - current	Fubon Bank (China)	-	-	\$ 1,597,543 (RMB 381,184)	-	\$ 5,972,175 (RMB 1,425,000)	-	\$ 4,469,769 (RMB 1,066,516)	\$ 4,442,460 (RMB 1,060,000)	\$ 27,309 (RMB 6,516)	-	\$ 3,131,918 (RMB 747,296)

Note 1 : Conversion to NTD used the spot exchange rate on June 30, 2020, that is, 1 RMB=4.1910 NTD.

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 SIX MONTHS ENDED JUNE 30, 2020

(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	2016.10.15-2020.06.30	\$2,407,759	On progress of completion	Self-building	-	-	-	\$ -	N/A	Manufacturing purpose	-	

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

PURCHASES OR SALES WITH RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE SIX MONTHS ENDED JUNE 30, 2020
(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	\$ 4,141,095	89	T/T 120 days	\$ -	-	\$ 2,078,983	85	
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac International Group	The parent company	Sales	164,421	4	T/T 120 days	-	-	135,625	6	
Ningbo Airtac Automatic Industrial Co., Ltd.	Guangdong Airtac Automatic Industrial Co., Ltd.	The same parent company	Sales	189,549	4	T/T 120 days	-	-	80,017	3	
Guangdong Airtac Automatic Industrial Co., Ltd.	Airtac (China) Co., Ltd.	The same parent company	Sales	476,901	35	T/T 120 days	-	-	792,765	33	
Guangdong Airtac Automatic Industrial Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	The same parent company	Sales	479,164	35	T/T 120 days	-	-	954,588	39	
Guangdong Airtac Automatic Industrial Co., Ltd.	Airtac (Jiangsu) Automatic Co., Ltd.	The same parent company	Sales	317,858	23	T/T 120 days	-	-	577,434	24	
Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd.	Subsidiary	Sales	298,708	24	T/T 120 days	-	-	405,166	41	
Airtac International Group	Airtac (China) Co., Ltd.	Subsidiary	Sales	679,501	55	T/T 120 days	-	-	422,234	43	
Airtac (China) Co., Ltd.	Airtac (Jiangsu) Automatic Co., Ltd.	The same parent company	Sales	1,494,374	24	T/T 120 days	-	-	-	-	
Airtac (China) Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	Subsidiary	Sales	1,891,657	30	T/T 120 days	-	-	-	-	
Airtac (China) Co., Ltd.	Airtac (Tianjin) Intelligent Technology Co., Ltd.	Subsidiary	Sales	305,309	5	T/T 120 days	-	-	150,181	10	
Airtac (China) Co., Ltd.	Airtac (Fujian) Intelligent Equipment Co., Ltd.	Subsidiary	Sales	257,946	4	T/T 120 days	-	-	43,404	3	
Guangdong Airtac Intelligent Equipment Co., Ltd.	Airtac (China) Co., Ltd.	The parent company	Sales	154,723	5	T/T 120 days	-	-	86,468	6	

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

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES
RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
JUNE 30, 2020
(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	\$ 2,078,983	4	\$ -	-	\$ 1,084,174	\$ -
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac International Group	The parent company	135,625	3	-	-	38,188	-
Guangdong Airtac Automatic Industrial Co., Ltd.	Airtac (China) Co., Ltd.	The same parent company	792,765	2	-	-	125,751	-
Guangdong Airtac Automatic Industrial Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	The same parent company	954,588	1	-	-	63,066	-
Guangdong Airtac Automatic Industrial Co., Ltd.	Airtac (Jiangsu) Automatic Co., Ltd.	The same parent company	577,434	1	-	-	41,910	-
Airtac (China) Co., Ltd.	Airtac (Tianjin) Intelligent Technology Co., Ltd.	Subsidiary	150,181	4	-	-	37,426	-
Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd.	Subsidiary	405,166	2	-	-	-	-
Airtac International Group	Airtac (China) Co., Ltd.	Subsidiary	422,234	3	-	-	226,095	-
Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd.	Subsidiary	430,492	Note 1	-	-	-	-
Airtac International Group	Airtac Co., Ltd.	Subsidiary	124,179	Note 1	-	-	-	-
Airtac International Group	AIRTAC USA CORPORATION	Subsidiary	148,351	Note 1	-	-	-	-

Note 1: The financial statement account is other receivables. Therefore, there is no turnover rate.

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

INFORMATION FOR INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2020

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company Name	Main Businesses and Products	Paid-in Capital (Note 3)	Method of Investment	Accumulated Investment Outflow from Taiwan as of January 1, 2020	Investment Flow for the Period		Accumulated Investment Outflow from Taiwan as of June 30, 2020	Net income of Investee Company	% of Ownership – Direct or Indirect investment	Investment Gain (Loss) Recognized for the Period (Note 2)	Carrying Amount as of June 30, 2020	Accumulated Inward Remittance of Earnings as of June 30, 2020	Note
					Outflow	Inflow							
Ningbo Airtac Automatic Industrial Co., Ltd	Production of pneumatic control components and auxiliary components	USD 52,000 RMB 244,000 (NTD 2,565,454)	N/A	N/A	\$ -	\$ -	N/A	\$ 1,073,724	100	\$ 1,021,465	\$ 13,570,539	N/A	
Guangdong Airtac Automatic Industrial Co., Ltd	Production of pneumatic control components and auxiliary components	USD 6,000 (NTD 178,021)	N/A	N/A	-	-	N/A	352,736	100	337,411	3,890,414	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 1,062,130)	N/A	N/A	-	-	N/A	613,659	100	589,138	5,114,905	N/A	
Airtac (Jiangsu) Automatic Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	USD 1,500 RMB 23,000 (NTD 140,898)	N/A	N/A	-	-	N/A	151,504	100	151,504	1,279,759	N/A	
Guangdong Airtac Intelligent Equipment Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	USD 10,000 (NTD 41,910)	N/A	N/A	-	-	N/A	246,104	100	246,104	1,176,105	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 41,910)	N/A	N/A	-	-	N/A	17,633	100	17,633	107,544	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 41,910)	N/A	N/A	-	-	N/A	34,050	100	34,050	141,687	N/A	

Accumulated Outward Remittance for Investment in Mainland China as of June 30, 2020	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 June 30, 2020, that is, 1 USD=29.6702 NTD, 1 RMB=4.1910 NTD.

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS FOR THE SIX MONTHS ENDED JUNE 30, 2020 (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	\$ 405,166	General terms and conditions	1%		
		Ningbo Airtac Automatic Industrial Co., Ltd	1	Sales revenue	298,708	General terms and conditions	4%		
		Ningbo Airtac Automatic Industrial Co., Ltd	1	Other receivable	430,492	General terms and conditions	1%		
		Ningbo Airtac Automatic Industrial Co., Ltd	1	Sale of fixed assets	214,086	General terms and conditions	3%		
		Airtac (China) Co., Ltd	1	Trade receivables	422,234	General terms and conditions	1%		
		Airtac (China) Co., Ltd	1	Sales revenue	679,501	General terms and conditions	8%		
		Guangdong Airtac Automatic Industrial Co., Ltd.	1	Trade receivables	16,942	General terms and conditions	-		
		Guangdong Airtac Automatic Industrial Co., Ltd.	1	Sales revenue	17,136	General terms and conditions	-		
		ATC (ITALIA) S.R.L	1	Other receivable	46,578	General terms and conditions	-		
		AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	1	Other receivable	70,318	General terms and conditions	-		
		AIRTAC USA CORPORATION	1	Other receivable	148,351	General terms and conditions	-		
		Airtac Co., Ltd.	1	Other receivable	124,179	General terms and conditions	-		
		AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	1	Other receivable	44,505	General terms and conditions	-		
		1	Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac International Group	2	Trade receivables	135,625	General terms and conditions	-
				Airtac International Group	2	Sales revenue	164,421	General terms and conditions	2%
Airtac (China) Co., Ltd	3			Trade receivables	2,078,983	General terms and conditions	5%		
Airtac (China) Co., Ltd	3			Sales revenue	4,141,095	General terms and conditions	49%		
Guangdong Airtac Automatic Industrial Co., Ltd.	3			Trade receivables	80,017	General terms and conditions	-		
Guangdong Airtac Automatic Industrial Co., Ltd.	3			Sales revenue	189,549	General terms and conditions	2%		
ATC (ITALIA) S.R.L	3			Trade receivables	51,789	General terms and conditions	-		
ATC (ITALIA) S.R.L	3			Sales revenue	54,577	General terms and conditions	1%		
AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	3			Trade receivables	10,640	General terms and conditions	-		
AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	3			Sales revenue	10,685	General terms and conditions	-		
AIRTAC USA CORPORATION	3			Sales revenue	23,486	General terms and conditions	-		
AIRTAC USA CORPORATION	3			Sales revenue	32,722	General terms and conditions	-		

No.	Company Name	Counter Party	Nature of Relationship (Note)	Transaction Details			% of Consolidated Sales or Assets		
				Financial Statement Account	Amount	Payment Terms			
2	Guangdong Airtac Automatic Industrial Co., Ltd	AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	3	Sales revenue	39,491	General terms and conditions	-		
		AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	3	Sales revenue	44,020	General terms and conditions	1%		
		AIRTAC INDUSTRIAL CO., LTD.	3	Sales revenue	11,828	General terms and conditions	-		
		AIRTAC INDUSTRIAL CO., LTD.	3	Sales revenue	13,617	General terms and conditions	-		
		Airtac International Group	2	Trade receivables	26,454	General terms and conditions	-		
		Airtac International Group	2	Sales revenue	29,195	General terms and conditions	-		
		Ningbo Airtac Automatic Industrial Co., Ltd	3	Trade receivables	22,752	General terms and conditions	-		
		Ningbo Airtac Automatic Industrial Co., Ltd	3	Sales revenue	22,478	General terms and conditions	-		
		Airtac (China) Co., Ltd	3	Trade receivables	792,765	General terms and conditions	2%		
		Airtac (China) Co., Ltd	3	Sales revenue	476,901	General terms and conditions	6%		
		AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	3	Trade receivables	10,788	General terms and conditions	-		
		AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	3	Sales revenue	10,906	General terms and conditions	-		
		ATC (ITALIA) S.R.L	3	Trade receivables	10,439	General terms and conditions	-		
		ATC (ITALIA) S.R.L	3	Sales revenue	11,474	General terms and conditions	-		
		Airtac (Jiangsu) Automatic Co., Ltd.	3	Trade receivables	577,434	General terms and conditions	1%		
		Airtac (Jiangsu) Automatic Co., Ltd.	3	Sales revenue	317,858	General terms and conditions	4%		
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Trade receivables	954,588	General terms and conditions	2%		
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Trade receivables	479,164	General terms and conditions	6%		
		3	Airtac (China) Co., Ltd.	AIRTAC USA CORPORATION	3	Sales revenue	21,233	General terms and conditions	-
				AIRTAC USA CORPORATION	3	Sales revenue	21,470	General terms and conditions	-
Airtac (Jiangsu) Automatic Co., Ltd.	3			Sales revenue	1,494,374	General terms and conditions	18%		
Guangdong Airtac Intelligent Equipment Co., Ltd.	3			Sales revenue	1,891,657	General terms and conditions	22%		
Airtac (Tianjin) Intelligent Technology Co., Ltd.	3			Trade receivables	150,181	General terms and conditions	-		
Airtac (Tianjin) Intelligent Technology Co., Ltd.	3			Sales revenue	305,309	General terms and conditions	4%		
Airtac (Fujian) Intelligent Equipment Co., Ltd.	3			Trade receivables	43,404	General terms and conditions	-		
Airtac (Fujian) Intelligent Equipment Co., Ltd.	3			Sales revenue	257,946	General terms and conditions	3%		

No.	Company Name	Counter Party	Nature of Relationship (Note)	Transaction Details			% of Consolidated Sales or Assets
				Financial Statement Account	Amount	Payment Terms	
4	Guangdong Airtac Intelligent Equipment Co., Ltd.	Ningbo Airtac Automatic Industrial Co., Ltd.	3	Trade receivables	15,962	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd.	3	Sales revenue	15,533	General terms and conditions	-
		Airtac (China) Co., Ltd.	3	Trade receivables	86,468	General terms and conditions	-
		Airtac (China) Co., Ltd.	3	Sales revenue	154,723	General terms and conditions	2%
5	Airtac Co. Ltd.	Ningbo Airtac Automatic Industrial Co., Ltd.	3	Trade receivables	10,965	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd.	3	Sales revenue	14,045	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.

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

INFORMATION OF MAJOR SHAREHOLDERS

June 30, 2020

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Ding Kan Investment Ltd.	27,758,495	14.68%
YHZ Ltd.	11,444,180	6.05%
Express Brilliant Ltd.	10,000,000	5.29%

Note: The percentage of ownership of major shareholders included in the table should be more than 5%, which was calculated based on the total number of ordinary shares owned in the last trading day of the quarter that were traded in and registered electronically and was prepared by the Taiwan Depository & Clearing Corporation. In addition, the share capital and the actual number of traded shares with the completion of electronic registration stated in the consolidated financial statements might vary due to different calculation basis.