

Airtac International Group and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditors' Report**

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Airtac International Group

Opinion

We have audited the accompanying consolidated financial statements of Airtac International Group (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2020 are stated as follows:

Estimated recognition of sales revenue

One of the selling models of Airtac international Group is selling goods through dealers. For the year ended December 31, 2020, the sales revenue from dealers was \$5,743,907 thousand. The Group might

recognize the sales revenue even when the effective control of the goods sold does not transfer yet. Since the revenue recognition has been identified as a key audit matter. Please refer to Note 4 to the consolidated financial statements for the detail of the information about related accounting policy.

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

1. We reviewed the control activities of receiving sales order and shipping goods and test the effective of the design and execution of the control activities. We sample the subsidiary of sales revenue and the timing of sales recognition is verified to the sales condition and was indeed receive the sales order from customers.
2. We sampled the sales contracts and sales order of main customers and confirm the timing of the sales condition and recognition of sales revenue is consistent. We also review the sales return of the year ended December 31, 2020 and the sales return after December 31, 2020 to check is there any unusual sales returns.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of

China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China
March 8, 2021

Notice to Readers

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

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

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 4,360,433	11	\$ 5,236,004	13
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	45,587	-	9,900	-
Financial assets at amortized cost - current (Notes 4, 8 and 29)	1,351,569	3	3,127,961	8
Notes receivable (Note 9)	2,412,221	6	1,480,592	4
Trade receivables (Notes 9 and 28)	4,652,204	11	3,519,405	9
Other receivables	19,459	-	29,683	-
Current tax assets (Note 4)	15,626	-	9,839	-
Inventories (Notes 4, 5 and 10)	3,634,708	9	3,153,016	8
Other current assets (Note 14)	<u>157,104</u>	<u>-</u>	<u>175,551</u>	<u>-</u>
Total current assets	<u>16,648,911</u>	<u>40</u>	<u>16,741,951</u>	<u>42</u>
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4, 12 and 29)	22,202,832	54	20,260,061	51
Right-of-use assets (Notes 4 and 13)	1,024,672	3	869,491	2
Other intangible assets (Note 4)	60,420	-	60,332	-
Deferred tax assets (Notes 4 and 22)	597,289	1	570,952	1
Other non-current assets (Note 14)	<u>896,857</u>	<u>2</u>	<u>1,452,405</u>	<u>4</u>
Total non-current assets	<u>24,782,070</u>	<u>60</u>	<u>23,213,241</u>	<u>58</u>
TOTAL	<u>\$ 41,430,981</u>	<u>100</u>	<u>\$ 39,955,192</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Note 15)	\$ 9,572,760	23	\$ 11,991,261	30
Short-term bills payable (Note 15)	1,100,000	3	850,000	2
Contract liabilities - current (Note 20)	95,130	-	50,977	-
Notes payable (Note 16)	125,516	-	289,239	1
Trade payables (Note 16)	875,382	2	523,235	1
Lease liability - current (Notes 4 and 13)	58,246	-	63,611	-
Other payables (Note 17)	1,313,344	3	1,382,660	3
Current tax liabilities (Note 4)	542,221	2	287,102	1
Current portion of long-term loans (Notes 15 and 29)	766,500	2	766,500	2
Other current liabilities (Note 17)	<u>289,944</u>	<u>1</u>	<u>231,288</u>	<u>1</u>
Total current liabilities	<u>14,739,043</u>	<u>36</u>	<u>16,435,873</u>	<u>41</u>
NON-CURRENT LIABILITIES				
Lease liabilities (Notes 4 and 13)	163,808	-	163,335	-
Long-term loans (Notes 15 and 29)	3,568,134	9	4,630,542	12
Deferred tax liabilities (Notes 4 and 22)	<u>468,868</u>	<u>1</u>	<u>535,338</u>	<u>1</u>
Total non-current liabilities	<u>4,200,810</u>	<u>10</u>	<u>5,329,215</u>	<u>13</u>
Total liabilities	<u>18,939,853</u>	<u>46</u>	<u>21,765,088</u>	<u>54</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 19)				
Share capital	1,890,250	4	1,890,250	5
Capital surplus	6,870,172	17	6,870,172	17
Retained earnings	14,799,924	36	10,867,760	27
Other equity	<u>(1,077,587)</u>	<u>(3)</u>	<u>(1,447,562)</u>	<u>(3)</u>
Total equity attributable to owners of the Company	22,482,759	54	18,180,620	46
NON-CONTROLLING INTERESTS				
	<u>8,369</u>	<u>-</u>	<u>9,484</u>	<u>-</u>
Total equity	<u>22,491,128</u>	<u>54</u>	<u>18,190,104</u>	<u>46</u>
TOTAL	<u>\$ 41,430,981</u>	<u>100</u>	<u>\$ 39,955,192</u>	<u>100</u>

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

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales (Notes 4, 20 and 33)	\$ 19,103,001	100	\$ 15,896,317	100
OPERATING COSTS				
Cost of goods sold (Notes 10 and 21)	<u>9,649,868</u>	<u>51</u>	<u>8,470,602</u>	<u>53</u>
GROSS PROFIT	<u>9,453,133</u>	<u>49</u>	<u>7,425,715</u>	<u>47</u>
OPERATING EXPENSES (Note 21)				
Selling and marketing expenses	2,068,045	11	2,002,705	13
General and administrative expenses	921,524	5	878,201	6
Research and development expenses	477,047	2	513,801	3
Expected credit loss	<u>22,320</u>	<u>-</u>	<u>2,966</u>	<u>-</u>
Total operating expenses	<u>3,488,936</u>	<u>18</u>	<u>3,397,673</u>	<u>22</u>
PROFIT FROM OPERATIONS	<u>5,964,197</u>	<u>31</u>	<u>4,028,042</u>	<u>25</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 21)				
Other income	154,222	1	141,779	1
Other gains and losses	485,033	2	(161,521)	(1)
Finance costs	<u>(260,804)</u>	<u>(1)</u>	<u>(305,876)</u>	<u>(2)</u>
Total non-operating income and expenses	<u>378,451</u>	<u>2</u>	<u>(325,618)</u>	<u>(2)</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	6,342,648	33	3,702,424	23
INCOME TAX EXPENSE (Notes 4 and 22)	<u>1,498,445</u>	<u>8</u>	<u>976,373</u>	<u>6</u>
NET PROFIT FOR THE YEAR	<u>4,844,203</u>	<u>25</u>	<u>2,726,051</u>	<u>17</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Exchange differences arising on translation to the presentation currency	394,055	2	(727,865)	(4)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>(24,101)</u>	<u>-</u>	<u>38,274</u>	<u>-</u>

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AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
Other comprehensive income for the year, net of income tax	<u>369,954</u>	<u>2</u>	<u>(689,591)</u>	<u>(4)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 5,214,157</u>	<u>27</u>	<u>\$ 2,036,460</u>	<u>13</u>
NET PROFIT ATTRIBUTABLE TO:				
Owner of the Company	\$ 4,845,297	25	\$ 2,726,313	17
Non-controlling interests	<u>(1,094)</u>	<u>-</u>	<u>(262)</u>	<u>-</u>
	<u>\$ 4,844,203</u>	<u>25</u>	<u>\$ 2,726,051</u>	<u>17</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the Company	\$ 5,215,272	27	\$ 2,036,685	13
Non-controlling interests	<u>(1,115)</u>	<u>-</u>	<u>(225)</u>	<u>-</u>
	<u>\$ 5,214,157</u>	<u>27</u>	<u>\$ 2,036,460</u>	<u>13</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 25.63</u>		<u>\$ 14.42</u>	
Diluted	<u>\$ 25.62</u>		<u>\$ 14.41</u>	

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

(Concluded)

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company									
						Other Equity		Total	Non-controlling Interests	Total Equity
						Exchange Differences on Translating Foreign Operations	Remeasurement of Defined Benefits Plans			
	Share Capital		Capital Surplus	Retained Earnings						
	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	-	-	-	(955,355)	-	-	-	(955,355)	-	(955,355)
Net profit for the year ended December 31, 2019	-	-	-	2,726,313	-	-	-	2,726,313	(262)	2,726,051
Other comprehensive income for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(689,628)	-	(689,628)	37	(689,591)
Total comprehensive income for the year ended December 31, 2019	-	-	-	2,726,313	-	(689,628)	-	2,036,685	(225)	2,036,460
BALANCE AT DECEMBER 31, 2019	189,025	1,890,250	6,870,172	10,867,760	-	(1,453,824)	6,262	18,180,620	9,484	18,190,104
Appropriation of 2019 earnings										
Cash dividends distributed by the Company	-	-	-	(913,133)	-	-	-	(913,133)	-	(913,133)
Net profit for the year ended December 31, 2020	-	-	-	4,845,297	-	-	-	4,845,297	(1,094)	4,844,203
Other comprehensive income for the year ended December 31, 2020, net of income tax	-	-	-	-	-	369,975	-	369,975	(21)	369,954
Total comprehensive income for the year ended December 31, 2020	-	-	-	4,845,297	-	369,975	-	5,215,272	(1,115)	5,214,157
BALANCE AT DECEMBER 31, 2020	189,025	\$ 1,890,250	\$ 6,870,172	\$ 14,799,924	\$ -	\$ (1,083,849)	\$ 6,262	\$ 22,482,759	\$ 8,369	\$ 22,491,128

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

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 6,342,648	\$ 3,702,424
Adjustments for:		
Depreciation expenses	1,531,403	1,369,110
Amortization expenses	16,271	16,895
Expected credit loss	22,320	2,966
Net gain on financial assets at fair value through profit or loss	(107,705)	(568)
Finance costs	260,804	305,876
Interest income	(154,222)	(141,779)
Loss on disposal of property, plant and equipment	62,416	45,961
Write-down of inventories	66,935	55,871
Net gain on foreign currency exchange	(85,056)	(678)
Changes in operating assets and liabilities:		
(Increase) decrease in notes receivable	(888,070)	11,790
Increase in trade receivables	(1,072,944)	(213,619)
(Increase) decrease in other receivables	7,470	(31,827)
(Increase) decrease in inventories	(491,806)	748,718
Decrease in other current assets	5,930	188,601
Increase in contract liabilities	42,357	92
Increase (decrease) in notes payable	(164,890)	98,842
Increase in trade payables	336,322	10,700
Increase in other payables	198,381	67,070
Increase in other current liabilities	53,594	86,263
Cash generated from operations	5,982,158	6,322,708
Interest received	79,426	127,994
Interest paid	(259,686)	(294,026)
Income tax paid	(1,357,018)	(1,008,509)
Net cash generated from operating activities	<u>4,444,880</u>	<u>5,148,167</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(10,768,476)	(9,056,205)
Proceeds on sale of financial assets at amortized cost	12,650,451	6,481,678
Purchase of financial assets at fair value through profit or loss	-	(20,000)
Proceeds from sale of financial assets at fair value through profit and loss	71,732	10,650
Payments for property, plant and equipment	(3,003,698)	(3,203,584)
Proceeds from disposal of property, plant and equipment	72,802	57,274
Increase in refundable deposits	(5,183)	(13,000)
Decrease in refundable deposits	11,197	11,179
Payments for intangible assets	(15,536)	(2,227)
Payments for right-of-use assets	(167,403)	(165,581)
Net cash used in investing activities	<u>(1,154,114)</u>	<u>(5,899,816)</u>

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AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayment of) short-term loans	(2,259,814)	1,288,828
Proceeds from (repayment of) short-term bills payable	250,000	(100,000)
Proceeds from long-term loans	-	2,090,000
Repayments of long-term loans	(1,066,500)	(200,000)
Repayment of the principle portion of lease liabilities	(86,664)	(81,540)
Dividends paid to owners of the Company	<u>(913,133)</u>	<u>(955,355)</u>
Net cash generated (used) from financing activities	<u>(4,076,111)</u>	<u>2,041,933</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(90,226)</u>	<u>57,804</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(875,571)	1,348,088
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>\$ 4,360,433</u>	<u>\$ 5,236,004</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 YEARS ENDED DECEMBER 31, 2020 and 2019

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

1. GENERAL

Airtac International Group (the “Company,” the Company and its subsidiaries are collectively referred to as the “Group”) was incorporated on September 16, 2009 in British Cayman Islands under reorganization mainly for the purpose of applying for listing on Taiwan Stock Exchange (“TWSE”). Admire Fame International Limited (“Admire Fame”), the Company’s parent company decided on December 23, 2009 with the approval of the shareholders to convert all stocks of Admire Fame to the stocks of the Company at the ratio of 1:1 (referred to as “stock swap” hereunder), and decided to dissolve and liquidate Admire Fame in 2010. Following the stock swap and reorganization, the Company becomes the holding company of a group of enterprises and engages in investment. The main businesses of other companies under the Group are set out in Note 11.

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and issued on March 8, 2021.

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. Because the abovementioned rent concessions affect only in 2020, retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020. The Group did not have rent negotiations in 2020; however, if such negotiations will occur in 2021, the Group will elect to apply the practical expedient.

b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021

1) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”

“Interest Rate Benchmark Reform - Phase 2” primarily amends IFRS 9, IFRS 7 and IFRS 16 to provide practical relief from the impact of the interest rate benchmark reform.

Changes in the basis for determining contractual cash flows as a result of interest rate benchmark reform

The changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

Hedging accounting

The amendments provide the following temporary exceptions to hedging relationships that are subject to the reform:

- a. The changes to the hedging relationship that are needed to reflect changes required by the reform are treated as a continuation of the existing hedging relationship, and do not result in the discontinuation of hedge accounting or the designation of a new hedging relationship.
- b. If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.
- c. After a cash flow hedging relationship is amended, the amount accumulated in the gain/(loss) on hedging instruments of cash flow hedge is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- d. An entity should allocate the hedged items of a group hedge that is subject to the reform to subgroups based on whether the hedged items have been changed to reference an alternative benchmark rate, and should designate the hedged benchmark rate separately.

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
"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 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	January 1, 2023

New IFRSs	Effective Date Announced by IASB (Note 1)
Non-current”	
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
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 will be 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” will be 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” will be 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 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.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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 the comparison of 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%. 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 amendments in the retained earnings at the date of the initial application.

7) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- the Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- (1) the Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- (2) the Group chose the accounting policy from options permitted by the standards;
- (3) the accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- (4) the accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or
- (5) the accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

8) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

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

b. Basis of Preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Basis of Consolidation

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

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-

controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

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

e. Foreign Currencies

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

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

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

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

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

f. Inventories

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

g. Property, Plant and Equipment

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

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

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

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

h. Intangible Assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

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

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

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

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

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

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

j. Financial Instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial asset at FVTPL

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

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 27.

ii. Financial assets at amortized cost

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

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and
- ii) Financial assets that are not credit-impaired on purchase or origination but have

subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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

b) Impairment of financial assets

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

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

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

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

- i) Internal or external information show that the debtor is unlikely to pay its creditors.
- ii) When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

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

2) Equity Instruments

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

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

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

3) Financial Liabilities

a) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities held for trading are stated at fair value, and any gains or losses on such financial liabilities are recognized in other gains or losses. Fair value is determined in the manner described in Note 27.

Financial liabilities using the effective interest method at amortized cost.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

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

k. Revenue Recognition

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

Revenue from sale of goods

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

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

l. Leasing

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

1) The Group as lessor

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

2) The Group as lessee

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

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

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

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

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

m. Borrowing Costs

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

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

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

n. Government Grants

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

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

o. Retirement Benefit Costs

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

3) Termination benefits

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

p. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Write-down of inventories

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	\$ 534	\$ 4,559
Checking accounts	22,893	259,607
Demand deposits	1,525,309	1,717,526
Cash equivalent		
Time deposits with original maturities less than three months	2,811,697	3,254,312
	<u>\$ 4,360,433</u>	<u>\$ 5,236,004</u>

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

	December 31	
	2020	2019
Bank balance	0.001%~0.30%	0.001%~0.35%
Time deposits	1.25%~3.20%	1.10%~3.30%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
<u>Financial assets at FVTPL- current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
— Foreign exchange forward contracts	\$ 35,576	\$ -
Non-derivative financial assets		
— Mutual funds	10,011	9,900
	<u>\$ 45,587</u>	<u>\$ 9,900</u>

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

December 31, 2020

	Currency	Maturity Date	Notional Amount (In Thousands)
Buy	RMB /NTD	2021.1.14~2021.3.30	RMB 749,540/ NTD 3,202,974

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

	December 31	
	2020	2019
<u>Current</u>		
Time deposits with original maturity of more than 3 months	\$ 6,128	\$ 5,923
Restricted bank deposits	26,262	10,763
Structured deposits	1,319,179	3,111,275
	<u>\$ 1,351,569</u>	<u>\$ 3,127,961</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

	December 31	
	2020	2019
<u>Notes receivable</u>		
At amortized cost		
Notes receivable - operating	\$ 2,435,598	\$ 1,502,630
Less: Allowance for impairment loss	(23,377)	(22,038)
	<u>\$ 2,412,221</u>	<u>\$ 1,480,592</u>
<u>Trade receivables</u>		

	December 31	
	2020	2019
At amortized cost		
Gross carrying amount	\$ 4,744,517	\$ 3,616,736
Less: Allowance for impairment loss	(92,313)	(97,331)
	<u>\$ 4,652,204</u>	<u>\$ 3,519,405</u>

The average credit period of sales of goods was 30 to 90 days. No interest was charged on trade receivables. Credit rating information is obtained from independent rating agencies where available or, if not available, the Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

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

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

December 31, 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%	3.43%	21.25%	39.35%	82.92%	88.66%	100%	
Gross carrying amount	\$ 6,914,785	\$ 200,306	\$ 17,479	\$ 4,122	\$ 5,382	\$ 10,369	\$ 27,672	\$ 7,180,115
Loss allowance (Lifetime ECL)	(62,155)	(6,871)	(3,714)	(1,622)	(4,463)	(9,193)	(27,672)	(115,690)
Amortized cost	<u>\$ 6,852,630</u>	<u>\$ 193,435</u>	<u>\$ 13,765</u>	<u>\$ 2,500</u>	<u>\$ 919</u>	<u>\$ 1,176</u>	<u>\$ -</u>	<u>\$ 7,064,425</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>

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1, per IFRS 9	22,038	23,025
Add: Net remeasurement of loss allowance	972	-
Less: Impairment losses reversed	-	(149)
Foreign exchange gains and losses	<u>367</u>	<u>(838)</u>
Balance at December 31	<u>\$ 23,377</u>	<u>\$ 22,038</u>

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 97,331	\$ 118,281
Add: Amounts recovered	-	643
Add: Net remeasurement of loss allowance	31,348	3,115
Less: Amounts written off	(27,761)	(20,067)
Foreign exchange gains and losses	<u>1,395</u>	<u>(4,641)</u>
Balance at December 31	<u>\$ 92,313</u>	<u>\$ 97,331</u>

10. INVENTORIES

	December 31	
	2020	2019
Raw materials	\$ 1,114,538	\$ 1,001,124
Finished goods	1,543,499	1,262,274
Work in progress	<u>976,671</u>	<u>889,618</u>
	<u>\$ 3,634,708</u>	<u>\$ 3,153,016</u>

As of December 31, 2020 and 2019, the allowance for inventory devaluation was \$131,110 thousand and \$101,620 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was \$9,649,868 thousand and \$8,470,602 thousand, respectively. For the year ended December 31, 2020 and 2019, the cost of goods sold included inventory write-downs of \$66,935 thousand and \$55,871 thousand, respectively.

For the year ended December 31, 2020 and 2019, the cost of goods sold included loss on disposal of inventory write-down of \$27,965 thousand and \$9,766 thousand, respectively.

The cost of goods sold included scraps for the years ended December 31, 2020 and 2019 were \$144,069 thousand and \$108,363 thousand, respectively.

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

Investor	Investee	Proportion of Ownership	
		December 31	
		2020	2019
Airtac International Group	Airtac Trading (Hong Kong) Limited	100	100
	Airtac Industrial (Hong Kong) Limited	100	100
	INSTANT REACH INTERNATIONAL LIMITED	100	100
	AIRTAC HOLDING (SINGAPORE) PTE. LTD.	100	100
Airtac Industrial (Hong Kong) Limited	Ningbo Airtac Automatic Industrial Co., Ltd.	100	100
	Guangdong Airtac Automatic Industrial Co., Ltd.	100	100
	Airtac (China) Co., Ltd.	100	100
	Airtac (Jiangsu) Automation Co., Ltd.	100	100
INSTANT REACH INTERNATIONAL LIMITED	ATC (ITALIA) S.R.L.	100	100
	Airtac Enterprise Co., Ltd.	69.44	69.44
AIRTAC HOLDING (SINGAPORE) PTE. LTD.	AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	100	100
	Airtac Co., Ltd.	100	100
	AIRTAC USA CORPORATION	100	100
AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	100	100
	AIRTAC INDUSTRIAL CO., LTD.	100	100
Airtac (China) Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	100	100
	Airtac (Tianjin) Intelligent Technology Co., Ltd.	100	100
	Airtac (Fujian) Intelligent Equipment Co., Ltd.	100	100

- 1) Airtac Industrial (Hong Kong) Limited, INSTANT REACH INTERNATIONAL LIMITED and AIRTAC HOLDING (SINGAPORE) PTE. LTD. are primarily holding companies.
- 2) Ningbo Airtac Automatic Industrial Co., Ltd. was established on August 16, 2001 with an operation period of 50 years, and engages primarily in the production of pneumatic and hydraulic components, Actuator components, air preparation components, and pneumatic accessories. Guangdong Airtac Automatic Industrial Co., Ltd. (previously Guangzhou Airtac Automatic Industrial Co., Ltd.) was established on December 31, 2006 with an operation period of 50 years, and engages primarily in the production of pneumatic and hydraulic control components, Actuator components, air preparation components, and pneumatic accessories. Airtac (China) Co., Ltd. primarily in the production, R&D, distribution, storage of industrial con was established on May 6, 2011 with an operation period of 50 years, and engages troll components, pneumatic components, hydraulic components, pneumatic whole set equipment, wind power tools, electric tools, low-voltage electric appliances, and hand tools, import and export of the aforementioned products and support services. Airtac (Jiangsu) Automation Co., Ltd. primarily in the production, distribution, storage of industrial con was established on July 2, 2015 with an operation period of 50 years, and engages troll components, pneumatic components, hydraulic components, pneumatic whole set equipment, wind power tools, electric tools, low-voltage electric appliances, and hand tools, import and export of the aforementioned products and support services.
- 3) Airtac 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

	December 31	
	2020	2019
Assets used by the Group	\$ 22,124,005	\$ 20,200,928
Assets leased under operating leases	<u>78,827</u>	<u>59,133</u>
	<u>\$ 22,202,832</u>	<u>\$ 20,260,061</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	-	135,064	2,237,066	33,304	231,010	639,283	3,275,727
Disposals	-	(55,558)	(280,146)	(17,151)	(94,483)	-	(447,338)
Transfers to assets leased under operating leases	-	(20,383)	-	-	-	-	(20,383)
Reclassification	-	340,490	-	-	12,330	(352,820)	-
Effect of foreign currency exchange differences	-	94,668	162,038	5,353	21,850	19,135	303,044
Balance at December 31, 2020	<u>\$ 890,359</u>	<u>\$ 11,782,066</u>	<u>\$ 12,528,334</u>	<u>\$ 382,072</u>	<u>\$ 1,636,360</u>	<u>\$ 1,068,467</u>	<u>\$ 28,287,658</u>

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office facilities and other equipment	Property in construction	Total
Accumulated depreciation							
Balance at January 1, 2020	\$ -	\$ 1,250,417	\$ 2,697,952	\$ 187,598	\$ 839,713	\$ -	\$ 4,975,680
Depreciation expenses	-	262,589	908,057	51,328	206,245	-	1,428,219
Disposals	-	(10,617)	(192,139)	(16,425)	(92,939)	-	(312,120)
Transfers to assets leased under operating leases	-	(85)	-	-	-	-	(85)
Effect of foreign currency exchange differences	-	25,203	41,081	(5,401)	11,076	-	71,959
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 1,527,507</u>	<u>\$ 3,454,951</u>	<u>\$ 217,100</u>	<u>\$ 964,095</u>	<u>\$ -</u>	<u>\$ 6,163,653</u>
Carrying amount at December 31, 2020	<u>\$ 890,359</u>	<u>\$ 10,254,559</u>	<u>\$ 9,073,383</u>	<u>\$ 164,972</u>	<u>\$ 672,265</u>	<u>\$ 1,068,467</u>	<u>\$ 22,124,005</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	-	38,854	2,300,013	47,526	228,968	989,666	3,605,027
Disposals	-	(33,200)	(245,428)	(22,813)	(46,101)	-	(347,542)
Transfers to assets leased under operating leases	-	(74,765)	-	-	-	-	(74,765)
Reclassification	-	3,160,037	550	-	11,162	(3,171,749)	-
Effect of foreign currency exchange differences	-	(228,903)	(304,942)	(13,464)	(47,737)	(30,046)	(625,092)
Balance at December 31, 2019	<u>\$ 890,359</u>	<u>\$ 11,287,785</u>	<u>\$ 10,409,376</u>	<u>\$ 360,566</u>	<u>\$ 1,465,653</u>	<u>\$ 762,869</u>	<u>\$ 25,176,608</u>
Accumulated depreciation							
Balance at January 1, 2019	\$ -	\$ 1,063,270	\$ 2,163,246	\$ 171,741	\$ 713,223	\$ -	\$ 4,111,480
Depreciation expenses	-	227,891	805,559	54,685	196,343	-	1,284,478
Disposals	-	(6,407)	(175,582)	(21,802)	(40,516)	-	(244,307)
Transfers to assets leased under operating leases	-	(10,771)	-	-	-	-	(10,771)
Effect of foreign currency exchange differences	-	(23,566)	(95,271)	(17,026)	(29,337)	-	(165,200)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 1,250,417</u>	<u>\$ 2,697,952</u>	<u>\$ 187,598</u>	<u>\$ 839,713</u>	<u>\$ -</u>	<u>\$ 4,975,680</u>
Carrying amount at December 31, 2019	<u>\$ 890,359</u>	<u>\$ 10,037,368</u>	<u>\$ 7,711,424</u>	<u>\$ 172,968</u>	<u>\$ 625,940</u>	<u>\$ 762,869</u>	<u>\$ 20,200,928</u>

No impairment assessment was performed for the years ended December 31, 2020 and 2019 as there was no indication of impairment. There was no impairment indication for property, plant and equipment.

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

Buildings and structures	
Main Buildings	40-50 years
Engineering systems	10-20 years
Machinery and equipment	5-20 years
Transportation equipment	5 years
Office equipment and other equipment	3-15 years

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

2) Assets leased under operating leases

	Buildings
Cost	
Balance at January 1, 2020	\$ 70,588
Transfers from assets used by the Group	20,383
Effect of foreign currency exchange differences	<u>1,634</u>
Balance at December 31, 2020	<u>\$ 92,605</u>

	<u>Buildings</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2020	\$ 11,455
Transfers from assets used by the Group	85
Depreciation expenses	1,999
Effect of foreign currency exchange differences	<u>239</u>
Balance at December 31, 2020	<u>\$ 13,778</u>
Carrying amounts at January 1, 2020	<u>\$ 59,133</u>
Carrying amounts at December 31, 2020	<u>\$ 78,827</u>

	<u>Buildings</u>
<u>Cost</u>	
Balance at January 1, 2019	\$ -
Transfers from assets used by the Group	74,765
Effect of foreign currency exchange differences	(<u>4,177</u>)
Balance at December 31, 2019	<u>\$ 70,588</u>

<u>Accumulated depreciation</u>	
Balance at January 1, 2019	\$ -
Transfers from assets used by the Group	10,771
Depreciation expenses	1,183
Effect of foreign currency exchange differences	(<u>499</u>)
Balance at December 31, 2019	<u>\$ 11,455</u>
Carrying amounts at January 1, 2019	<u>\$ -</u>
Carrying amounts at December 31, 2019	<u>\$ 59,133</u>

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

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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Year 1	\$ 1,872	\$ 2,115
Year 2	2,340	2,794
Year 3	2,013	2,622
Year 4	998	2,334
Year 5	1,048	537
Year 6 onwards	<u>5,620</u>	<u>-</u>
	<u>\$ 13,891</u>	<u>\$ 10,402</u>

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

Buildings	
Main Buildings	40 years

13. LEASE AGUREMENT

1) Right-of-use assets

	December 31	
	2020	2019
Carrying amount		
Land	\$ 799,513	\$ 632,287
Buildings	223,303	232,951
Transportation equipment	<u>1,856</u>	<u>4,253</u>
	<u>\$ 1,024,672</u>	<u>\$ 869,491</u>
	For the years ended December 31	
	2020	2019
Additions to right-of-use assets	<u>\$ 247,289</u>	<u>\$ 348,076</u>
Depreciation of right-of-use assets		
Land	\$ 14,167	\$ 11,583
Buildings	84,602	69,598
Transportation equipment	<u>2,416</u>	<u>2,268</u>
	<u>\$ 101,185</u>	<u>\$ 83,449</u>

2) Lease Liabilities

	December 31	
	2020	2019
Carry amount		
Current	<u>\$ 58,246</u>	<u>\$ 63,611</u>
Non-current	<u>\$ 163,808</u>	<u>\$ 163,335</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Buildings and structures	1.79%~4.35%	1.79%~4.35%

3) Material leasing activities and terms

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 property, plant and equipment, are set out in Note 12.

	For the years ended December 31	
	2020	2019
Expenses relating to short-term leases	<u>\$ 26,138</u>	<u>\$ 34,502</u>
Total cash outflow for leases	<u>(\$ 282,261)</u>	<u>(\$ 278,758)</u>

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

	December 31	
	2020	2019
Lease commitments	<u>\$ 6,543</u>	<u>\$ 3,867</u>

14. OTHER ASSETS

	December 31	
	2020	2019
<u>Current</u>		
Prepayments	\$ 85,281	\$ 53,273
Prepaid expenses	55,660	53,915
Excess VAT paid	16,161	68,348
Others	<u>2</u>	<u>15</u>
	<u>\$ 157,104</u>	<u>\$ 175,551</u>
<u>Non-current</u>		
Prepayments for equipment	\$ 858,185	\$ 1,407,955
Refundable deposits	31,715	37,493
Net defined benefit assets	<u>6,957</u>	<u>6,957</u>
	<u>\$ 896,857</u>	<u>\$ 1,452,405</u>

15. LOANS

(1) Short-term loans

	December 31	
	2020	2019
<u>Unsecured loans</u>		
Line of credit loans	<u>\$ 9,572,760</u>	<u>\$ 11,991,261</u>

The range of interest rate on bank loans was 0.45%-4.05% and 0.80%-4.57% per annum as of December 31, 2020 and 2019, respectively.

(2) Short-term bills payable

	December 31	
	2020	2019
Commercial paper	<u>\$ 1,100,000</u>	<u>\$ 850,000</u>

Outstanding short-term bills payable were as follows:

December 31, 2020

Promissory Institutions	Nominal amount	Discount amount	Carrying amount
Grand Bills	\$ 200,000	\$ -	\$ 200,000
International Bills	200,000	-	200,000
TC Bills	150,000	-	150,000
Mega Bills	200,000	-	200,000
TaChing Bills	150,000	-	150,000
China Bills	<u>200,000</u>	<u>-</u>	<u>200,000</u>
	<u>\$ 1,100,000</u>	<u>\$ -</u>	<u>\$ 1,100,000</u>

December 31, 2019

Promissory Institutions	Nominal amount	Discount amount	Carrying amount
Grand Bills	\$ 150,000	\$ -	\$ 150,000
International Bills	200,000	-	200,000
TC Bills	200,000	-	200,000
Mega Bills	100,000	-	100,000
TaChing Bills	<u>200,000</u>	<u>-</u>	<u>200,000</u>
	<u>\$ 850,000</u>	<u>\$ -</u>	<u>\$ 850,000</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 1.038% and 1.2400%-1.2500% per annum as of December 31, 2020 and 2019, respectively.

(3) Long-term loans

	December 31	
	2020	2019
<u>Secured loans</u>		
Between March, 2018 and March 2023 (with interest rate of 1.7985%)	\$ 4,343,500	\$ 5,410,000
Deduct: Current portion	(766,500)	(766,500)
Deduct: Syndication loan charge fee	(8,866)	(12,958)
Long-term loans	<u>\$ 3,568,134</u>	<u>\$ 4,630,542</u>

In March, 2018, the Group signed a \$6,000,000 thousand syndicated loan (the Loan) with Mega International Commercial Bank and 12 other participating banks. The Loan is composed by three kinds of loans. The first one is a secured loan in the amount of \$2,200,000 thousand. This loan is to repay the existing bank loans. The Loan is effective in 3 months since February 12, 2018 and the undrawn credit line will be automatically cancelled as the effective term terminated. As of December 31, 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 credit line will be automatically cancelled as the effective term terminated. As of December 31, 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. The purpose of this loan is for providing medium-term working capital. If the Group meets all criteria in 5 years after the first draw, the Group could apply to Mega International Commercial Bank for extending the credit period for two years once in a written application. The principal will be payable after two years from the first draw of the first and second loans in 7 semiannually installments. The first to the sixth installment will be calculated at a repayable amount equal to 7.5% of the outstanding principal prior to the day before the first installment and the 55% remainder principal will be repaid in full on the maturity date. Each credit of the third loan would be repaid in full on each maturity date. During the loan period, financial ratios of the Group comply with predetermined financial covenants since year 2018.

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

16. NOTES PAYABLE AND TRADE PAYABLES

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

17. OTHER LIABILITIES

	December 31	
	2020	2019
<u>Current</u>		
Other payables		
Salaries and bonus	\$ 899,356	\$ 683,292
Payables for purchase of equipment	313,503	598,725
Others	<u>100,485</u>	<u>100,643</u>
	<u>\$ 1,313,344</u>	<u>\$ 1,382,660</u>
Other current liabilities		
Other taxes	\$ 274,174	\$ 219,506
Others	<u>15,770</u>	<u>11,782</u>
	<u>\$ 289,944</u>	<u>\$ 231,288</u>

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company and Airtac Enterprise Co., Ltd. adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company 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 plans adopted by the Company and Airtac Enterprise Co., Ltd. in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The actuarial valuations of the present value of the defined benefit obligation of Airtac Enterprise Co., Ltd. for the year ended December 31, 2020 was not carried out by qualified

actuaries. However, the Group considers that there would make no material impact on the consolidated statements.

19. EQUITY

a. Share capital

Ordinary shares

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

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

b. Capital surplus

	December 31	
	2020	2019
<u>May be used to offset a deficit,</u>		
<u>distributed as cash dividends, or</u>		
<u>transferred to share capital (1)</u>		
Issuance of ordinary shares	\$ 6,123,279	\$ 6,123,279
Organization Reconstruction	704,640	704,640
Donations	<u>41,552</u>	<u>41,552</u>
	6,869,471	6,869,471
<u>May only be used to offset a deficit</u>		
Void employee share option (2)	<u>701</u>	<u>701</u>
	<u>\$ 6,870,172</u>	<u>\$ 6,870,172</u>

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

c. Retained earnings and dividend policy

The shareholders of the Company held their regular meeting on June 21, 2019 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 amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. At least 30% 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 approved in the shareholders' meetings on May 11, 2020 and June 21, 2019 were as follows:

	For the Year Ended	
	December 31	
	2019	2018
Special reserve reversed	\$ -	\$ 4,991
Cash dividends	\$ 913,133	\$ 955,355
Cash dividends per share (NT\$)	\$ 4.83	\$ 5.05

The board of directors had resolved to issue cash dividends from capital surplus of RMB \$213,598 thousand, RMB \$1.13 (NT\$4.83) per share on May 11, 2020 and the report of such distribution had been submitted to the shareholder's meeting on June 23, 2020. The actual amount converted and paid in New Taiwan Dollars were 913,133 thousand, 4.83 per share. The exchange rate was based on the rate on September 14, 2020.

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 Year Ended December 31	
	2020	2019
Balance at January 1	(\$ 1,453,824)	(\$ 764,196)
Exchange differences on translating foreign operations	(23,953)	37,859
Exchange differences on translating to presentation currency	<u>393,928</u>	(<u>727,487</u>)
Balance at December 31	(\$ <u>1,083,849</u>)	(\$ <u>1,453,824</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 Year Ended December 31	
	2020	2019
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 19,103,001</u>	<u>\$ 15,896,317</u>

a. Contract information

Revenue from sale of goods

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

b. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Note receivables and trade receivables (Note 9)	<u>\$ 7,064,425</u>	<u>\$ 4,999,997</u>	<u>\$ 4,995,234</u>
Contract liabilities-current			
Sale of goods	<u>\$ 95,130</u>	<u>\$ 50,977</u>	<u>\$ 52,863</u>

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

	For the year ended December 31	
	2020	2019
<u>From contract liabilities at the start of the year</u>		
Sale of goods	<u>\$ 45,634</u>	<u>\$ 49,101</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. Other income

	For the Year ended December 31	
	2020	2019
<u>Interest revenue</u>		
Bank deposits	\$ 76,471	\$ 89,171
Financial assets at amortized cost	<u>77,751</u>	<u>52,608</u>
	<u>\$ 154,222</u>	<u>\$ 141,779</u>

b. Other gains and losses

	For the Year ended December 31	
	2020	2019
Gain or loss on disposal of financial assets		
Financial assets mandatorily classified as at FVTPL	\$ 110,032	\$ 568
Financial liabilities held for trading	(2,327)	-
Net foreign exchange gain (losses)	241,007	(268,563)
Government grants (Note 24)	186,293	139,515
Loss on disposal of property, plant and equipment	(62,416)	(45,961)
Others	<u>12,444</u>	<u>12,920</u>
	<u>\$ 485,033</u>	<u>(\$ 161,521)</u>

c. Financial costs

	For the Year ended December 31	
	2020	2019
Interest on bank loans	\$ 255,125	\$ 300,441
Interest on lease liability	<u>5,679</u>	<u>5,435</u>
	<u>\$ 260,804</u>	<u>\$ 305,876</u>

Information about capitalized interest was as follows:

	For the Year ended December 31	
	2020	2019
Capitalized interest	\$ -	\$ 22,724
Capitalized interest rate	-	1.57%

d. Depreciation and amortization

	For the Year ended December 31	
	2020	2019
Property, plant and equipment	\$ 1,430,218	\$ 1,285,661
Right-of-use assets	101,185	83,449
Intangible assets	<u>16,271</u>	<u>16,895</u>
	<u>\$ 1,547,674</u>	<u>\$ 1,386,005</u>

An analysis of deprecation by function

Operating costs	\$ 1,129,078	\$ 979,507
Selling and marketing expenses	164,171	144,991
General and administration expenses	152,089	144,560
Research and development expenses	<u>86,065</u>	<u>100,052</u>
	<u>\$ 1,531,403</u>	<u>\$ 1,369,110</u>

An analysis of amortization by function

Operating costs	\$ 986	\$ 926
Selling and marketing expenses	1,191	1,207
General and administration expenses	10,739	11,004
Research and development expenses	<u>3,355</u>	<u>3,758</u>
	<u>\$ 16,271</u>	<u>\$ 16,895</u>

e. Employee benefits expense

	For the Year ended December 31	
	2020	2019
Post-employment benefits		
Defined contribution plans	\$ 133,275	\$ 182,675
Other employee benefits	<u>4,311,192</u>	<u>3,778,715</u>
Total employee benefits expense	<u>\$ 4,444,467</u>	<u>\$ 3,961,390</u>

	For the Year ended December 31	
	2020	2019
An analysis of employee benefits expense by function		
Operating costs	\$ 2,398,303	\$ 2,028,682
Operating expenses	<u>2,046,467</u>	<u>1,932,708</u>
	<u>\$ 4,444,467</u>	<u>\$ 3,961,390</u>

f. Employees' compensation and remuneration of directors and supervisors

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

The employees' compensation and remuneration to directors and supervisors for the years ended December 31, 2020 and 2019 which have been approved by the Company's board of directors on March 8, 2021 and March 12, 2020, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2020	2019
Employees' compensation	1%	1%

Amount

	For the Year Ended 2020		For the Year Ended 2019	
	Cash	Stock	Cash	Stock
Employees' compensation	\$ 64,187	\$ -	\$ 36,145	\$ -

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2019 and 2018.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gain or loss on foreign currency exchange

	For the Year ended December 31	
	2020	2019
Foreign exchange gains	\$ 673,654	\$ 244,265
Foreign exchange losses	(<u>432,647</u>)	(<u>512,828</u>)
	<u>\$ 241,077</u>	(<u>\$ 268,563</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 Year ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 1,260,357	\$ 906,309
Adjustments for prior years	<u>5,613</u>	(<u>2,287</u>)
	<u>1,265,970</u>	<u>904,022</u>
Deferred tax		
In respect of the current year	<u>232,475</u>	<u>72,351</u>
Income tax expense recognized in profit or loss	<u>\$ 1,498,445</u>	<u>\$ 976,373</u>

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

	For the Year ended December 31	
	2020	2019
Profit before tax from continuing operations	<u>\$ 6,342,648</u>	<u>\$ 3,702,424</u>
Income tax expense calculated at the statutory rate	\$ 1,684,593	\$ 1,111,222
Nondeductible expenses in determining taxable income	3,772	9,635
Tax-exempt income	(162,462)	(111,279)
R&D with tax credits	(32,391)	(29,257)
Disable persons with tax credits	(680)	(1,661)
Adjustments for prior years' tax	<u>5,613</u>	(<u>2,287</u>)
Income tax expense recognized in profit or loss	<u>\$ 1,498,445</u>	<u>\$ 976,373</u>

The applicable tax rate used by subsidiaries in China is 15% and 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Others	Closing Balance
<u>Deferred Tax Assets</u>					
Temporary differences					
Allowance for loss on inventories	\$ 13,269	\$ 2,263	\$ 369	\$ -	\$ 15,901
Allowance for impaired receivables	28,324	(1,694)	482	-	27,112
Unrealized gross profit	65,490	44,079	2,385	-	111,954
Others	<u>42,256</u>	<u>(28,592)</u>	<u>198</u>	<u>-</u>	<u>13,862</u>
	149,339	16,056	3,434	-	168,829
Loss carryforwards	<u>421,613</u>	<u>6,541</u>	<u>306</u>	<u>-</u>	<u>428,460</u>
	<u>\$ 570,952</u>	<u>\$ 22,597</u>	<u>\$ 3,740</u>	<u>\$ -</u>	<u>\$ 597,289</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Unrealized exchange gains	\$ 338	\$ 17,546	\$ -	\$ -	\$ 17,884
Fair value changes of financial assets	-	7,117	-	-	7,117
Defined benefit obligation	1,391	-	-	-	1,391
Withholding tax	<u>533,609</u>	<u>230,409</u>	<u>7,102</u>	<u>(328,644)</u>	<u>442,476</u>
	<u>\$ 535,338</u>	<u>\$ 255,072</u>	<u>\$ 7,102</u>	<u>(\$ 328,644)</u>	<u>\$ 468,868</u>

For the year ended December 31, 2019

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

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

	December 31	
	2020	2019
Loss carryforwards		
Expire in 2026	\$ 1,366	\$ 1,366
Expire in 2027	587	587
Expire in 2028	1,512	1,512
Expire in 2029	1,505	1,505
Expire in 2030	<u>1,233</u>	<u>-</u>
	<u>\$ 6,203</u>	<u>\$ 4,970</u>

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

Loss carryforwards as of December 31, 2020 comprised of :

<u>Unused Amount</u>	<u>Expiry Year</u>
\$ 50,837	2023
174,184	2024
278,003	2025
399,322	2026
370,902	2027
403,120	2028
377,896	2029
35,115	2030
<u>49,049</u>	-
<u>\$ 2,138,428</u>	

- e. Income tax assessments

The income tax returns of the Company and subsidiaries, except INSTANT REACH INTERNATIONAL LIMITED are exempted from income tax, Airtac International Group Taiwan Branch, and Airtac Enterprise Co., Ltd. have been respectively examined and cleared by the ROC tax authority through 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:

Unit: NT\$ Per Share

Net profit for the period

	For the year ended December 31	
	2020	2019
Profit for the period attributable to owners of the Company	<u>\$4,845,297</u>	<u>\$2,726,313</u>
Earnings used in the computation of basic earnings per share	4,845,297	2,726,313
Effect of potentially dilutive ordinary shares:	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$4,845,297</u>	<u>\$2,726,313</u>

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

	For the year ended December 31	
	2020	2019
Weighted average number of ordinary shares in computation of basic earnings per share	189,025	189,025
Effect of potentially dilutive ordinary shares:		
Bonus issue to employees or employee remuneration	<u>90</u>	<u>117</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>189,115</u>	<u>189,142</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 years ended December 31, 2020 and 2019.

- a. The Group acquired property, plant and equipment with an aggregate fair value of \$3,275,727 thousand during the period of the year ended December 31, 2020. Other non-current assets decreased \$560,836 thousand in total. Other trade payables decreased \$288,807 thousand in total. The cash paid of the Group for acquisition of property, plant and equipment was \$3,003,698 thousand (refer to Note 12).
- b. The Group acquired the right-of-use assets with value of \$247,289 thousand during the year ended December 31, 2020. Lease liability increased \$79,886 thousand. The cash paid of the Group for acquisition of the right-of-use assets was \$167,403 thousand (refer to Note 13).
- c. The Group acquired property, plant and equipment with an aggregate fair value of \$3,605,027 thousand during the period of the year ended December 31, 2019. Other non-current assets decreased \$40,280 thousand in total. Other trade payables increased \$361,163 thousand in total. The cash paid of the Group for acquisition of property, plant and equipment was \$3,203,584 thousand (refer to Note 12).
- d. The Group acquired the right-of-use assets with value of \$348,076 thousand during the period of the year ended December 31, 2019. Lease liability increase \$182,495 thousand. The cash paid of the Group for acquisition of the right-of-use assets was \$165,581 thousand (see the Note 13).

(2) Reconciliation of liabilities arising from financing activities

For the year ended December 31, 2020

	Balance as of January 1, 2020	Financing Cash Flow	Non-cash changes			Balance as of December 31, 2020
			New Leases	Finance cost	Foreign Exchange Movement	
Short-term loans	\$ 11,991,261	(\$ 2,259,814)	\$ -	\$ -	(\$ 158,687)	\$ 9,572,760
Short-term bills payable	950,000	250,000	-	-	-	1,100,000
Long-term loans	5,397,042	(1,066,500)	-	4,092	-	4,334,634
Lease liabilities	226,946	(86,664)	79,886	5,679	(3,793)	222,054
	<u>\$ 18,465,249</u>	<u>(\$ 3,162,978)</u>	<u>\$ 79,886</u>	<u>\$ 9,771</u>	<u>(\$ 162,480)</u>	<u>\$ 15,229,448</u>

For the year ended December 31, 2019

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

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

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

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

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments 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

(1) Fair value hierarchy

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTPL				
Mutual Funds	\$ 10,011	\$ -	\$ -	\$ 10,011
Foreign exchange forward contracts	-	35,576	-	35,576
Total	<u>\$ 10,011</u>	<u>\$ 35,576</u>	<u>\$ -</u>	<u>\$ 45,587</u>

December 31, 2019

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

There were no transfers between the level 1 and level 2 during the period of years ended December 31, 2020 and 2019.

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

Financial Instrument	Valuation Technique and Inputs
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

	December 31	
	2020	2019
<u>Financial assets</u>		
Financial assets at FVTPL		
Designated as at FVTPL	\$ 45,587	\$ 9,900
Financial assets at amortized cost (Note 1)	12,795,886	13,393,645
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	16,422,280	19,750,145

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

Note 2: The balances include financial liabilities at amortized cost, which comprise short-term and long-term loans, short-term bills payable, trade and other payables, and bonds issued. Those reclassified to held-for-sale disposal groups are also included.

d. Financial risk management objectives and policies

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

1. Market risk

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

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

(1) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Note 33.

Sensitivity analysis

The Group was mainly exposed to the currency USD.

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

	USD Impact	
	For the Year ended December 31	
	2020	2019
Profit and losses	\$ 21,573	\$ 38,274

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

(2) Interest rate risk

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

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

	December 31	
	2020	2019
Fair value risk		
-Financial assets	\$ 4,137,004	\$ 6,371,510
-Financial liabilities	14,998,640	18,195,253
Cash flow risk		
-Financial assets	1,574,464	1,987,896
-Financial liabilities	8,754	43,050

Sensitiveness analysis

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

If interest rates had been 1% higher or lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2020 and 2019 would increase or decrease by \$15,657 thousand and \$19,448 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits.

2. Credit risk

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

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

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

The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any other counterparty did not exceed 1% of gross monetary assets at any time during the years ended December 31, 2020 and 2019.

The Group's concentration of credit risk by geographical locations was mainly in Mainland China, which accounted for 93.05% and 91.59% of the total trade receivables as of December 31, 2020 and 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 December 31, 2020 and 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.

December 31, 2020

	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	\$ 2,000,739	\$ 313,503	\$ -	\$ -
Lease liabilities	20,364	42,840	171,306	-
Variable interest rate liabilities	89	8,842	-	-
Fixed interest rate liabilities	10,026,132	1,486,907	3,644,405	-
	<u>\$ 12,047,324</u>	<u>\$ 1,852,092</u>	<u>\$ 3,815,711</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>\$ 63,204</u>	<u>\$ 171,306</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>-</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>

(2) Financing facilities

	December 31	
	2020	2019
Unsecured bank loans (re-examined annually)		
-Amounts used	\$ 10,672,760	\$ 13,141,261
-Amounts unused	<u>8,851,350</u>	<u>5,337,503</u>
	<u>\$ 19,524,110</u>	<u>\$ 18,478,764</u>
Secured bank loans		
-Amounts used	\$ 4,343,500	\$ 5,110,000
-Amounts unused	<u>-</u>	<u>-</u>
	<u>\$ 4,343,500</u>	<u>\$ 5,110,000</u>

e. Transfers of financial assets

During the year ended December 31, 2020, the Group transferred a portion of its commercial acceptance bills in mainland China with an aggregate carrying amount of \$434,226 thousand to some of its suppliers in order to settle the trade payables. According to the contract, if these commercial acceptance bills are not paid at maturity, suppliers have the right to request that the Group pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these commercial acceptance bills, it continues to recognize the full carrying amounts of these commercial acceptance bills.

As of December 31, 2020, the carrying amount of these commercial acceptance bills that have been transferred but not derecognized was \$75,530 thousand.

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

The maximum exposure to loss from the Group's continuing involvement in the derecognized bills receivable is equal to the face amounts of the transferred but unsettled bills receivable, and as of December 31, 2020, the face amounts of these unsettled bills receivable were \$187,597 thousand. The unsettled bills receivable will be due in 12 months after December 31, 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 year ended December 31, 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 period 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 Year ended December 31	
		2020	2019
Sales	Other related parties (the responsible person of the party is the director of the Group)	\$ <u>418</u>	\$ <u>109</u>

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

(3) Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2020	2019
Trade Receivables	Other related parties (the responsible person of the party is the director of the Group)	\$ <u>4</u>	\$ <u>18</u>

No expense was recognized for the years ended of December 31, 2020 and 2019 for allowance for impaired trade receivables with respect to the amounts owed by related parties.

(4) Compensation of key management personnel

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

	For the Year ended December 31	
	2020	2019
Short-term employee benefits	\$ <u>99,197</u>	\$ <u>87,520</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:

	December 31	
	2020	2019
Pledge deposits (classified as financial assets at amortized cost)	\$ 6,128	\$ 5,923
Restricted bank deposits (classified as financial assets at amortized cost)	26,262	10,763
Land	890,359	890,359
Buildings, net	4,870,331	4,849,668
Machinery and Equipment	<u>1,657,494</u>	<u>2,044,664</u>
	<u>\$ 7,450,574</u>	<u>\$ 7,801,377</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:

	December 31	
	2020	2019
Acquisition of property, plant and equipment	<u>\$2,150,449</u>	<u>\$1,580,915</u>

31. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:
December 31, 2020

	Foreign currency	Exchange rate	Carrying amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 215	28.56 (USD: NTD)	\$ 6,137
USD	14,648	6.52 (USD: RMB)	418,328
RMB	1,011,159	4.38 (RMB: NTD)	<u>4,425,842</u>
			<u>\$ 4,850,307</u>
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 546	28.56 (USD: NTD)	\$ 15,582
USD	89,855	6.52 (USD: RMB)	2,566,208
RMB	47,634	4.38 (RMB: NTD)	<u>208,496</u>
			<u>\$ 2,790,286</u>

December 31, 2019

	Foreign currency	Exchange rate	Carrying amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,769	30.03 (USD: NTD)	\$ 53,132
USD	20,210	6.98 (USD: RMB)	606,958
RMB	1,295,003	4.30 (RMB: NTD)	<u>5,574,987</u>
			<u>\$ 6,235,077</u>
<u>Financial liabilities</u>			

	Foreign currency	Exchange rate	Carrying amount
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>

For the year ended in December 31, 2020 and 2019, realized and unrealized net foreign exchange gains (losses) were \$241,007 thousand and (\$268,563) thousand respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

33. 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)

(2) Information on investees (Table 2)

(3) Information for investments in Mainland China

1. Information for any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 8)
2. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Tables 1 and 9)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements/guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the ending balance, the interest rate range, and the total of current interest with respect to loans provided.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- (4) Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder. (Table 10)

34. SEGMENT INFORMATION

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

Pneumatic components - direct sales
- distributors

- a. Segment revenues and results

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

	Revenues		Profit Before Tax	
	For the Year ended December 31		For the Year ended December 31	
	2020	2019	2020	2019
Pneumatic components				
-Direct sales	\$ 13,359,094	\$ 11,482,163	\$ 4,806,881	\$ 3,544,543
-Distributors	<u>5,743,907</u>	<u>4,414,154</u>	<u>2,078,840</u>	<u>1,361,700</u>
Total amounts of continuing operations	<u>\$ 19,103,001</u>	<u>\$ 15,896,317</u>	6,885,721	4,906,243
Interest revenue			154,222	141,779
Loss on disposal of property, plant and equipment			(62,416)	(45,961)
Net exchange gains (losses)			241,007	(268,563)
Net gain arising on financial assets designated as at FVTPL			107,705	568
HQ admin. cost and directors' salaries			(722,787)	(725,766)
Finance costs			(<u>260,804</u>)	(<u>305,876</u>)
Profit before income tax from continuing operations			<u>\$ 6,342,648</u>	<u>\$ 3,702,424</u>

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

	December 31	
	2020	2019
<u>Segment assets</u>		
Pneumatic components		
-Direct sales	\$28,548,498	\$28,434,073
-Distributors	<u>12,269,568</u>	<u>10,940,328</u>
Total segment total assets	40,818,066	39,374,401
Unallocated assets	<u>612,915</u>	<u>580,791</u>
Consolidated total assets	<u>\$41,430,981</u>	<u>\$39,955,192</u>

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

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

TABLE 1

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

LOANS PROVIDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 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 (Note 1)	Ending Balance (Note 1)	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits	Note
													Item	Value			
0	Airtac International Group	ATC (ITALIA) S.R.L	Other receivables	Yes	EUR 2,000 (NTD 70,040)	EUR 2,000 (NTD 70,040)	EUR 1,400 (NTD 49,028)	-	Short-term financing needs	\$ -	Revolving fund	\$ -	-	-	\$8,993,104	\$8,993,104	Note 2
0	Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd	Other receivables	Yes	USD 20,000 (NTD 571,190)	USD 10,000 (NTD 285,595)	USD - (NTD -)	-	Short-term financing needs	-	Revolving fund	-	-	-	8,993,104	8,993,104	Note 2
0	Airtac International Group	Airtac International (Singapore) Pte. Ltd.	Other receivables	Yes	USD 5,000 (NTD 142,798)	USD 2,500 (NTD 71,399)	USD 1,500 (NTD 42,839)	-	Short-term financing needs	-	Revolving fund	-	-	-	8,993,104	8,993,104	Note 2
0	Airtac International Group	Airtac Co., Ltd	Other receivables	Yes	USD 8,500 (NTD 242,756)	USD 6,000 (NTD 171,357)	USD 4,205 (NTD 120,101)	-	Short-term financing needs	-	Revolving fund	-	-	-	8,993,104	8,993,104	Note 2
0	Airtac International Group	AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	Other receivables	Yes	USD 3,500 (NTD 99,958)	USD 3,000 (NTD 85,679)	USD 2,370 (NTD 67,686)	-	Short-term financing needs	-	Revolving fund	-	-	-	8,993,104	8,993,104	Note 2
0	Airtac International Group	AIRTAC USA CORPORATION	Other receivables	Yes	USD 6,000 (NTD 171,357)	USD 6,000 (NTD 171,357)	USD 5,000 (NTD 142,798)	-	Short-term financing needs	-	Revolving fund	-	-	-	8,993,104	8,993,104	Note 2

Note 1: Conversion to NTD used the spot exchange rate on December 31, 2020, that is, 1USD=28.5595, 1EUR=35.0199 NTD.

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

TABLE 2

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

INFORMATION FOR INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 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		December 31, 2020			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 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 434,500 (NTD 4,400,763)	USD 87,500 RMB 331,000 (NTD 3,947,743)	152,578,922	100	\$ 23,510,251	\$ 4,661,007	\$ 4,661,007	2
	Airtac Trading (Hong Kong) Limited	Hong Kong	General investment	USD - (NTD -)	USD - (NTD -)	7,000,000	100	2,410	(166)	(166)	2
	INSTANT REACH INTERNATIONAL LIMITED	British Virgin Island	General investment	USD 2,283 EUR 1,000 RMB 17,500 (NTD 176,819)	USD 2,283 EUR 1,000 RMB 17,500 (NTD 176,819)	1	100	115,421	(19,864)	(19,864)	2
	AIRTAC HOLDING (SINGAPORE) PTE. LTD.	Singapore	General investment	USD 17,000 (NTD 485,512)	USD 17,000 (NTD 485,512)	17,000,000	100	103,651	(107,397)	(107,397)	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	22,552	(3,581)	-	
	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 140,080)	EUR 4,000 (NTD 140,080)	4,000,000	100	67,621	(17,664)	-	
AIRTAC HOLDING (SINGAPORE) PTE. LTD.	AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	Singapore	Production and sales of pneumatic control components and accessories	USD 12,500 (NTD 356,994)	USD 12,500 (NTD 356,994)	12,500,000	100	273,348	(5,264)	-	
	Airtac Co., Ltd.	Japan	Production and sales of pneumatic control components and accessories	JPY 98,000 (NTD 27,068)	JPY 98,000 (NTD 27,068)	2,000	100	(91,238)	(18,428)	-	
	AIRTAC USA CORPORATION	USA	Production and sales of pneumatic control components and accessories	USD 3,000 (NTD 85,679)	USD 3,000 (NTD 85,679)	3,000	100	(86,279)	(82,986)	-	
AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	Malaysia	Production and sales of pneumatic control components and accessories	MYR 1,000 (NTD 6,789)	MYR 1,000 (NTD 6,789)	1,000,000	100	(22,780)	(1,958)	-	
	Airtac Industrial Co. Ltd.	Thailand	Production and sales of pneumatic control components and accessories	THB 100,000 (NTD 95,510)	THB 100,000 (NTD 95,510)	1,000,000	100	82,306	3,649	-	

Note1: Conversion to NTD used the spot exchange rate on December 31, 2020, that is, 1USD=28.5595 NTD , 1EUR=35.0199 NTD , 1JPY=0.2762 NTD , 1RMB= 4.3770 NTD , 1MYR=6.7892 NTD , THB=0.9551 NTD.

Note2: The amount was eliminated upon consolidation.

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

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

TABLE 3

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
DECEMBER 31, 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	December 31, 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	-	\$ 352,320 (RMB 80,493)	-	\$ 352,320 (RMB 80,493)	1
Guangdong Airtac Automatic Industrial Co., Ltd.	Structured deposits	-	Financial assets at amortized cost - current	-	\$ 966,859 (RMB 220,896)	-	\$ 966,859 (RMB 220,896)	1
Airtac Enterprise Co., Ltd.	Mega International Nordea callable mortgage bond index Fund	-	Financial assets at fair value through profit or loss - current	-	\$ 10,011	-	\$ 10,011	-

Note1 : Conversion to NTD used the spot exchange rate on December 31, 2020, that is, 1 RMB=4.3770 NTD.

TABLE 4

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 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)	-	-	\$ 571,355 (RMB 130,531)	-	\$ 1,969,650 (RMB 450,000)	-	\$ 2,202,460 (RMB 503,189)	\$ 2,188,500 (RMB 500,000)	\$ 13,960 (RMB 3,189)	-	\$ 352,320 (RMB 80,493)
Guangdong Airtac Automatic Industrial Co., Ltd.	Structured deposits	Financial assets at amortized cost - current	Fubon Bank (China)	-	-	\$ 923,533 (RMB 210,997)	-	\$ 2,451,120 (RMB 560,000)	-	\$ 2,423,175 (RMB 553,616)	\$ 2,407,350 (RMB 550,000)	\$ 15,825 (RMB 3,616)	-	\$ 966,859 (RMB 220,896)
Airtac (China) Co., Ltd.	Structured deposits	Financial assets at amortized cost - current	Fubon Bank (China)	-	-	\$ 1,668,443 (RMB 381,184)	-	\$ 6,587,385 (RMB 1,505,000)	-	\$ 8,306,384 (RMB 1,897,735)	\$ 8,250,645 (RMB1,885,000)	\$ 55,739 (RMB12,735)	-	\$ - (RMB -)

Note 1: Conversion to NTD used the spot exchange rate on December 31, 2020, that is 1 RMB= 4.3770 NTD.

TABLE 5

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

ACQUISITION OF REAL ESTATE AT COSTS OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 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	2016.10.15-2020.12.31	\$ 2,938,868	On progress of completion	Self-building	-	-	-	-	\$ -	N/A	Manufacturing, research and development purpose	-

TABLE 6

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

**PURCHASES OR SALES WITH RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 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	\$ 9,636,507	90	T/T 120 days	\$ -	-	\$ 2,343,740	84	
Ningbo Airtac Automatic Industrial Co., Ltd	Airtac International Group	The parent company	Sales	340,374	3	T/T 120 days	-	-	189,260	7	
Ningbo Airtac Automatic Industrial Co., Ltd	Guangdong Airtac Automatic Industrial Co., Ltd	The same parent company	Sales	437,962	4	T/T 120 days	-	-	106,342	4	
Ningbo Airtac Automatic Industrial Co., Ltd	ATC (ITALIA) S.R.L	The same parent company	Sales	113,059	1	T/T 120 days	-	-	50,216	2	
Ningbo Airtac Automatic Industrial Co., Ltd	AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	The same parent company	Sales	100,836	1	T/T 120 days	-	-	33,355	1	
Guangdong Airtac Automatic Industrial Co., Ltd	Airtac (China) Co., Ltd.	The same parent company	Sales	1,033,832	36	T/T 120 days	-	-	380,904	29	
Guangdong Airtac Automatic Industrial Co., Ltd	Guangdong Airtac Intelligent Equipment Co., Ltd.	The same parent company	Sales	979,291	34	T/T 120 days	-	-	321,828	25	
Guangdong Airtac Automatic Industrial Co., Ltd	Airtac (Jiangsu) Automation Co., Ltd.	The same parent company	Sales	665,284	23	T/T 120 days	-	-	468,587	36	
Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd.	Subsidiary	Sales	634,140	24	T/T 120 days	-	-	542,316	36	
Airtac International Group	Airtac (China) Co., Ltd.	Subsidiary	Sales	1,451,663	55	T/T 120 days	-	-	792,819	52	
Airtac (China) Co., Ltd.	Airtac (Jiangsu) Automatic Co., Ltd	The same parent company	Sales	3,345,949	23	T/T 120 days	-	-	361,017	12	

Purchaser (Seller)	Counterparty	Relationship	Transaction				Non-arm's Length Transaction and Reasons		Notes/Trade Payables/ Receivable		Note
			Purchase (Sale)	Amount	% of Total	Payment Term	Unit Price (Note)	Payment Terms (Note)	Balance	% to Total	
Airtac (China) Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	Subsidiary	Sales	4,247,010	29	T/T 120 days	-	-	1,216,313	39	
Airtac (China) Co., Ltd.	Airtac (Tianjin) Intelligent Technology Co., Ltd.	Subsidiary	Sales	649,387	5	T/T 120 days	-	-	132,048	4	
Airtac (China) Co., Ltd.	Airtac (Fujian) Intelligent Equipment Co., Ltd.	Subsidiary	Sales	556,204	4	T/T 120 days	-	-	77,343	2	
Guangdong Airtac Intelligent Equipment Co., Ltd.	Airtac (China) Co., Ltd.	The parent company	Sales	335,143	5	T/T 120 days	-	-	86,739	6	

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

TABLE 7

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 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	Guangdong Airtac Automatic Industrial Co., Ltd.	The same parent company	\$ 106,342	5	-	-	\$ -	-
Ningbo Airtac Automatic Industrial Co., Ltd	Airtac (China) Co., Ltd.	The same parent company	2,343,740	5	-	-	934,152	-
Ningbo Airtac Automatic Industrial Co., Ltd	Airtac International Group	The same parent company	189,260	2	-	-	24,157	-
Guangdong Airtac Automatic Industrial Co., Ltd.	Airtac (China) Co., Ltd.	The same parent company	380,904	3	-	-	-	-
Guangdong Airtac Automatic Industrial Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	The same parent company	321,828	2	-	-	210	-
Guangdong Airtac Automatic Industrial Co., Ltd.	Airtac (Jiangsu) Automation Co., Ltd.	The same parent company	468,587	2	-	-	91,917	-
Airtac (China) Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	Subsidiary	1,216,313	6	-	-	-	-
Airtac (China) Co., Ltd.	Airtac (Jiangsu) Automation Co., Ltd.	The same parent company	361,017	19	-	-	295,627	-
Airtac (China) Co., Ltd.	Airtac (Tianjin) Intelligent Technology Co., Ltd.	Subsidiary	132,048	5	-	-	-	-
Airtac International Group	Airtac (China) Co., Ltd.	Subsidiary	792,819	2	-	-	135,353	-
Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd.	Subsidiary	542,316	2	-	-	-	-
Airtac International Group	Airtac Co., Ltd	Subsidiary	120,101	Note 1	-	-	-	-
Airtac International Group	AIRTAC USA CORPORATION	Subsidiary	142,798	Note 1	-	-	-	-

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

TABLE 8

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

INFORMATION FOR INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2020

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

Investee Company Name	Main Businesses and Products	Paid-in Capital (Note 2)	Method of Investment	Accumulated Investment Outflow from Taiwan as of January 1, 2020	Investment Flow for the Period		Accumulated Investment Outflow from Taiwan as of December 31, 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 December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020	Note
					Outflow	Inflow							
Ningbo Airtac Automatic Industrial Co., Ltd	Production of pneumatic control components and auxiliary components	USD 52,000 RMB 347,500 (NTD 3,006,102)	N/A	N/A	\$ -	\$ -	N/A	\$ 2,529,920	100	\$ 2,421,751	\$ 15,043,352	N/A	
Guangdong Airtac Automatic Industrial Co., Ltd	Production of pneumatic control components and auxiliary components	USD 6,000 (NTD 171,357)	N/A	N/A	-	-	N/A	771,230	100	749,452	3,937,373	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 1,065,573)	N/A	N/A	-	-	N/A	1,390,428	100	1,349,696	3,971,127	N/A	
Airtac (Jiangsu) Automation Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	USD 1,500 RMB 23,000 (NTD 143,510)	N/A	N/A	-	-	N/A	369,464	100	369,464	887,456	N/A	
Guangdong Airtac Intelligent Equipment Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	RMB 10,000 (NTD 43,770)	N/A	N/A	-	-	N/A	527,422	100	527,422	605,451	N/A	
Airtac (Tianjin) Intelligent Technology Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	RMB 10,000 (NTD 43,770)	N/A	N/A	-	-	N/A	45,304	100	45,304	95,255	N/A	
Airtac (Fujian) Intelligent Equipment Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	RMB 10,000 (NTD 43,770)	N/A	N/A	-	-	N/A	77,121	100	77,121	129,647	N/A	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 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 December 31, 2020, that is, 1 USD=28.5595 NTD, 1 RMB=4.3770 NTD.

TABLE 9

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS FOR THE YEARS ENDED DECEMBER 31, 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	\$ 542,316	General terms and conditions	1%
		Ningbo Airtac Automatic Industrial Co., Ltd	1	Sales revenue	634,140	General terms and conditions	3%
		Ningbo Airtac Automatic Industrial Co., Ltd	1	Sell property, plant and equipment	218,401	General terms and conditions	1%
		Ningbo Airtac Automatic Industrial Co., Ltd	1	Other receivable	15,344	General terms and conditions	-
		Airtac (China) Co., Ltd	1	Sales revenue	1,451,663	General terms and conditions	8%
		Airtac (China) Co., Ltd	1	Trade receivables	792,819	General terms and conditions	2%
		Guangdong Airtac Automatic Industrial Co., Ltd	1	Sales revenue	46,486	General terms and conditions	-
		Guangdong Airtac Automatic Industrial Co., Ltd	1	Trade receivables	20,654	General terms and conditions	-
		ATC (ITALIA) S.R.L	1	Other receivable	49,028	General terms and conditions	-
		AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	1	Other receivable	42,839	General terms and conditions	-
		Airtac Co., Ltd.	1	Other receivable	120,101	General terms and conditions	-
		AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	1	Other receivable	67,686	General terms and conditions	-
		AIRTAC USA CORPORATION	1	Other receivable	142,798	General terms and conditions	-
1	Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac International Group	2	Sales revenue	340,374	General terms and conditions	2%
		Airtac International Group	2	Trade receivables	189,260	General terms and conditions	-
		Airtac (China) Co., Ltd	3	Trade receivables	2,343,740	General terms and conditions	6%
		Airtac (China) Co., Ltd	3	Sales revenue	9,636,507	General terms and conditions	50%
		Guangdong Airtac Automatic Industrial Co., Ltd	3	Trade receivables	106,342	General terms and conditions	-
		Guangdong Airtac Automatic Industrial Co., Ltd	3	Sales revenue	437,962	General terms and conditions	2%
		Guangdong Airtac Automatic Industrial Co., Ltd	3	Sell property, plant and equipment	53,086	General terms and conditions	-
		ATC (ITALIA) S.R.L	3	Trade receivables	50,216	General terms and conditions	-
		ATC (ITALIA) S.R.L	3	Sales revenue	113,059	General terms and conditions	1%
		AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	3	Trade receivables	33,355	General terms and conditions	-
		AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	3	Sales revenue	100,836	General terms and conditions	1%
		AIRTAC USA CORPORATION	3	Sales revenue	54,519	General terms and conditions	-

No.	Company Name	Counter Party	Nature of Relationship (Note)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Sales or Assets
1	Ningbo Airtac Automatic Industrial Co., Ltd.	AIRTAC USA CORPORATION	3	Trade receivables	14,072	General terms and conditions	-
		Airtac Co., Ltd.	3	Sales revenue	12,363	General terms and conditions	-
		AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	3	Sales revenue	29,234	General terms and conditions	-
		AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	3	Trade receivables	14,357	General terms and conditions	-
		Airtac Industrial Co., Ltd.	3	Sales revenue	26,076	General terms and conditions	-
2	Guangdong Airtac Automatic Industrial Co., Ltd.	Ningbo Airtac Automatic Industrial Co., Ltd	3	Sales revenue	75,613	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd	3	Trade receivables	67,079	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd	3	Other receivable	10,457	General terms and conditions	-
		Airtac (China) Co., Ltd.	3	Sales revenue	1,033,832	General terms and conditions	5%
		Airtac (China) Co., Ltd.	3	Trade receivables	380,904	General terms and conditions	1%
		Airtac International Group	2	Sales revenue	54,242	General terms and conditions	-
		Airtac International Group	2	Trade receivables	19,236	General terms and conditions	-
		ATC (ITALIA) S.R.L	3	Sales revenue	22,598	General terms and conditions	-
		AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	3	Sales revenue	24,123	General terms and conditions	-
		AIRTAC USA CORPORATION	3	Trade receivables	32,162	General terms and conditions	-
		AIRTAC USA CORPORATION	3	Sales revenue	21,953	General terms and conditions	-
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Trade receivables	979,291	General terms and conditions	5%
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Sales revenue	321,828	General terms and conditions	1%
		Airtac (Jiangsu) Automation Co., Ltd.	3	Trade receivables	468,587	General terms and conditions	1%
		Airtac (Jiangsu) Automation Co., Ltd.	3	Sales revenue	665,284	General terms and conditions	3%
3	Airtac (China) Co., Ltd	Airtac (Jiangsu) Automation Co., Ltd.	3	Sales revenue	3,345,949	General terms and conditions	18%
		Airtac (Jiangsu) Automation Co., Ltd.	3	Trade receivables	361,017	General terms and conditions	1%
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Trade receivables	1,216,313	General terms and conditions	3%
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Sales revenue	4,257,010	General terms and conditions	22%
		Ningbo Airtac Automatic Industrial Co., Ltd.	3	Sales revenue	32,574	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd..	3	Trade receivables	22,984	General terms and conditions	-
		Airtac (Tianjin) Intelligent Technology Co., Ltd.	3	Trade receivables	132,048	General terms and conditions	-
		Airtac (Tianjin) Intelligent Technology Co., Ltd.	3	Sales revenue	649,387	General terms and conditions	3%

No.	Company Name	Counter Party	Nature of Relationship (Note)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Sales or Assets
3	Airtac (China) Co., Ltd	Airtac (Fujian) Intelligent Equipment Co., Ltd.	3	Trade receivables	77,343	General terms and conditions	-
4	Guangdong Airtac Intelligent Equipment Co., Ltd.	Airtac (Fujian) Intelligent Equipment Co., Ltd.	3	Sales revenue	556,204	General terms and conditions	3%
		Airtac (China) Co., Ltd.	3	Trade receivables	86,739	General terms and conditions	-
		Airtac (China) Co., Ltd.	3	Sales revenue	335,143	General terms and conditions	2%
		Airtac (China) Co., Ltd.	3	Sales revenue	26,458	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.

Table 10

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES
INFORMATION OF MAJOR SHAREHOLDERS
December 31, 2020

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Ding Kan Investment Ltd.	27,362,495	14.47%
YHZ Ltd.	11,169,180	5.90%
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.