

**Airtac International Group
and Subsidiaries**

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2021
and 2020 and
Independent Auditors' Review Report**

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

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Airtac International Group

Introduction

We have reviewed the accompanying consolidated balance sheets of Airtac International Group and its subsidiaries (collectively, the “Company”) as of September 30, 2021 and 2020 the related consolidated statements of comprehensive income for the three months ended September 30, 2021 and 2020 and for the nine months then ended September 30, 2021 and 2020, the consolidated statements of changes in equity and cash flows for the nine months ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects the consolidated financial position of the Company as of September 30, 2021 and 2020, its consolidated financial performance for the three months ended September 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2021 and 2020 in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 5, 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 (In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2021 (Reviewed)		December 31, 2020 (Audited)		September 30, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 4,614,489	10	\$ 4,360,433	11	\$ 4,147,377	11
Financial assets at fair value through profit or loss - current (Note 7)	16,680	-	45,587	-	37,045	-
Financial assets at amortized cost - current (Notes 8 and 30)	884,710	2	1,351,569	3	1,692,417	4
Notes receivable (Notes 9 and 20)	2,572,018	6	2,412,221	6	2,141,089	5
Trade receivables (Notes 9, 20 and 29)	5,983,426	13	4,652,204	11	4,450,929	11
Other receivables	25,360	-	19,459	-	16,524	-
Current tax assets (Note 4)	17,350	-	15,626	-	16,002	-
Inventories (Notes 5 and 10)	4,367,122	9	3,634,708	9	3,317,451	8
Other current assets (Note 14)	273,948	1	157,104	-	183,288	1
Total current assets	18,755,103	41	16,648,911	40	16,002,122	40
NON-CURRENT ASSETS						
Property, plant and equipment (Notes 12 and 30)	23,553,371	51	22,202,832	54	21,319,989	54
Right-of-use assets (Note 13)	1,019,318	2	1,024,672	3	825,756	2
Other intangible assets	55,626	-	60,420	-	51,204	-
Deferred tax assets (Note 4)	570,803	1	597,289	1	617,519	2
Other non-current assets (Note 14)	2,238,327	5	896,857	2	709,775	2
Total non-current assets	27,437,445	59	24,782,070	60	23,524,243	60
TOTAL	\$ 46,192,548	100	\$ 41,430,981	100	\$ 39,526,365	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term loans (Note 15)	\$ 11,997,071	26	\$ 9,572,760	23	\$ 10,078,299	26
Short-term bills payable (Note 15)	1,150,000	3	1,100,000	3	1,200,000	3
Financial liabilities at fair value through profit and loss - current (Note 7)	443	-	-	-	8,083	-
Contract liabilities - current (Note 20)	57,823	-	95,130	-	54,525	-
Notes payable (Note 16)	239,113	1	125,516	-	121,640	-
Trade payables (Note 16)	935,472	2	875,382	2	690,503	2
Lease liability - current (Note 13)	63,583	-	58,246	-	56,128	-
Other payables (Note 17)	1,577,332	3	1,313,344	3	1,152,648	3
Current tax liabilities (Note 4)	430,656	1	542,221	2	482,073	1
Current portion of long-term loans (Notes 15 and 30)	766,500	2	766,500	2	766,500	2
Other current liabilities (Note 17)	162,656	-	289,944	1	308,115	1
Total current liabilities	17,380,649	38	14,739,043	36	14,918,514	38
NON-CURRENT LIABILITIES						
Lease liabilities (Note 13)	159,620	-	163,808	-	146,730	-
Long-term loans (Notes 15 and 30)	2,804,703	6	3,568,134	9	3,567,111	9
Deferred tax liabilities (Note 4)	408,221	1	468,868	1	494,388	1
Total non-current liabilities	3,372,544	7	4,200,810	10	4,208,229	10
Total liabilities	20,753,193	45	18,939,853	46	19,126,743	48
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 19)						
Share capital	1,890,250	4	1,890,250	4	1,890,250	5
Capital surplus	7,082,549	15	6,870,172	17	6,870,172	17
Retained earnings	17,924,145	39	14,799,924	36	13,218,035	34
Other equity	(1,465,447)	(3)	(1,077,587)	(3)	(1,587,321)	(4)
Total equity attributable to owners of the Company	25,431,497	55	22,482,759	54	20,391,136	52
NON-CONTROLLING INTERESTS						
	7,858	-	8,369	-	8,486	-
Total equity	25,439,355	55	22,491,128	54	20,399,622	52
TOTAL	\$ 46,192,548	100	\$ 41,430,981	100	\$ 39,526,365	100

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

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE								
Sales (Notes 20, 29 and 34)	\$ 6,663,429	100	\$ 5,220,227	100	\$ 19,632,353	100	\$ 13,712,990	100
OPERATING COSTS								
Cost of goods sold (Notes 10 and 21)	<u>3,384,194</u>	<u>51</u>	<u>2,567,178</u>	<u>49</u>	<u>10,021,046</u>	<u>51</u>	<u>6,971,083</u>	<u>51</u>
GROSS PROFIT	<u>3,279,235</u>	<u>49</u>	<u>2,653,049</u>	<u>51</u>	<u>9,611,307</u>	<u>49</u>	<u>6,741,907</u>	<u>49</u>
OPERATING EXPENSES								
(Note 21)								
Selling and marketing expenses	585,804	9	557,065	11	1,705,148	9	1,489,728	11
General and administrative expenses	505,533	8	257,009	5	1,015,791	5	664,039	5
Research and development expenses	152,205	2	134,420	2	441,850	2	340,409	2
Expected credit loss (gain)	<u>6,809</u>	<u>-</u>	<u>(990)</u>	<u>-</u>	<u>33,455</u>	<u>-</u>	<u>12,641</u>	<u>-</u>
Total operating expenses	<u>1,250,351</u>	<u>19</u>	<u>947,504</u>	<u>18</u>	<u>3,196,244</u>	<u>16</u>	<u>2,506,817</u>	<u>18</u>
PROFIT FROM OPERATIONS	<u>2,028,884</u>	<u>30</u>	<u>1,705,545</u>	<u>33</u>	<u>6,415,063</u>	<u>33</u>	<u>4,235,090</u>	<u>31</u>
NON-OPERATING INCOME AND EXPENSES (Note 21)								
Other income	22,947	1	36,155	1	73,262	-	130,339	1
Other gains and losses	83,470	1	286,389	5	(19,210)	-	140,962	1
Finance costs	<u>(54,164)</u>	<u>(1)</u>	<u>(56,720)</u>	<u>(1)</u>	<u>(149,139)</u>	<u>(1)</u>	<u>(211,696)</u>	<u>(2)</u>
Total non-operating income and expenses	<u>52,253</u>	<u>1</u>	<u>265,824</u>	<u>5</u>	<u>(95,087)</u>	<u>(1)</u>	<u>59,605</u>	<u>-</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	2,081,137	31	1,971,369	38	6,319,976	32	4,294,695	31
INCOME TAX EXPENSE (Notes 4 and 22)	<u>480,532</u>	<u>7</u>	<u>430,115</u>	<u>9</u>	<u>1,484,268</u>	<u>7</u>	<u>1,032,292</u>	<u>7</u>
NET PROFIT FOR THE PERIOD	<u>1,600,605</u>	<u>24</u>	<u>1,541,254</u>	<u>29</u>	<u>4,835,708</u>	<u>25</u>	<u>3,262,403</u>	<u>24</u>
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified subsequently to profit or loss:								
Exchange differences arising on translation to the presentation currency	(21,206)	-	365,860	7	(400,927)	(2)	(133,902)	(1)
Items that may be reclassified subsequently to profit or loss:								

(Continued)

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
Exchange differences on translating foreign operations	(3,541)	-	(18,537)	-	13,085	-	(5,850)	-
Other comprehensive income for the period, net of income tax	(24,747)	-	347,323	7	(387,842)	(2)	(139,752)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 1,575,858</u>	<u>24</u>	<u>\$ 1,888,577</u>	<u>36</u>	<u>\$ 4,447,866</u>	<u>23</u>	<u>\$ 3,122,651</u>	<u>23</u>
NET PROFIT								
ATTRIBUTABLE TO:								
Owner of the Company	\$ 1,600,763	24	\$ 1,542,050	30	\$ 4,836,237	25	\$ 3,263,408	24
Non-controlling interests	(158)	-	(796)	-	(529)	-	(1,005)	-
	<u>\$ 1,600,605</u>	<u>24</u>	<u>\$ 1,541,254</u>	<u>30</u>	<u>\$ 4,835,708</u>	<u>25</u>	<u>\$ 3,262,403</u>	<u>24</u>
TOTAL COMPREHENSIVE INCOME								
ATTRIBUTABLE TO:								
Owner of the Company	\$ 1,576,015	24	\$ 1,889,394	36	\$ 4,448,377	23	\$ 3,123,649	23
Non-controlling interests	(157)	-	(817)	-	(511)	-	(998)	-
	<u>\$ 1,575,858</u>	<u>24</u>	<u>\$ 1,888,577</u>	<u>36</u>	<u>\$ 4,447,866</u>	<u>23</u>	<u>\$ 3,122,651</u>	<u>23</u>
EARNINGS PER SHARE								
(Note 23)								
Basic	<u>\$ 8.47</u>		<u>\$ 8.16</u>		<u>\$ 25.59</u>		<u>\$ 17.26</u>	
Diluted	<u>\$ 8.47</u>		<u>\$ 8.16</u>		<u>\$ 25.57</u>		<u>\$ 17.26</u>	

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

(Concluded)

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	Equity Attributable to Owners of the Company									
	Equity Attributable to Owners of the Company					Other Equity				
	Share Capital		Capital Surplus (Note 19)	Retained Earnings		Exchange Differences on Translating Foreign Operations	Remeasurement of Defined Benefit Plans	Total	Non-controlling Interests	Total Equity
	Shares (In Thousands)	Ordinary Shares		Unappropriated Earnings	Special Reserve					
BALANCE AT JANUARY 1, 2020	189,025	\$ 1,890,250	\$ 6,870,172	\$ 10,867,760	\$ -	\$ (1,453,824)	\$ 6,262	\$ 18,180,620	\$ 9,484	\$ 18,190,104
Appropriation of 2019 earnings										
Cash dividends distributed by the Company	-	-	-	(913,133)	-	-	-	(913,133)	-	(913,133)
Net profit for the nine months ended September 30, 2020	-	-	-	3,263,408	-	-	-	3,263,408	(1,005)	3,262,403
Other comprehensive income for the nine months ended September 30, 2020, net of income tax	-	-	-	-	-	(139,759)	-	(139,759)	7	(139,752)
Total comprehensive income for the nine months ended September 30, 2020	-	-	-	3,263,408	-	(139,759)	-	3,123,649	(998)	3,122,651
BALANCE AT SEPTEMBER 30, 2020	<u>189,025</u>	<u>\$ 1,890,250</u>	<u>\$ 6,870,172</u>	<u>\$ 13,218,035</u>	<u>\$ -</u>	<u>\$ (1,593,583)</u>	<u>\$ 6,262</u>	<u>\$ 20,391,136</u>	<u>\$ 8,486</u>	<u>\$ 20,399,622</u>
BALANCE AT JANUARY 1, 2021	189,025	\$ 1,890,250	\$ 6,870,172	\$ 14,799,924	\$ -	\$ (1,083,849)	\$ 6,262	\$ 22,482,759	\$ 8,369	\$ 22,491,128
Appropriation of 2020 earnings										
Cash dividends distributed by the Company	-	-	-	(1,712,016)	-	-	-	(1,712,016)	-	(1,712,016)
Compensation cost of employee share options	-	-	212,377	-	-	-	-	212,377	-	212,377
Net profit for the nine months ended September 30, 2021	-	-	-	4,836,237	-	-	-	4,836,237	(529)	4,835,708
Other comprehensive income for the nine months ended September 30, 2021, net of income tax	-	-	-	-	-	(387,860)	-	(387,860)	18	(387,842)
Total comprehensive income for the nine months ended September 30, 2021	-	-	-	4,836,237	-	(387,860)	-	4,448,377	(511)	4,447,866
BALANCE AT SEPTEMBER 30, 2021	<u>189,025</u>	<u>\$ 1,890,250</u>	<u>\$ 7,082,549</u>	<u>\$ 17,924,145</u>	<u>\$ -</u>	<u>\$ (1,471,709)</u>	<u>\$ 6,262</u>	<u>\$ 25,431,497</u>	<u>\$ 7,858</u>	<u>\$ 25,439,355</u>

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

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 6,319,976	\$ 4,294,695
Adjustments for:		
Depreciation expenses	1,257,531	1,134,825
Amortization expenses	12,679	12,068
Expected credit loss	33,455	12,641
Net gain on financial assets at fair value through profit or loss	(42,313)	(35,890)
Finance costs	149,139	211,696
Interest income	(73,262)	(130,339)
Compensation cost of employee share options	212,377	-
Loss (gain) on disposal of property, plant and equipment	83,110	(1,697)
Write-down of inventories	29,351	66,617
Net gain on foreign currency exchange	(13,723)	(39,693)
Changes in operating assets and liabilities:		
Increase in notes receivables	(201,126)	(671,335)
Increase in trade receivables	(1,451,432)	(971,575)
(Increase) decrease in other receivables	(964)	466
Increase in inventories	(831,932)	(259,309)
Increase in other current assets	(109,483)	(13,446)
(Decrease) increase in contract liabilities	(36,011)	3,965
Increase (decrease) in notes payables	116,532	(164,809)
Increase in trade payables	74,853	171,822
Increase in other payables	101,698	46,564
(Decrease) increase in other current liabilities	(123,440)	78,583
Cash generated from operations	5,507,015	3,745,849
Interest received	53,395	74,699
Interest paid	(152,575)	(211,912)
Income tax paid	(1,620,915)	(928,044)
Net cash generated from operating activities	<u>3,786,920</u>	<u>2,680,592</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets measured at amortized cost	(2,775,936)	(9,434,571)
Proceeds on sale of financial assets at amortized cost	3,227,647	10,913,075
Proceeds from sale of financial assets at fair value through profit or loss	76,576	16,518
Payments for property, plant and equipment	(2,707,424)	(2,084,255)
Proceeds from disposal of property, plant and equipment	31,650	65,698
Increase in refundable deposits	(42,116)	(3,260)
Decrease in refundable deposits	32,590	9,745
Acquisitions of intangible assets	(7,637)	(3,325)
Acquisitions of right-of-use assets	(26,358)	(1,576)

(Continued)

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2021	2020
Increase in prepayments for equipment	<u>(1,357,221)</u>	<u>-</u>
Net cash used in investing activities	<u>(3,548,229)</u>	<u>(521,951)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	2,487,690	-
Repayments of short-term loans	-	(1,793,607)
Proceeds from short-term bills payables	50,000	350,000
Repayments of long-term loans	(766,500)	(1,066,500)
Dividends paid to owners of the Company	(1,712,016)	(662,555)
Repayment of the principal portion of lease liability	<u>(54,868)</u>	<u>(65,280)</u>
Net cash generated from (used in) financing activities	<u>4,306</u>	<u>(3,237,942)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>11,059</u>	<u>(9,326)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	254,056	(1,088,627)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>4,360,433</u>	<u>5,236,004</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 4,614,489</u>	<u>\$ 4,147,377</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 NINE MONTHS ENDED SEPTEMBER 30, 2020 and 2019

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

(Reviewed, Not Audited)

1. GENERAL

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and issued on November 5, 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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”

The Group elected to apply the practical expedient provided in the amendments to deal with the changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities resulting from the interest rate benchmark reform. The changes 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.

For the hedging relationships that are subject to the reform, the Group applies the following temporary exceptions:

- a) The changes to the hedging relationship that are needed to reflect the changes required by the reform are treated as a continuation of the existing hedging relationship.
- b) If an alternative benchmark rate that is reasonably expected to be separately identifiable within a period of 24 months, the Group designates the rate as a non-contractually specified risk component.
- 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) The Group allocates 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 designates the hedged benchmark rate separately.

2) Amendment to IFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021”

The Group elected to apply the amendment that extends the availability of the practical expedient to lease payments due on or before June 30, 2022. Refer to the Summary of Significant Accounting Policies in the consolidated financial statements for the year ended December 31, 2020 for the relevant accounting policies of the practical expedient.

The Group applies the amendment from January 1, 2021.

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

b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018–2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts–Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

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

Note 2: 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 3: 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 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

1) 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.

2) 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.

3) 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 shall

restate its comparative information when it initially applies the aforementioned amendments.

4) 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 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

The Group may not restate prior reporting periods when applying the aforementioned amendments, and recognize the cumulative effect in the retained earnings or other component of equity at the date of the initial application instead.

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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 will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: 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.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

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

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

2) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

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

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32:

Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

3) 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.

4) 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.

5) Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments clarify that the initial recognition exemption under IAS 12 does not apply to transactions in which equal taxable and deductible temporary differences arise on initial recognition. The Group will recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations on January 1, 2022, and recognize the cumulative effect of initial application in retained earnings at that date. The Group will apply the amendments prospectively to transactions other than leases and decommissioning obligations that occur on or after January 1, 2022.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IAS 34 “Interim Financial Reporting” as endorsed by the FSC. Disclosure information included in the consolidated financial statements is less than those required in a complete set of annual financial statements.

b. Basis of Preparation

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

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

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

c. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries, including structured entities).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

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

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

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

See Note 11, Table 2 and Table 8 for the detailed information of subsidiaries (including the percentage of ownership and main business).

d. Other significant accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2020.

1) Retirement benefits

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

2) Taxation

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty

Write-down of inventories

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

6. CASH AND CASH EQUIVALENTS

	September 30, 2021	December 31, 2020	September 30, 2020
Cash on hand	\$ 459	\$ 534	\$ 1,437
Check accounts	28,127	22,893	31,794
Demand deposits	2,090,670	1,525,309	2,316,819
Cash equivalent (investments with original maturities of less than 3 months)			
Time deposits	2,495,233	2,811,697	1,797,327
	<u>\$ 4,614,489</u>	<u>\$ 4,360,433</u>	<u>\$ 4,147,377</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Financial assets - current</u>			
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
— Foreign exchange forward contracts	\$ 7,350	\$ 35,576	\$ 27,084
Non-derivative financial assets			
— Mutual funds	9,330	10,011	9,961
	<u>\$ 16,680</u>	<u>\$ 45,587</u>	<u>\$ 37,045</u>

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Financial liabilities - current</u>			
Financial liabilities held for trading			
Derivative financial liabilities (not under hedge accounting)			
— Foreign exchange forward contracts	\$ 443	\$ -	\$ 8,083

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

September 30, 2021

	Currency	Maturity Date	Notional Amount (In Thousands)
Buy	RMB /NTD	2021.10.15~2021.12.30	RMB 802,070/ NTD 3,434,890

December 31, 2020

	Currency	Maturity Date	Notional Amount (In Thousands)
Buy	RMB /NTD	2021.01.14~2021.03.30	RMB 749,540/ NTD 3,202,974

September 30, 2020

	Currency	Maturity Date	Notional Amount (In Thousands)
Buy	RMB /NTD	2020.10.14~2020.12.28	RMB 689,540/ NTD 2,908,835

8. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Current</u>			
Time deposits with original maturity of more than 3 month	\$ 6,132	\$ 6,128	\$ 5,977
Restricted bank deposits	15,068	26,262	14,941
Structured deposits	863,510	3,319,179	1,671,499
	<u>\$ 884,710</u>	<u>\$ 1,351,569</u>	<u>\$ 1,692,417</u>

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

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Notes receivable</u>			
At amortized cost			
Notes receivable - operating	\$ 2,595,157	\$ 2,435,598	\$ 2,162,913
Less: Allowance for impairment loss	(<u>23,139</u>)	(<u>23,377</u>)	(<u>21,824</u>)
	<u>\$ 2,572,018</u>	<u>\$ 2,412,221</u>	<u>\$ 2,141,089</u>
 <u>Trade receivables</u>			
At amortized cost			
Gross carrying amount	\$ 6,107,063	\$ 4,744,517	\$ 4,556,592
Less: Allowance for impairment loss	(<u>123,637</u>)	(<u>92,313</u>)	(<u>105,663</u>)
	<u>\$ 5,983,426</u>	<u>\$ 4,652,204</u>	<u>\$ 4,450,929</u>

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

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

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

September 30, 2021

	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	1.02%	3.43%	22.60%	40.33%	83.51%	92.09%	100.00%	
Gross carrying amount	\$ 8,362,375	\$ 277,337	\$ 10,087	\$ 2,083	\$ 6,215	\$ 1,213	\$ 42,910	\$ 8,702,220
Loss allowance (Lifetime ECL)	(84,914)	(9,525)	(2,280)	(840)	(5,190)	(1,117)	(42,910)	(146,776)
Amortized cost	<u>\$ 8,277,461</u>	<u>\$ 267,812</u>	<u>\$ 7,807</u>	<u>\$ 1,243</u>	<u>\$ 1,025</u>	<u>\$ 96</u>	<u>\$ -</u>	<u>\$ 8,555,444</u>

December 31, 2020

	未逾 期	逾 1 ~ 90 天	逾 91 ~ 180 天	逾 181 ~ 365 天	逾 366 ~ 547 天	逾 548 ~ 730 天	逾 731 天 以上	合 计
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>

September 30, 2020

	Not Past Due	Less than 90 days	91 to 180 days	181 to 365 days	366 to 547 days	548 to 730 days	Over 731 days	Total
Expected credit loss rate	0.85%	3.46%	21.58%	39.67%	82.77%	96.86%	100.00%	
Gross carrying amount	\$ 6,448,310	\$ 189,540	\$ 10,094	\$ 9,791	\$ 5,926	\$ 21,539	\$ 34,305	\$ 6,719,505
Loss allowance (Lifetime ECL)	(54,793)	(6,560)	(2,178)	(3,884)	(4,905)	(20,862)	(34,305)	(127,487)
Amortized cost	<u>\$ 6,393,517</u>	<u>\$ 182,980</u>	<u>\$ 7,916</u>	<u>\$ 5,907</u>	<u>\$ 1,021</u>	<u>\$ 677</u>	<u>\$ -</u>	<u>\$ 6,592,018</u>

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

	For the Nine Months Ended September 30	
	2021	2020
Balance at January 1		\$ 22,038
	\$ 23,377	
Add: Net remeasurement of loss allowance	135	-
Less: Net remeasurement of loss allowance	-	(34)
Effects of foreign currency exchange differences	(373)	(180)
Balance at September 30	<u>\$ 23,139</u>	<u>\$ 21,824</u>

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

	For the Nine months Ended September 30	
	2021	2020
Balance at January 1	\$ 92,313	\$ 97,331
Add: Amounts recovered	28	-
Add: Net remeasurement of loss allowance	33,320	12,675
Less: Amounts written off	-	(3,253)
Effects of foreign currency exchange differences	(2,024)	(1,090)
Balance at September 30	<u>\$ 123,637</u>	<u>\$ 105,663</u>

10. INVENTORIES

	September 30, 2021	December 31, 2020	September 30, 2020
Raw materials	\$ 1,335,669	\$ 1,114,538	\$ 985,112
Finished goods	1,763,514	1,543,499	1,439,341
Work in progress	1,267,939	976,671	892,998
	<u>\$ 4,367,122</u>	<u>\$ 3,634,708</u>	<u>\$ 3,317,451</u>

The cost of inventories recognized as cost of goods sold for the three months and nine months ended September 30, 2021 and 2020 were \$3,384,194 thousand, \$2,567,178 thousand, \$10,021,046 thousand and \$6,971,083 thousand, respectively. The cost of goods sold included inventory write-downs for the three months and nine months ended September 30, 2021 and 2020, were \$7,835 thousand, \$21,253 thousand, \$29,351 thousand and \$66,617 thousand, respectively.

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

The consolidated entities were as follows:

Name of investing company	Name of subsidiary	% of Ownership		
		September 30, 2021	December 31, 2020	September 30, 2020
Airtac International Group	AIRTAC TRADING (HONG KONG) LIMITED	100	100	100
	AIRTAC INDUSTRIAL (HONG KONG) LIMITED	100	100	100
	INSTANT REACH INTERNATIONAL LIMITED	100	100	100
	AIRTAC HOLDING (SINGAPORE) PTE. LTD.	100	100	100
AIRTAC INDUSTRIAL (HONG KONG) LIMITED	Ningbo Airtac Automatic Industrial Co., Ltd.	100	100	100
	Guangdong Airtac Automatic Industrial Co., Ltd.	100	100	100
	Airtac (China) Co., Ltd.	100	100	100
	Airtac (Jiangsu) Automatic Co., Ltd.	100	100	100
INSTANT REACH INTERNATIONAL LIMITED	ATC (ITALIA) S.R.L.	100	100	100
	Airtac Enterprise Co., Ltd.	69.44	69.44	69.44
AIRTAC HOLDING (SINGAPORE) PTE. LTD.	AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	100	100	100
	Airtac Co., Ltd.	100	100	100
	AIRTAC USA CORPORATION	100	100	100
AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	100	100	100
	AIRTAC INDUSTRIAL CO., LTD.	100	100	100
Airtac (China) Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	100	100	100
	Airtac (Tianjin) Intelligent Technology Co., Ltd.	100	100	100
	Airtac (Fujian) Intelligent Equipment Co., Ltd.	100	100	100

- (1) AIRTAC TRADING (HONG KONG) LIMITED, AIRTAC INDUSTRIAL (HONG KONG) LIMITED, INSTANT REACH INTERNATIONAL LIMITED and AIRTAC HOLDING (SINGAPORE) PTE. LTD. are primarily holding companies.
- (2) Ningbo Airtac Automatic Industrial Co., Ltd. was established on August 16, 2001 with an operation period of 50 years, and engages primarily in the production of pneumatic and hydraulic components, Actuator components, air preparation components, and pneumatic accessories. Guangdong Airtac Automatic Industrial Co., Ltd. (previously Guangzhou Airtac Automatic Industrial Co., Ltd.) was established on December 31, 2006 with an operation period of 50 years, and engages primarily in the production of pneumatic and hydraulic control components, Actuator components, air preparation components, and pneumatic accessories. Airtac (China) Co., Ltd. was established on May 6, 2011 with an operation period of 50 years, and engages primarily in the production, R&D, distribution, storage of industrial control components, pneumatic components, hydraulic components, pneumatic whole set equipment, wind power tools, electric tools, low-voltage electric appliances, and hand tools, import and export of the aforementioned products and support services. Airtac (Jiangsu) Automatic Co., Ltd. primarily in the production, distribution, storage of industrial con was established on July 2, 2015 with an operation period of 50 years, and engages troll components, pneumatic components, hydraulic components, pneumatic whole set equipment, wind power tools, electric tools, low-voltage electric appliances, and hand tools, import and export of the aforementioned products and support services.
- (3) Airtac Enterprise Co., Ltd. was established on May 9, 1989 and engages primarily in the processing and sales of machinery and automated machines, manufacturing, processing and sales of hydraulic/pneumatic parts and components, and import and export trade of the aforementioned products. ATC (ITALIA) S.R.L. was established on June 10, 2008 and engages primarily in the production and sales of pneumatic and hydraulic control components.
- (4) AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD. was established on August 11, 2011 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components. Airtac Co., Ltd. was established on April 18, 2013 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components. AIRTAC USA CORPORATION was established on November 4, 2016 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components.
- (5) AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD. was established on July 16, 2013 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components. AIRTAC INDUSTRIAL CO., LTD. was established on April 21, 2015 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components.
- (6) Guangdong Airtac Intelligent Equipment Co., Ltd. was established on November 30, 2016 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components. Airtac (Tianjin) Intelligent Technology Co., Ltd. was established on September 20, 2017 and engages in the production

and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components, importing and exporting of the aforementioned products and support services. Airtac (Fujian) Intelligent Equipment Co., Ltd. was established on July 18, 2018 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components, importing and exporting of the aforementioned products and support services.

12. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2021	December 31, 2020	September 30, 2020
Assets used by the Group	\$23,440,743	\$22,124,005	\$21,242,545
Assets leased under operating leases	<u>112,628</u>	<u>78,827</u>	<u>77,444</u>
	<u>\$23,553,371</u>	<u>\$22,202,832</u>	<u>\$21,319,989</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, 2021	\$ 890,359	\$ 11,782,066	\$ 12,528,334	\$ 382,072	\$ 1,636,360	\$ 1,068,467	\$ 28,287,658
Additions	-	52,388	1,576,591	44,913	222,583	997,112	2,893,587
Disposals	-	(77,649)	(227,802)	(19,263)	(53,463)	-	(378,177)
Transfers to assets leased under operating leases	-	(46,446)	-	-	-	-	(46,446)
Reclassification	-	579,336	-	-	-	(579,336)	-
Effects of foreign currency exchange differences	-	(113,277)	(182,876)	(4,745)	(29,968)	(20,697)	(351,563)
Balance at September 30, 2021	<u>\$ 890,359</u>	<u>\$ 12,176,418</u>	<u>\$ 13,694,247</u>	<u>\$ 402,977</u>	<u>\$ 1,775,512</u>	<u>\$ 1,465,546</u>	<u>\$ 30,405,059</u>
Accumulated depreciation							
Balance at January 1, 2021	\$ -	\$ 1,527,507	\$ 3,454,951	\$ 217,100	\$ 964,095	\$ -	\$ 6,163,653
Depreciation expense	-	208,705	766,065	39,702	166,253	-	1,180,725
Disposals	-	(27,617)	(165,871)	(17,331)	(52,598)	-	(263,417)
Transfers to assets leased under operating leases	-	(8,898)	-	-	-	-	(8,898)
Effects of foreign currency exchange differences	-	(13,425)	(63,511)	(9,083)	(21,728)	-	(107,747)
Balance at September 30, 2021	<u>\$ -</u>	<u>\$ 1,686,272</u>	<u>\$ 3,991,634</u>	<u>\$ 230,388</u>	<u>\$ 1,056,022</u>	<u>\$ -</u>	<u>\$ 6,964,316</u>
Carrying amounts at September 30, 2021	<u>\$ 890,359</u>	<u>\$ 10,490,146</u>	<u>\$ 9,702,613</u>	<u>\$ 172,589</u>	<u>\$ 719,490</u>	<u>\$ 1,465,546</u>	<u>\$ 23,440,743</u>
Carrying amounts at December 31, 2020 and January 1, 2021	<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, 2020	\$ 890,359	\$ 11,287,785	\$ 10,409,376	\$ 360,566	\$ 1,465,653	\$ 762,869	\$ 25,176,608
Additions	-	101,103	1,533,538	29,999	150,884	476,544	2,292,068
Disposals	-	(55,203)	(42,013)	(13,118)	(55,459)	-	(165,793)
Transfers to assets leased under operating leases	-	(20,283)	-	-	-	-	(20,283)
Reclassification	-	42,066	-	-	3,892	(45,958)	-
Effects of foreign currency exchange differences	-	(65,458)	(68,974)	(3,277)	(11,831)	(5,397)	(154,937)
Balance at September 30, 2020	<u>\$ 890,359</u>	<u>\$ 11,290,010</u>	<u>\$ 11,831,927</u>	<u>\$ 374,170</u>	<u>\$ 1,553,139</u>	<u>\$ 1,188,058</u>	<u>\$ 27,127,663</u>
Accumulated depreciation							
Balance at January 1, 2020	\$ -	\$ 1,250,417	\$ 2,697,952	\$ 187,598	\$ 839,713	\$ -	\$ 4,975,680
Depreciation expense	-	196,170	672,592	38,270	150,779	-	1,057,811
Disposals	-	(10,495)	(23,386)	(12,515)	(55,396)	-	(101,792)
Transfers to assets leased under operating leases	-	(85)	-	-	-	-	(85)
Effects of foreign currency exchange differences	-	(5,323)	(25,406)	(8,093)	(7,674)	-	(46,496)
Balance at September 30, 2020	<u>\$ -</u>	<u>\$ 1,430,684</u>	<u>\$ 3,321,752</u>	<u>\$ 205,260</u>	<u>\$ 927,422</u>	<u>\$ -</u>	<u>\$ 5,885,118</u>
Carrying amounts at September 30, 2020	<u>\$ 890,359</u>	<u>\$ 9,859,326</u>	<u>\$ 8,510,175</u>	<u>\$ 168,910</u>	<u>\$ 625,717</u>	<u>\$ 1,188,058</u>	<u>\$ 21,242,545</u>

No impairment assessment was performed for the nine months ended September 30, 2021 and 2020 as there was no indication of impairment.

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

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

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

(2) Assets leased under operating leases

	<u>Buildings</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ 92,605
Transfers from assets used by the Group	46,446
Effect of foreign currency exchange differences	(1,870)
Balance at September 30, 2021	<u>\$137,181</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2021	\$ 13,778
Transfers from assets used by the Group	8,898
Depreciation expenses	2,187
Effect of foreign currency exchange differences	(310)
Balance at September 30, 2021	<u>\$ 24,553</u>
Carrying amounts at September 30 , 2021	<u>\$112,628</u>
Carrying amounts at December 31, 2021 and January 1, 2021	<u>\$ 78,827</u>
<u>Cost</u>	
Balance at January 1, 2020	\$ 70,588
Transfers from assets used by the Group	20,283
Effect of foreign currency exchange differences	(551)
Balance at September 30, 2020	<u>\$ 90,320</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2020	\$ 11,455
Transfers from assets used by the Group	85
Depreciation expenses	1,428
Effect of foreign currency exchange differences	(92)
Balance at September 30, 2020	<u>\$ 12,876</u>
Carrying amounts at September 30, 2020	<u>\$ 77,444</u>

Operating leases relate to leases of buildings with lease terms between 2 to 10 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:

	September 30, 2021	December 31, 2020	September 30, 2020
Year 1	\$ 2,416	\$ 1,872	\$ 1,706
Year 2	4,926	2,340	2,433
Year 3	2,912	2,013	1,933
Year 4	2,510	998	1,218
Year 5	2,361	1,048	1,007
Year 5 onwards	4,995	5,620	5,732
	<u>\$ 20,120</u>	<u>\$ 13,891</u>	<u>\$ 14,029</u>

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

Buildings

Main Buildings

40 years

13. LEASE AGREEMENT

(1) Right-of-use assets

	September 30, 2021	December 31, 2020	September 30, 2020
Carrying amount			
Land	\$ 798,933	\$ 799,513	\$ 618,238
Buildings	220,265	223,303	204,868
Transportation equipment	120	1,856	2,650
	<u>\$1,019,318</u>	<u>\$1,024,672</u>	<u>\$ 825,756</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Additions to right-of-use assets			<u>\$ 93,262</u>	<u>\$ 43,326</u>
Depreciation of right-of-use assets				
Land	\$ 4,588	\$ 3,428	\$ 13,691	\$ 10,317
Buildings	19,549	20,656	59,207	63,687
Transportation equipment	755	554	1,721	1,582
	<u>\$ 24,892</u>	<u>\$ 24,638</u>	<u>\$ 74,619</u>	<u>\$ 75,586</u>

(2) Lease Liabilities

	September 30, 2021	December 31, 2020	September 30, 2020
Carry amount			
Current	<u>\$ 63,583</u>	<u>\$ 58,246</u>	<u>\$ 56,128</u>
Non-current	<u>\$ 159,620</u>	<u>\$ 163,808</u>	<u>\$ 146,730</u>

Range of discount rate for lease liabilities was as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Buildings	1.79%~4.35%	1.79%~4.35%	1.79%~4.35%

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

The Company lease lands and buildings mainly for the use of offices and logistics centers for the nine months ended September 30, 2021. The prepayments for leases is applicable to the land use right located in Mainland China with lease terms of 50 years. The Company does not have purchase options to acquire the leasehold buildings at the end of the lease terms.

(4) Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 12.

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Expenses relating to short-term leases	<u>\$ 5,585</u>	<u>\$ 6,770</u>	<u>\$ 13,839</u>	<u>\$ 19,894</u>
Total cash outflow for leases			<u>(\$ 101,964)</u>	<u>(\$ 86,710)</u>

14. OTHER ASSETS

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Current</u>			
Prepayments	\$ 146,610	\$ 85,281	\$ 94,697
Prepaid expenses	80,585	55,660	59,013
Excess VAT paid	46,750	16,161	29,232
Others	<u>3</u>	<u>2</u>	<u>346</u>
	<u>\$ 273,948</u>	<u>\$ 157,104</u>	<u>\$ 183,288</u>
<u>Non-current</u>			
Prepayments for equipment	\$ 2,191,150	\$ 858,185	\$ 672,213
Refundable deposits	40,220	31,715	30,605
Net defined benefit assets	<u>6,957</u>	<u>6,957</u>	<u>6,957</u>
	<u>\$ 2,238,327</u>	<u>\$ 896,857</u>	<u>\$ 709,775</u>

15. LOANS

(1) Short-term loans

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Unsecured loans</u>			
Line of credit loans	<u>\$ 11,997,071</u>	<u>\$ 9,572,760</u>	<u>\$ 10,078,299</u>

The range of interest rate on bank loans were 0.43%-1.00%, 0.45%-4.05%, and 0.50%-1.10% per annum as of September 30, 2021, December 31, 2020, and September 30, 2020, respectively.

(2) Short-term bills payable

	September 30, 2021	December 31, 2020	September 30, 2020
Commercial paper	<u>\$ 1,150,000</u>	<u>\$ 1,100,000</u>	<u>\$ 1,200,000</u>

Outstanding short-term bills payable were as follows:

September 30, 2021

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

December 31, 2020

<u>Promissory Institutions</u>	<u>Nominal amount</u>	<u>Discount amount</u>	<u>Discount amount</u>
<u>Commercial paper</u>			
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>

September 30, 2020

<u>Promissory Institutions</u>	<u>Nominal amount</u>	<u>Discount amount</u>	<u>Discount amount</u>
<u>Commercial paper</u>			
Grand Bills	\$ 200,000	\$ -	\$ 200,000
International Bills	200,000	-	200,000
TC Bills	200,000	-	200,000
Mega Bills	200,000	-	200,000
TaChing Bills	200,000	-	200,000
China Bills	200,000	-	200,000
	<u>\$ 1,200,000</u>	<u>\$ -</u>	<u>\$ 1,200,000</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 0.978%, 1.038% and 1.048%-1.058% per annum as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively.

(3) Long-term loans

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Secured loans</u>			
Between March 2018 and March 2023 (with interest rate of 1.7895%)	\$ 3,577,000	\$ 4,343,500	\$ 4,343,500
Deduct: Current portion	(766,500)	(766,500)	(766,500)
Deduct: Syndication loan charge fee	(<u>5,797</u>)	(<u>8,866</u>)	(<u>9,889</u>)
Long-term loans	<u>\$ 2,804,703</u>	<u>\$ 3,568,134</u>	<u>\$ 3,567,111</u>

In March, 2018, the Group signed a \$6,000,000 thousand syndicated loan (the Loan) with Mega International Commercial Bank and 12 other participating banks. The Loan is composed by three kinds of loans. The first one is a secured loan in the amount of \$2,200,000 thousand. This loan is to repay the existing bank loans. The Loan is effective in 3 months since February 12, 2018 and the undrawn facilities will be automatically cancelled as the effective term terminated. As of September 30, 2021, the Group draw all the amount of this loan. The second one is a secured loan in the amount of \$3,300,000 thousand. This loan is to support the capital needs of Phase 2 factory and manufacturing productivity expansion plan in Tainan ShuGu Park. The Loan is effective in 18 months after the first draw and the undrawn facilities will be automatically cancelled as the effective term terminated. As of September 30, 2021, the Group draw in the amount of \$2,910,000 thousand of this loan. The third one is an unsecured loan in the amount of \$500,000 thousand on a revolving basis. The purpose of this loan is for providing medium-term working capital. As of September 30, 2021, the Group draw all the amount of this loan. If the Group meet all criteria in 5 years after the first draw, the Group could apply to Mega International Commercial Bank for extending the credit period for two

years once in written application. The principal will be payable after two years from the first draw of the first and second loans in 7 semiannually installments. The first to the sixth installment will be calculated at a repayable amount equal to 7.5% of the outstanding principal prior to the day before the first installment and the 55% remainder principal will be repaid in full on the maturity date. Each credit of the third loan would be repaid in full on each maturity date. During the loan period, financial ratios of the Group comply with predetermined financial covenants since year 2018.

Refer to Note 30 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

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Current</u>			
Other payables			
Salaries and bonus	\$ 960,920	\$ 899,356	\$ 741,031
Payables for dividends	-	-	250,578
Payables for purchase of equipment	493,119	313,503	78,031
Others	<u>123,293</u>	<u>100,485</u>	<u>83,008</u>
	<u>\$ 1,577,332</u>	<u>\$ 1,313,344</u>	<u>\$ 1,152,648</u>
Other current liabilities			
Other taxes	\$ 146,396	\$ 274,174	\$ 294,223
Others	<u>16,260</u>	<u>15,770</u>	<u>13,892</u>
	<u>\$ 162,656</u>	<u>\$ 289,944</u>	<u>\$ 308,115</u>

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

Airtac Enterprise Co. Ltd. of the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

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

b. Defined benefit plans

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

19. EQUITY

a. Share capital

Ordinary shares

	September 30, 2021	December 31, 2020	September 30, 2020
Numbers of shares authorized (in thousands)	200,000	200,000	200,000
Shares authorized	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Number of shares issued and fully paid (in thousands)	189,025	189,025	189,025
Shares issued	\$ 1,890,250	\$ 1,890,250	\$ 1,890,250

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends. On September 6, 2021 the Company's board of directors resolved to issue 10,975 thousand ordinary shares with a par value of NT\$10, for consideration of NT\$718 per share, which increases the share capital issued and fully paid to \$2,000,000 thousand.

b. Capital surplus

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>			
Issuance of ordinary shares	\$ 6,123,279	\$ 6,123,279	\$ 6,123,279
Organization Reconstruction	704,640	704,640	704,640
Donations	41,552	41,552	41,552
	6,869,471	6,869,471	6,869,471
<u>Used to offset a deficit only</u>			
Void employee share option (2)	701	701	701
	6,870,172	6,870,172	6,870,172
<u>May not be used for any purpose</u>			

	September 30, 2021	December 31, 2020	September 30, 2020
Employee share options	<u>212,377</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,082,549</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).

c. Retained earnings and dividend policy

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

For the policies on the distribution of employees' compensation and remuneration of directors and supervisors, please refer to employees' compensation and remuneration of directors and supervisors in Note 21 f.

The Company appropriates or reverses a special reserve in accordance with Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC on April 6, 2012 and the directive entitled "Questions and Answers on Special Reserves Appropriated Following the Adoption of IFRSs". Distributions can be made out of any subsequent reversal of the debit to other equity items.

The appropriations of earnings for 2020 and 2019 that was approved in the board meetings and the shareholder's meeting on March 8, 2021 and May 11, 2020 was as follow:

	2020	2019
Cash dividends	<u>\$1,712,016</u>	<u>\$ 913,133</u>
Cash dividends per share (NT\$)	<u>\$ 9.06</u>	<u>\$ 4.83</u>

The above 2020 appropriations for cash dividends had been resolved by the Company's board of directors on March 8, 2021 and the report of such distribution is submitted to the shareholder's meeting on July 5, 2021. The board of directors had resolved to issue cash dividends from capital surplus of RMB \$396,952 thousand, RMB \$2.1 per share. The actual amount converted and paid in New Taiwan Dollars were NT\$1,712,016 thousand, 9.06 per share.

The above 2019 appropriations for cash dividends had been resolved by the Company's board of directors on May 11, 2020 and the report of such distribution is submitted to the shareholder's meeting on June 23, 2020. The board of directors had resolved to issue cash dividends from capital surplus of RMB \$213,598 thousand, RMB \$1.13 per share. The actual amount converted and paid in New Taiwan Dollars were NT\$913,133 thousand, NT\$4.83 per share. The exchange rate was based on the rate on September 14, 2020.

d. Other equity items

Exchange differences on translating foreign operations

	For the Nine Months Ended September 30	
	2021	2020
Balance at January 1	(\$1,083,849)	(\$1,453,824)
Exchange differences on translating foreign operations	12,933	(5,938)
Exchange differences on translating to presentation currency	(400,793)	(133,821)
Balance at September 30	(\$1,471,709)	(\$1,593,583)

The relating exchange differences arising from the net assets of the Group's foreign operations which are translated from the functional currency to expression currency (i.e. NTD) are recognized in exchange differences on translating foreign operations of other comprehensive income.

20. REVENUE

	For the Three Months Ended September 30		For the Nine months Ended September 30	
	2021	2020	2021	2020
Revenue from contracts with customers				
Revenue from sale of goods	<u>\$ 6,663,429</u>	<u>\$ 5,220,227</u>	<u>\$19,632,353</u>	<u>\$13,712,990</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

	September 30, 2021	December 31, 2021	September 30, 2020	January 1, 2020
Note receivables and trade receivables (Note 9)	<u>\$ 8,555,444</u>	<u>\$ 7,064,425</u>	<u>\$ 6,592,018</u>	<u>\$ 4,999,997</u>
Contract liabilities-current				
Sale of goods	<u>\$ 57,823</u>	<u>\$ 95,130</u>	<u>\$ 54,525</u>	<u>\$ 50,977</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 Nine Months Ended September 30	
	2021	2020
From contract liabilities at the start of the year		
Sale of goods	<u>\$ 87,658</u>	<u>\$ 46,855</u>

c. Disaggregation of revenue

Refer to Note 34 for information about the disaggregation of revenue.

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

Net income from continuing operations includes:

a. Interest income

	For the Three Months Ended September 30		For the Nine months Ended September 30	
	2021	2020	2021	2020
Bank deposits	\$ 18,443	\$ 14,693	\$ 58,787	\$ 62,456
Financial assets at amortized cost	<u>4,504</u>	<u>21,462</u>	<u>14,475</u>	<u>67,883</u>
	<u>\$ 22,947</u>	<u>\$ 36,155</u>	<u>\$ 73,262</u>	<u>\$ 130,339</u>

b. Other gains and losses

	For the Three Months Ended September 30		For the Nine months Ended September 30	
	2021	2020	2021	2020
Gain/(loss) on disposal of financial assets				
Financial assets designated as at FVTPL	\$ 15,142	\$ 46,297	\$ 47,701	\$ 46,283
Financial liabilities held for trading (Note 7)	2,287	2,693	(5,388)	(10,393)
Net foreign exchange gains (losses)	(13,037)	240,451	(75,250)	33,848
Government grants	71,956	2,979	79,762	58,553
Gain on disposal of property, plant and equipment	3,563	(14,467)	(83,110)	1,697
Others	<u>3,559</u>	<u>8,436</u>	<u>17,075</u>	<u>10,974</u>
	<u>\$ 83,470</u>	<u>\$ 286,389</u>	<u>(\$ 19,210)</u>	<u>\$ 140,962</u>

c. Financial costs

	For the Three Months Ended September 30		For the Nine months Ended September 30	
	2021	2020	2021	2020
Interest on bank loans	\$ 52,669	\$ 55,358	\$ 144,817	\$ 207,486
Interest on lease liability	<u>1,495</u>	<u>1,362</u>	<u>4,322</u>	<u>4,210</u>
	<u>\$ 54,164</u>	<u>\$ 56,720</u>	<u>\$ 149,139</u>	<u>\$ 211,696</u>

d. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine months Ended September 30	
	2021	2020	2021	2020
An analysis of deprecation by function				
Operating costs	\$ 330,017	\$ 283,970	\$ 954,178	\$ 836,662
Operating expenses	<u>102,454</u>	<u>100,694</u>	<u>303,353</u>	<u>298,163</u>
	<u>\$ 432,471</u>	<u>\$ 384,664</u>	<u>\$ 1,257,531</u>	<u>\$ 1,134,825</u>
An analysis of amortization by function				
Operating costs	\$ 273	\$ 243	\$ 822	\$ 713
Operating expenses	<u>4,094</u>	<u>3,828</u>	<u>11,857</u>	<u>11,355</u>
	<u>\$ 4,367</u>	<u>\$ 4,071</u>	<u>\$ 12,679</u>	<u>\$ 12,068</u>

e. Employee benefits expense

	For the Three Months Ended September 30		For the Nine months Ended September 30	
	2021	2020	2021	2020
Share-based payments				
Compensation cost	\$ 212,377	\$ -	\$ 212,377	\$ -
Post-employment benefits				
Defined contribution plans	60,994	38,096	166,422	94,082
Other employee benefits	<u>1,494,719</u>	<u>1,163,684</u>	<u>4,151,775</u>	<u>3,075,877</u>
Total employee benefits expense	<u>\$ 1,768,090</u>	<u>\$ 1,201,780</u>	<u>\$ 4,530,574</u>	<u>\$ 3,169,959</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 926,533	\$ 642,722	\$ 2,513,363	\$ 1,696,997
Operating expenses	<u>841,557</u>	<u>559,058</u>	<u>2,017,211</u>	<u>1,472,962</u>
	<u>\$ 1,768,090</u>	<u>\$ 1,201,780</u>	<u>\$ 4,530,574</u>	<u>\$ 3,169,959</u>

f. Employees' compensation and remuneration of directors and supervisors

According to the Articles of Incorporation of the Company, 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. For the three months and nine months ended September 30, 2021 and 2020, the employees' compensation and the remuneration of directors and supervisors were as follows:

Accrual rate

	For the Nine months Ended September 30	
	2021	2020
	<u>1.0%</u>	<u>1.0%</u>
Employees' compensation		

Amount

	For the Three Months Ended September 30		For the Nine months Ended September 30	
	2021	2020	2021	2020
	<u>\$ 20,872</u>	<u>\$ 19,897</u>	<u>\$ 63,537</u>	<u>\$ 43,398</u>
Employees' compensation				

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

The employees' compensation and remuneration to directors and supervisors for the years ended December 31, 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:

Amount

	For the Year Ended December 31			
	2020		2019	
	Cash	Shares	Cash	Shares
Employees' compensation	<u>\$ 64,187</u>	<u>\$ -</u>	<u>\$ 36,145</u>	<u>\$ -</u>

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

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

g. Gain or loss on foreign currency exchange

	For the Three Months Ended September 30		For the Nine months Ended September 30	
	2021	2020	2021	2020
	<u>\$ 24,607</u>	<u>\$ 377,738</u>	<u>\$ 52,448</u>	<u>\$ 491,283</u>
Foreign exchange gains				
Foreign exchange losses	<u>(37,644)</u>	<u>(137,287)</u>	<u>(127,698)</u>	<u>(457,435)</u>
Net losses (gains)	<u>(\$ 13,037)</u>	<u>\$ 240,451</u>	<u>(\$ 75,250)</u>	<u>\$ 33,848</u>

22. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follow:

	For the Three Months Ended September 30		For the Nine months Ended September 30	
	2021	2020	2021	2020
Current tax				
In respect of the current period	\$ 439,570	\$ 344,690	\$ 1,256,854	\$ 901,697
Adjustments for prior periods	<u>1</u>	<u>-</u>	<u>(148)</u>	<u>5,613</u>
	<u>439,571</u>	<u>344,690</u>	<u>1,256,706</u>	<u>907,310</u>
Deferred tax				
In respect of the current period	<u>40,961</u>	<u>85,425</u>	<u>227,562</u>	<u>124,982</u>
Income tax expense recognized in profit or loss	<u>\$ 480,532</u>	<u>\$ 430,115</u>	<u>\$ 1,484,268</u>	<u>\$1,032,292</u>

b. Income tax assessments

The income tax returns of the Company and subsidiaries, except the Company and Instant Reach International Limited are exempted from income tax, Airtac International Group Taiwan Branch, and Airtac Industrial Co., Ltd have been examined and cleared by the ROC tax authority through 2018 and 2019. The other subsidiaries have also filed business income tax returns by the deadlines set by the local governments.

23. EARNINGS PER SHARE

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

Net profit for the period

	For the Three Months Ended September 30		For the Nine months Ended September 30	
	2021	2020	2021	2020
Profit for the period attributable to owners of the Company	<u>\$ 1,600,763</u>	<u>\$ 1,542,050</u>	<u>\$ 4,836,237</u>	<u>\$ 3,263,408</u>
Earnings used in the computation of basic earnings per share	1,600,763	1,542,050	4,836,237	3,263,408
Effect of dilutive potential ordinary shares	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,600,763</u>	<u>\$ 1,542,050</u>	<u>\$ 4,836,237</u>	<u>\$ 3,263,408</u>

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

	For the Three Months Ended September 30		For the Nine months Ended September 30	
	2021	2020	2021	2020
Weighted average number of ordinary shares in computation of basic earnings per share	189,025	189,025	189,025	189,025
Effect of dilutive potential ordinary shares:				
Employees' compensation	<u>24</u>	<u>31</u>	<u>89</u>	<u>89</u>
Weighted average number of ordinary shares used in computation of diluted earnings per share	<u>189,049</u>	<u>189,056</u>	<u>189,114</u>	<u>189,114</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. SHARE-BASED PAYMENT ARRANGEMENTS

The Company issued new ordinary shares in September, 2021. The Company reserved 1,098 thousand of the newly issued shares for employees to subscribe. In accordance with IFRS 2 "share-based payment" accounting treatment, fair value method is adopted. Remuneration costs (accounting salary expenses) and capital surplus-employee share options of NT\$ 212,377 thousand were recognized on the grant date, and the amount has been fully recognized as of September 30, 2021.

Options were priced using a Black-Scholes pricing model. The inputs into the model were as follows:

	Grant Date
	September 14, 2021
Grant-date share price (\$)	\$910
Exercise price (\$)	\$718
Expected volatility	49.93%
Expected life	25 days
Risk-free interest rate	0.12%

25. GOVERNMENT GRANTS

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

26. CASH FLOW INFORMATION

1. Non-Cash Transactions

The Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statement of cash flows during the period of the nine months ended September 30, 2021 and 2020.

- a. The Group acquired property, plant and equipment with an aggregate fair value of \$2,893,587 thousand during the period of the nine months ended September 30, 2021. Other payables increase \$186,163 thousand in total. The cash paid of the Group for acquisition of property, plant and equipment was \$2,707,424 thousand (see the Note 12).
- b. The Group acquired the right-of-use assets with value of \$93,262 thousand during the nine months ended September 30, 2021. Lease liability increase \$66,904 thousand. The cash paid of the Group for right-of-use assets was \$26,358 thousand (see the Note 13).

- c. The Group acquired property, plant and equipment with an aggregate fair value of \$2,292,068 thousand during the period of the nine months ended September 30, 2020. Other non-current assets decrease \$722,340 thousand in total. Other payables decrease \$514,527 thousand in total. The cash paid of the Group for acquisition of property, plant and equipment was \$2,084,255 thousand (see the Note 12).
- d. The Group acquired the right-of-use assets with value of \$43,326 thousand during the nine months ended September 30, 2020. Lease liability increase \$41,750 thousand. The cash paid of the Group for right-of-use assets was \$1,576 thousand (see the Note 13).
- e. The cash dividends approved in the shareholders' meetings were not yet distributed as of September 30, 2020 was \$250,578 thousand. (refer to Notes 17 and 19).

2. Reconciliation of liabilities arising from financing activities

For the period of the nine months ended September 30, 2021

	Balance as of January 1, 2021	Cash Flow	Non-cash changes			Foreign Exchange Movement	Balance as of September 30, 2021
			New Leases	Adjustments	Finance cost		
Short-term loans	\$ 9,572,760	\$ 2,487,690	\$ -	\$ -	\$ -	(\$ 63,379)	\$ 11,997,071
Short-term bill payable	1,100,000	50,000	-	-	-	-	1,150,000
Long-term loans	4,334,634	(766,500)	-	-	3,069	-	3,571,203
Lease liabilities	222,054	(54,868)	66,904	(3,012)	-	(7,875)	223,203
	<u>\$ 15,229,448</u>	<u>\$ 1,716,322</u>	<u>\$ 66,904</u>	<u>(\$ 3,012)</u>	<u>\$ 3,069</u>	<u>(\$ 71,254)</u>	<u>\$ 16,941,477</u>

For the period of the nine months ended September 30, 2020

	Balance as of January 1, 2020	Cash Flow	Non-cash changes			Foreign Exchange Movement	Balance as of September 30, 2020
			New Leases	Finance cost			
Short-term loans	\$ 11,991,261	(\$ 1,793,607)	\$ -	\$ -	(\$ 119,355)		\$ 10,078,299
Short-term bill payable	850,000	350,000	-	-	-		1,200,000
Long-term loans	5,397,042	(1,066,500)	-	3,069	-		4,333,611
Lease liabilities	226,946	(65,280)	41,750	4,210	(4,768)		202,858
	<u>\$ 18,465,249</u>	<u>(\$ 2,575,387)</u>	<u>\$ 41,750</u>	<u>\$ 7,279</u>	<u>(\$ 124,123)</u>		<u>\$ 15,814,768</u>

27. CAPITAL MANAGEMENT

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

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

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

Key management personnel of the Group review the capital structure on a semi-annual basis. As part of this review, the key management personnel consider the cost of capital and the

risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued, and the amount of new debt issued or existing debt redeemed.

28. FINANCIAL INSTRUMENTS

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

The management of the Group considers that the carrying amounts of financial assets and liabilities not measured at fair value are close to the fair value.

b. Fair value of financial instruments measured at fair value on a recurring basis

(1) Fair value hierarchy

September 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Mutual Funds	\$ 9,330	\$ -	\$ -	\$ 9,330
Foreign exchange forward contracts	-	7,350	-	7,350
Total	<u>9,330</u>	<u>7,350</u>	<u>\$ -</u>	<u>16,680</u>
<u>Financial liabilities at FVTPL</u>				
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 443</u>	<u>\$ -</u>	<u>\$ 443</u>

December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
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>

September 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Mutual Funds	\$ 9,961	\$ -	\$ -	\$ 9,961
Foreign exchange forward contracts	-	27,084	-	27,084
Total	<u>9,961</u>	<u>27,084</u>	<u>\$ -</u>	<u>37,045</u>
<u>Financial liabilities at FVTPL</u>				
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 8,083</u>	<u>\$ -</u>	<u>\$ 8,083</u>

There were no transfers between the level 1 and level 2 during the period of the nine months ended September 30, 2021 and 2020.

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

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

c. Categories of financial instruments

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Financial assets</u>			
Financial assets at FVTPL			
Designated as at FVTPL	\$ 16,680	\$ 45,587	\$ 37,045
Financial assets at amortized cost (Note 1)	14,080,003	12,795,886	12,448,336
<u>Financial liabilities</u>			
FVTPL			
Held for trading	443	-	8,083
Measured at amortized cost (Note 2)	18,509,271	16,422,280	16,835,670

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

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

d. Financial risk management objectives and policies

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

1. Market risk

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

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

(1) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the

derivatives exposing to foreign currency risk at the end of the reporting period are set out in Note 31.

Sensitivity analysis

The Group was mainly exposed to the currency USD.

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

	USD Impact	
	For the Nine Months Ended September 30	
	2021	2020
Profit and losses	\$ 16,856	\$ 28,856

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:

	September 30, 2021	December 31, 2020	September 30, 2020
Fair value risk			
-Financial assets	\$ 3,364,875	\$ 4,137,004	\$ 3,474,803
-Financial liabilities	16,718,274	14,998,640	15,611,910
Cash flow risk			
-Financial assets	2,105,738	1,574,464	2,331,760
-Financial liabilities	-	8,754	-

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 nine months ended September 30, 2021 and 2020 would increase or decrease by \$15,793 thousand and \$17,488 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits and borrowings.

2. Credit risk

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

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

The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any other counterparty did not exceed 1% of gross monetary assets at any time during the nine months ended September 30, 2021 and 2020.

The Group's concentration of credit risk by geographical locations was mainly in Mainland China, which accounted for 93.01%, 93.05%, and 93.10% of the total trade receivables as of September 30, 2021, December 31, 2020, and September 30, 2020, 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 September 30, 2021, December 31, 2020, and September 30, 2020, 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.

September 30, 2021

	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	\$ 2,258,798	\$ 493,119	\$ -	\$ -
Lease liabilities	16,955	51,134	165,105	-
Fixed interest rate liabilities	12,487,701	1,500,226	2,834,889	-
	<u>\$ 14,763,454</u>	<u>\$ 2,044,479</u>	<u>\$ 2,999,994</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>\$ 68,089</u>	<u>\$ 165,105</u>	<u>\$ -</u>	<u>\$ -</u>

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>

September 30, 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	\$ 1,886,760	\$ 78,031	\$ -	\$ -
Lease liabilities	18,955	41,474	152,799	-
Fixed interest rate liabilities	10,729,318	1,397,162	3,660,539	-
	<u>\$ 12,635,033</u>	<u>\$ 1,516,667</u>	<u>\$ 3,813,338</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>\$ 60,429</u>	<u>\$ 152,799</u>	<u>\$ -</u>	<u>\$ -</u>

(2) Liquidity and interest rate risk table for derivative financial liabilities

The following table details the Group's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed is determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

September 30, 2021

	On Demand or Less than 1 Month	1 to 3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Net settled</u>					
Foreign exchange forward contract	<u>\$ 443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

September 30, 2020

	On Demand or Less than 1 Month	1 to 3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Net settled</u>					
Foreign exchange forward contract	<u>\$ 8,083</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(3) Financing facilities

	September 30, 2021	December 31, 2020	September 30, 2020
Unsecured bank loans (re-examined annually)			
-Amounts used	\$ 13,147,071	\$ 10,672,760	\$ 11,278,299
-Amounts unused	<u>7,605,338</u>	<u>8,851,350</u>	<u>7,836,700</u>
	<u>\$ 20,752,409</u>	<u>\$ 19,524,110</u>	<u>\$ 19,114,999</u>
Secured bank loans			
-Amounts used	<u>\$ 3,577,000</u>	<u>\$ 4,343,500</u>	<u>\$ 4,343,500</u>

e. Transfers of financial assets

During the nine months ended September 30, 2021 and 2020, the Group transferred a portion of its commercial acceptance bills in mainland China with an aggregate carrying amount of \$381,979 and \$280,797 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 September 30, 2021 and 2020, the carrying amount of these commercial acceptance bills that have been transferred but not derecognized was \$117,996 thousand \$75,530 thousand and \$74,727 thousand respectively.

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 September 30, 2021, December 30, 2020 and September 30, 2020 the face amounts of these unsettled bills receivable was \$274,343 thousand, \$187,597 thousand and \$130,824 thousand. The unsettled bills receivable will be due in 12 months after September 30, 2021. 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 nine months ended September 30, 2021 and 2020, the Group did not recognize any gains or losses upon the transfer of the banker's acceptance bills. No gains or losses were recognized from the continuing involvement, both during the current year or cumulatively.

29. TRANSACTIONS WITH RELATED PARTIES

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

(1) Name and relation

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

(2) Operating transaction

Line Item	Related Party Category/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2021	2020	2021	2020
Sales	Substantive related parties (the responsible person of the party is the director of the Group)	\$ 8	\$ 242	\$ 45	\$ 387

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

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

Line Item	Related Party Category/Name	September 30, 2021	December 31, 2020	September 30, 2020
Trade Receivables	Substantive related parties (the responsible person of the party is the director of the Group)	\$ 4	\$ 4	\$ 24

No expense was recognized for the nine months ended September 30, 2021 and 2020 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 Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Short-term employee benefits	\$12,082	\$32,843	\$81,577	\$88,296

The compensation to directors and other key management personnel were determined by the Remuneration Committee of Airtac in accordance with the individual performance and the market trends.

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	September 30, 2021	December 31, 2020	September 30, 2020
Pledge deposits (classified as financial assets at amortized cost)	\$ 6,132	\$ 6,128	\$ 5,977
Restricted bank deposits (classified as financial assets at amortized cost)	15,068	26,262	14,941
Land	890,359	890,359	890,359
Machinery and Equipment	4,840,319	4,870,331	4,870,421
Buildings, net	<u>1,680,745</u>	<u>1,657,494</u>	<u>1,884,063</u>
	<u>\$ 7,432,623</u>	<u>\$ 7,450,574</u>	<u>\$ 7,665,761</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

	September 30, 2021	December 31, 2020	September 30, 2020
Acquisition of property, plant and equipment	<u>\$ 4,134,916</u>	<u>\$ 2,150,449</u>	<u>\$ 1,161,356</u>

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

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

September 30, 2021

	Foreign currency	Exchange rate	Carrying amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 16,360	6.49(USD: RMB)	\$ 456,766
USD	358	27.95(USD: NTD)	10,005
RMB	1,520,743	4.31(RMB: NTD)	<u>6,546,800</u>
			<u>\$ 7,013,571</u>
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 76,047	6.49(USD: RMB)	\$ 2,123,217

	Foreign currency	Exchange rate	Carrying amount
USD	1,045	27.95(USD: NTD)	29,163
RMB	66,147	4.31(RMB: NTD)	284,764
			<u>\$ 2,437,144</u>
<u>December 31, 2020</u>			
	Foreign currency	Exchange rate	Carrying amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 14,648	6.52(USD: RMB)	\$ 418,328
USD	215	28.56(USD: NTD)	6,137
RMB	1,011,159	4.38(RMB: NTD)	4,425,842
			<u>\$ 4,850,307</u>
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 89,855	6.52(USD: RMB)	\$ 2,566,208
USD	546	28.56(USD: NTD)	15,582
RMB	47,634	4.38(RMB: NTD)	208,496
			<u>\$ 2,790,286</u>
<u>September 30, 2020</u>			
	Foreign currency	Exchange rate	Carrying amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 695	29.07(USD: NTD)	\$ 20,192
USD	14,514	6.81(USD: RMB)	421,947
RMB	957,600	4.27(RMB: NTD)	4,087,994
			<u>\$ 4,530,133</u>
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 587	29.07(USD: NTD)	\$ 17,077
USD	113,878	6.81(USD: RMB)	3,310,708
RMB	38,681	4.27(RMB: NTD)	165,130
			<u>\$ 3,492,915</u>

For the three months and nine months ended September 30, 2021 and 2020, realized and unrealized net foreign exchange gains (losses) were (\$13,037) thousand, \$240,451 thousand, (\$75,250) thousand and \$33,848 thousand, respectively. It is impractical to disclose net foreign exchange gains by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

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 (Note 7)
10. Intercompany relationships and significant intercompany transactions (Table 9)

(2) Information for investees (Table 2)

(3) Information for investments in Mainland China

1. Information for any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)
2. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Tables 1 and 9)
 - a) The amount and percentage of purchases and the balance and percentage of the related

payables at the end of the period.

- b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements/guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the ending balance, the interest rate range, and the total of current interest with respect to loans provided.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- (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 Three Months Ended		For the Nine months Ended	
	September 30		September 30	
	2021	2020	2021	2020
Pneumatic components				
-Direct sales	\$ 12,963,822	\$ 9,680,562	\$ 4,898,511	\$ 3,450,086
-Distributors	<u>6,668,531</u>	<u>4,032,428</u>	<u>2,532,343</u>	<u>1,449,043</u>
Total amounts of continuing operations	<u>\$ 19,632,353</u>	<u>\$ 13,712,990</u>	7,430,854	4,899,129
Interest income			73,262	130,339
Gain on disposal of property, plant and equipment			(83,110)	1,697
Net exchange gains (losses)			(75,250)	33,848
Net gain arising on financial assets			42,313	35,890

	Revenues		Profit Before Tax	
	For the Three Months Ended September 30		For the Nine months Ended September 30	
	2021	2020	2021	2020
designated as at FVTPL				
HQ admin. cost and directors' salaries			(918,954)	(594,512)
Finance costs			(149,139)	(211,696)
Profit before income tax from continuing operations			<u>\$ 6,319,976</u>	<u>\$ 4,294,695</u>

The segment revenues were accounted for the transactions with external customers. No inter-segment sales occurred for the nine months ended September 30, 2021 and 2020.

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

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Segment assets</u>			
Pneumatic components			
-Direct sales	\$ 30,108,589	\$ 28,548,498	\$ 27,455,107
-Distributors	<u>15,495,806</u>	<u>12,269,568</u>	<u>11,437,737</u>
Total segment total assets	45,604,395	40,818,066	38,892,844
Unallocated assets	<u>588,153</u>	<u>612,915</u>	<u>633,521</u>
Consolidated total assets	<u>\$ 46,192,548</u>	<u>\$ 41,430,981</u>	<u>\$ 39,526,365</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 NINE MONTHS ENDED SEPTEMBER 30, 2021

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

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note1)	Ending Balance (Note1)	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits	Note
													Item	Value			
0	Airtac International Group	ATC (ITALIA) S.R.L	Other receivables	Yes	EUR 5,000 (NTD 161,599)	EUR 3,000 (NTD 96,959)	EUR 1,700 (NTD 54,944)	-	Short-term financing needs	\$ -	Revolving fund	\$ -	-	-	\$ 10,172,599	\$ 10,172,599	Note 2
0	Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd	Other receivables	Yes	USD 20,000 (NTD 558,392)	USD 10,000 (NTD 279,196)	USD - (NTD -)	-	Short-term financing needs	-	Revolving fund	-	-	-	10,172,599	10,172,599	Note 2
0	Airtac International Group	AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	Other receivables	Yes	USD 5,000 (NTD 139,598)	USD 2,500 (NTD 69,799)	USD 900 (NTD 25,128)	-	Short-term financing needs	-	Revolving fund	-	-	-	10,172,599	10,172,599	Note 2
0	Airtac International Group	Airtac Co., Ltd	Other receivables	Yes	USD 9,500 (NTD 265,236)	USD 8,500 (NTD 237,317)	USD 4,815 (NTD 134,441)	-	Short-term financing needs	-	Revolving fund	-	-	-	10,172,599	10,172,599	Note 2
0	Airtac International Group	AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	Other receivables	Yes	USD 5,000 (NTD 139,598)	USD 2,000 (NTD 55,839)	USD 1,920 (NTD 53,606)	-	Short-term financing needs	-	Revolving fund	-	-	-	10,172,599	10,172,599	Note 2
0	Airtac International Group	AIRTAC USA CORPORATION	Other receivables	Yes	USD 9,000 (NTD 251,276)	USD 7,000 (NTD 195,437)	USD 6,250 (NTD 174,498)	-	Short-term financing needs	-	Revolving fund	-	-	-	10,172,599	10,172,599	Note 2

Note 1: Conversion to NTD used the spot exchange rate on September 30, 2021, that is, 1USD=27.9196 NTD, 1EUR=32.3198 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 NINE MONTHS ENDED SEPTEMBER 30, 2021

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		September 30, 2021			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				September 30, 2021 (Note1)	December 31, 2020 (Note1)	Shares	%	Carrying Amount			
Airtac International Group	AIRTAC INDUSTRIAL (HONG KONG) LIMITED	Hong Kong	General investment	USD 87,500 RMB 467,000 (NTD 4,455,553)	USD 87,500 RMB 434,500 (NTD 4,313,488)	157,634,522	100	\$ 26,172,327	\$ 4,745,984	\$ 4,745,984	2
	AIRTAC TRADING (HONG KONG) LIMITED	Hong Kong	General investment	USD - (NTD -)	USD - (NTD -)	7,000,000	100	2,289	(82)	(82)	2
	INSTANT REACH INTERNATIONAL LIMITED	British Virgin Island	General investment	USD 2,283 EUR 1,000 RMB 17,500 (NTD 171,398)	USD 2,283 EUR 1,000 RMB 17,500 (NTD 171,398)	1	100	110,606	943	943	2
	AIRTAC HOLDING (SINGAPORE) PTE. LTD.	Singapore	General investment	USD 17,000 (NTD 474,633)	USD 17,000 (NTD 474,633)	17,000,000	100	85,707	(14,498)	(14,498)	2
INSTANT REACH INTERNATIONAL LIMITED	Airtac Enterprise Co., Ltd.	Taiwan	Processing, sales and import/export of machines and components	NTD 54,581	NTD 54,581	69,435	69.44	21,332	(1,730)	-	4
	ATC (ITALIA) S.R.L	Via Mauro Macchi n.27, 20124 Milano (MI)	Production and sales of pneumatic and hydraulic control components	EUR 4,000 (NTD 129,279)	EUR 4,000 (NTD 129,279)	4,000,000	100	64,492	2,194	-	4
AIRTAC HOLDING (SINGAPORE) PTE. LTD.	AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	Singapore	Production and sales of pneumatic control components and accessories	USD 12,500 (NTD 348,995)	USD 12,500 (NTD 348,995)	12,500,000	100	265,029	6,347	-	4
	Airtac Co., Ltd.	Japan	Production and sales of pneumatic control components and accessories	JPY 98,000 (NTD 24,382)	JPY 98,000 (NTD 24,382)	2,000	100	(87,305)	(5,316)	-	4
	AIRTAC USA CORPORATION	USA	Production and sales of pneumatic control components and accessories	USD 3,000 (NTD 83,759)	USD 3,000 (NTD 83,759)	3,000	100	(99,477)	(15,295)	-	4
AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	Malaysia	Production and sales of pneumatic control components and accessories	MYR 1,000 (NTD 6,394)	MYR 1,000 (NTD 6,394)	1,000,000	100	(23,098)	(1,682)	-	4
	AIRTAC INDUSTRIAL CO., LTD.	Thailand	Production and sales of pneumatic control components and accessories	THB 100,000 (NTD 82,920)	THB 100,000 (NTD 82,920)	1,000,000	100	83,675	13,206	-	4

Note 1 : Conversion to NTD used the spot exchange rate on September 30, 2021, that is, 1 USD=27.9196 NTD, 1 EUR=32.3198 NTD, 1 JPY=0.2488 NTD, 1 RMB= 4.3050 NTD, 1 MYR=6.3936 NTD, 1THB=0.8292 NTD.

Note 2 : The amount was eliminated upon consolidation.

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

Note 4: The share of profits/losses of the investee company is not reflected herein as such amount is already included in the share of profits/losses of the investor company.

TABLE 3

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	SEPTEMBER 30, 2020				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Airtac (China) Co., Ltd.	Structured deposits	-	Financial assets at amortized cost - current	-	\$ 863,510 (RMB 200,583)	-	\$ 863,510 (RMB 200,583)	1
Airtac Enterprise Co., Ltd.	Mega International Nordea callable mortgage bond index Fund	-	Financial assets at fair value through profit or loss - current	-	9,330	-	9,330	-

Note 1 : Conversion to NTD used the spot exchange rate on September 30, 2021, that is, 1 RMB=4.3050 NTD.

TABLE 4

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(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)	-	-	\$ 346,524 (RMB 80,493)	-	\$ 215,250 (RMB 50,000)	-	\$ 563,503 (RMB 130,895)	\$ 559,650 (RMB 130,000)	\$ 3,853 (RMB 895)	-	\$ -
Guangdong Airtac Automatic Industrial Co., Ltd.	Structured deposits	Financial assets at amortized cost - current	Fubon Bank (China)	-	-	950,955 (RMB 220,896)	-	1,549,800 (RMB 360,000)	-	2,510,253 (RMB 583,102)	2,496,900 (RMB 580,000)	13,353 (RMB 3,102)	-	-
Airtac (China) Co., Ltd.	Structured deposits	Financial assets at amortized cost - current	Fubon Bank (China)	-	-	-	-	990,150 (RMB 230,000)	-	129,781 (RMB 30,147)	129,150 (RMB 30,000)	631 (RMB 147)	-	863,510 (RMB 200,583)

Note1 : Conversion to NTD used the spot exchange rate on September 30, 2021, that is, 1 RMB=4.3050 NTD.

TABLE 5

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

ACQUISITION OF REAL ESTATE AT COSTS OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(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	2010.09.08-2021.09.30	\$1,887,365	\$887,045	Self-building	-	-	-	-	\$ -	N/A	Manufacturing purpose	-
Guangdong Airtac Intelligent Equipment Co., Ltd.	Research base and logistics centers	2019.01.07-2021.09.30	350,858	321,497	Self-building	-	-	-	-	-	N/A	R&D and logistics 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 NINE MONTHS ENDED SEPTEMBER 30, 2021
(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	\$ 10,201,512	91	T/T 120 days	\$ -	-	\$ 2,599,992	81	
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac International Group	The parent company	Sales	320,939	3	T/T 120 days	-	-	251,295	8	
Ningbo Airtac Automatic Industrial Co., Ltd.	Guangdong Airtac Automatic Industrial Co., Ltd.	The same parent company	Sales	402,431	4	T/T 120 days	-	-	202,083	6	
Ningbo Airtac Automatic Industrial Co., Ltd.	ATC (ITALIA) S.R.L.	The same parent company	Sales	132,812	1	T/T 120 days	-	-	54,611	2	
Guangdong Airtac Automatic Industrial Co., Ltd.	Airtac (China) Co., Ltd.	The same parent company	Sales	952,729	36	T/T 120 days	-	-	646,755	33	
Guangdong Airtac Automatic Industrial Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	The same parent company	Sales	828,473	31	T/T 120 days	-	-	672,289	35	
Guangdong Airtac Automatic Industrial Co., Ltd.	Airtac (Jiangsu) Automatic Co., Ltd.	The same parent company	Sales	638,996	24	T/T 120 days	-	-	505,970	26	
Guangdong Airtac Automatic Industrial Co., Ltd.	Ningbo Airtac Automatic Industrial Co., Ltd.	The same parent company	Sales	100,447	4	T/T 120 days	-	-	24,115	1	
Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd.	Subsidiary	Sales	849,837	28	T/T 120 days	-	-	1,268,996	42	
Airtac International Group	Airtac (China) Co., Ltd.	Subsidiary	Sales	1,500,679	50	T/T 120 days	-	-	1,497,446	50	
Airtac (China) Co., Ltd.	Airtac (Jiangsu) Automatic Co., Ltd.	The same parent company	Sales	3,728,762	24	T/T 120 days	-	-	403,854	11	
Airtac (China) Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	Subsidiary	Sales	4,591,941	30	T/T 120 days	-	-	1,355,458	36	
Airtac (China) Co., Ltd.	Airtac (Tianjin) Intelligent Technology Co., Ltd.	Subsidiary	Sales	605,143	4	T/T 120 days	-	-	179,388	5	
Airtac (China) Co., Ltd.	Airtac (Fujian) Intelligent Equipment Co., Ltd.	Subsidiary	Sales	509,044	3	T/T 120 days	-	-	93,436	2	
Guangdong Airtac Intelligent Equipment Co., Ltd.	Airtac (China) Co., Ltd.	The parent company	Sales	412,945	6	T/T 120 days	-	-	74,467	4	

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****SEPTEMBER 30, 2021****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Name	Related Party	Relationship	Ending Balance	Turnover rate (%)	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac (China) Co., Ltd.	The same parent company	\$ 2,599,992	6	\$ -	-	\$ 1,119,563	\$ -
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac International Group	The parent company	251,295	2	-	-	50,622	-
Ningbo Airtac Automatic Industrial Co., Ltd.	Guangdong Airtac Automatic Industrial Co., Ltd.	The same parent company	202,083	3	-	-	51,462	-
Guangdong Airtac Automatic Industrial Co., Ltd.	Airtac (China) Co., Ltd.	The same parent company	646,755	2	-	-	172,200	-
Guangdong Airtac Automatic Industrial Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	The same parent company	672,289	2	-	-	34,629	-
Guangdong Airtac Automatic Industrial Co., Ltd.	Airtac (Jiangsu) Automatic Co., Ltd.	The same parent company	505,970	2	-	-	-	-
Airtac (China) Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	Subsidiary	1,355,458	5	-	-	259,243	-
Airtac (China) Co., Ltd.	Airtac (Jiangsu) Automatic Co., Ltd.	The same parent company	403,854	13	-	-	301,518	-
Airtac (China) Co., Ltd.	Airtac (Tianjin) Intelligent Technology Co., Ltd.	Subsidiary	179,388	5	-	-	40,364	-
Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd.	Subsidiary	1,268,996	1	-	-	-	-
Airtac International Group	Airtac (China) Co., Ltd.	Subsidiary	1,497,446	2	-	-	-	-
Airtac International Group	Airtac Co., Ltd.	Subsidiary	134,441	Note 1	-	-	-	-
Airtac International Group	AIRTAC USA CORPORATION	Subsidiary	174,498	Note 1	-	-	-	-

Note 1: 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 NINE MONTHS ENDED SEPTEMBER 30, 2021
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company Name	Main Businesses and Products	Paid-in Capital (Note 3)	Method of Investment	Accumulated Investment Outflow from Taiwan as of January 1, 2021	Investment Flow for the Period		Accumulated Investment Outflow from Taiwan as of September 30, 2021	Net income of Investee Company	% of Ownership – Direct or Indirect investment	Investment Gain (Loss) Recognized for the Period (Note 2)	Carrying Amount as of September 30, 2021	Accumulated Inward Remittance of Earnings as of September 30, 2021	Note
					Outflow	Inflow							
Ningbo Airtac Automatic Industrial Co., Ltd	Production of pneumatic control components and auxiliary components	USD 52,000 RMB 347,500 (NTD 2,947,807)	N/A	N/A	\$ -	\$ -	N/A	\$ 2,459,998	100	\$ 2,469,100	\$ 17,247,244	N/A	
Guangdong Airtac Automatic Industrial Co., Ltd	Production of pneumatic control components and auxiliary components	USD 6,000 (NTD 167,518)	N/A	N/A	-	-	N/A	729,521	100	727,180	3,449,185	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 1,044,983)	N/A	N/A	-	-	N/A	1,393,776	100	1,355,717	4,391,631	N/A	
Airtac (Jiangsu) Automatic Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	USD 1,500 RMB 56,000 (NTD 282,959)	N/A	N/A	-	-	N/A	420,999	100	420,999	1,432,778	N/A	
Guangdong Airtac Intelligent Equipment Co., Ltd..	Wholesale and agency of pneumatic components, tools and equipment, and related support services	RMB 10,000 (NTD 43,050)	N/A	N/A	-	-	N/A	483,340	100	483,340	544,597	N/A	
Airtac (Tianjin) Intelligent Technology Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	RMB 10,000 (NTD 43,050)	N/A	N/A	-	-	N/A	45,207	100	45,207	96,716	N/A	
Airtac (Fujian) Intelligent Equipment Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	RMB 10,000 (NTD 43,050)	N/A	N/A	-	-	N/A	62,481	100	62,481	119,350	N/A	

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2021	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 September 30, 2021, that is, 1 USD=27.9196 NTD, 1 RMB=4.3050 NTD.

TABLE 9

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

(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	\$ 1,268,996	General terms and conditions	3%
		Ningbo Airtac Automatic Industrial Co., Ltd	1	Sales revenue	849,837	General terms and conditions	4%
		Ningbo Airtac Automatic Industrial Co., Ltd	1	Sale of fixed assets	363,404	General terms and conditions	2%
		Airtac (China) Co., Ltd	1	Trade receivables	1,497,446	General terms and conditions	3%
		Airtac (China) Co., Ltd	1	Sales revenue	1,500,679	General terms and conditions	8%
		Guangdong Airtac Automatic Industrial Co., Ltd.	1	Trade receivables	32,113	General terms and conditions	-
		Guangdong Airtac Automatic Industrial Co., Ltd.	1	Sales revenue	53,082	General terms and conditions	-
		ATC (ITALIA) S.R.L	1	Other receivable	54,944	General terms and conditions	-
		AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	1	Other receivable	53,606	General terms and conditions	-
		AIRTAC USA CORPORATION	1	Other receivable	174,498	General terms and conditions	-
		Airtac Co., Ltd.	1	Other receivable	134,441	General terms and conditions	-
		AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	1	Other receivable	25,128	General terms and conditions	-
1	Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac International Group	2	Trade receivables	251,295	General terms and conditions	1%
		Airtac International Group	2	Sales revenue	320,939	General terms and conditions	2%
		Airtac (China) Co., Ltd	3	Trade receivables	2,599,992	General terms and conditions	6%
		Airtac (China) Co., Ltd	3	Sales revenue	10,201,512	General terms and conditions	52%
		Guangdong Airtac Automatic Industrial Co., Ltd.	3	Trade receivables	202,083	General terms and conditions	-
		Guangdong Airtac Automatic Industrial Co., Ltd.	3	Sales revenue	402,431	General terms and conditions	2%
		ATC (ITALIA) S.R.L	3	Trade receivables	54,611	General terms and conditions	-
		ATC (ITALIA) S.R.L	3	Sales revenue	132,812	General terms and conditions	1%
		AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	3	Trade receivables	12,759	General terms and conditions	-
		AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	3	Sales revenue	24,705	General terms and conditions	-
		AIRTAC USA CORPORATION	3	Trade receivables	29,387	General terms and conditions	-
		AIRTAC USA CORPORATION	3	Sales revenue	53,904	General terms and conditions	-
		AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	3	Trade receivables	31,478	General terms and conditions	-

No.	Company Name	Counter Party	Nature of Relationship (Note)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Sales or Assets
2	Guangdong Airtac Automatic Industrial Co., Ltd	AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	3	Sales revenue	77,184	General terms and conditions	1%
		AIRTAC INDUSTRIAL CO., LTD.	3	Trade receivables	16,450	General terms and conditions	-
		AIRTAC INDUSTRIAL CO., LTD.	3	Sales revenue	27,654	General terms and conditions	-
		Airtac Co., Ltd.	3	Sales revenue	13,251	General terms and conditions	-
		Airtac International Group	2	Trade receivables	28,576	General terms and conditions	-
		Airtac International Group	2	Sales revenue	60,864	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd	3	Trade receivables	24,115	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd	3	Sales revenue	100,447	General terms and conditions	1%
		Airtac (China) Co., Ltd	3	Trade receivables	646,755	General terms and conditions	1%
		Airtac (China) Co., Ltd	3	Sales revenue	952,729	General terms and conditions	5%
		AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	3	Sales revenue	17,474	General terms and conditions	-
		ATC (ITALIA) S.R.L	3	Trade receivables	11,472	General terms and conditions	-
		ATC (ITALIA) S.R.L	3	Sales revenue	30,908	General terms and conditions	-
		Airtac (Jiangsu) Automatic Co., Ltd.	3	Trade receivables	505,970	General terms and conditions	1%
		Airtac (Jiangsu) Automatic Co., Ltd.	3	Sales revenue	638,996	General terms and conditions	3%
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Trade receivables	672,289	General terms and conditions	1%
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Sales revenue	828,473	General terms and conditions	4%
		AIRTAC USA CORPORATION	3	Trade receivables	33,886	General terms and conditions	-
		AIRTAC USA CORPORATION	3	Sales revenue	39,605	General terms and conditions	-
3	Airtac (China) Co., Ltd.	Airtac (Jiangsu) Automatic Co., Ltd.	3	Trade receivables	403,854	General terms and conditions	1%
		Airtac (Jiangsu) Automatic Co., Ltd.	3	Sales revenue	3,728,762	General terms and conditions	19%
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Trade receivables	1,355,458	General terms and conditions	3%
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Sales revenue	4,591,941	General terms and conditions	23%
		Airtac (Tianjin) Intelligent Technology Co., Ltd.	3	Trade receivables	179,388	General terms and conditions	-
		Airtac (Tianjin) Intelligent Technology Co., Ltd.	3	Sales revenue	605,143	General terms and conditions	3%
		Airtac (Fujian) Intelligent Equipment Co., Ltd.	3	Trade receivables	93,436	General terms and conditions	-
		Airtac (Fujian) Intelligent Equipment Co., Ltd.	3	Sales revenue	509,044	General terms and conditions	3%
		Ningbo Airtac Automatic Industrial Co., Ltd.	3	Trade receivables	14,315	General terms and conditions	-

No.	Company Name	Counter Party	Nature of Relationship (Note)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Sales or Assets
4	Guangdong Airtac Intelligent Equipment Co., Ltd.	Ningbo Airtac Automatic Industrial Co., Ltd.	3	Sales revenue	57,412	General terms and conditions	-
		Airtac (China) Co., Ltd.	3	Trade receivables	74,467	General terms and conditions	-
		Airtac (China) Co., Ltd.	3	Sales revenue	412,945	General terms and conditions	2%
5	Airtac Co. Ltd.	Ningbo Airtac Automatic Industrial Co., Ltd.	3	Sales revenue	18,661	General terms and conditions	-

Note : No 1. Represents the transactions from parent company to subsidiary.

No 2. Represents the transactions from subsidiary to parent company.

No 3. Represents the transactions from subsidiary to subsidiary.

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES**INFORMATION OF MAJOR SHAREHOLDERS**
September 30, 2021

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Ding Kan Investment Ltd.	26,862,495	14.21%
YHZ Ltd.	11,108,180	5.87%
Express Brilliant Ltd.	9,970,000	5.27%

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.