

Airtac International Group and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2021 and 2020 and
Independent Auditors' Report**

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Airtac International Group

Opinion

We have audited the accompanying consolidated financial statements of Airtac International Group (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2021 are stated as follows:

Estimated recognition of sales revenue

One of the selling models of Airtac international Group is selling goods through dealers. For the year ended December 31, 2021, the sales revenue from dealers was \$8,611,358 thousand. The Group might

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

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

1. We reviewed the control activities of receiving sales order and shipping goods and test the effective of the design and execution of the control activities. We sample the subsidiary of sales revenue and the timing of sales recognition is verified to the sales condition and was indeed receive the sales order from customers.
2. We sampled the sales contracts and sales order of main customers and confirm the timing of the sales condition and recognition of sales revenue is consistent. We also review the sales return of the year ended December 31, 2021 and the sales return after December 31, 2021 to check is there any unusual sales returns.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chih, Jui-Chuan and Weng, Bo-Ren.

Deloitte & Touche
Taipei, Taiwan
Republic of China
March 23, 2022

Notice to Readers

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

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

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 4,374,302	9	\$ 4,360,433	11
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	16,855	-	45,587	-
Financial assets at amortized cost - current (Notes 4, 8 and 28)	1,831,215	4	1,351,569	3
Notes receivable (Note 9)	2,092,888	5	2,412,221	6
Trade receivables (Notes 9 and 29)	5,389,837	11	4,652,204	11
Other receivables	22,976	-	19,459	-
Current tax assets (Note 4)	12,820	-	15,626	-
Inventories (Notes 4, 5 and 10)	5,301,683	11	3,634,708	9
Other current assets (Note 14)	<u>271,628</u>	<u>1</u>	<u>157,104</u>	<u>-</u>
Total current assets	<u>19,314,204</u>	<u>41</u>	<u>16,648,911</u>	<u>40</u>
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4, 12 and 30)	24,466,511	51	22,202,832	54
Right-of-use assets (Notes 4 and 13)	1,010,259	2	1,024,672	3
Other intangible assets	51,519	-	60,420	-
Deferred tax assets (Notes 4 and 22)	568,219	1	597,289	1
Other non-current assets (Note 14)	<u>2,267,944</u>	<u>5</u>	<u>896,857</u>	<u>2</u>
Total non-current assets	<u>28,364,452</u>	<u>59</u>	<u>24,782,070</u>	<u>60</u>
TOTAL	<u>\$ 47,678,656</u>	<u>100</u>	<u>\$ 41,430,981</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Note 15)	\$ 3,712,644	8	\$ 9,572,760	23
Short-term bills payable (Note 15)	780,000	2	1,100,000	3
Financial liabilities at fair value through profit or loss - current (Note 7)	981	-	-	-
Contract liabilities - current (Note 20)	68,712	-	95,130	-
Notes payable (Note 16)	226,223	-	125,516	-
Trade payables (Note 16)	1,076,830	2	875,382	2
Lease liability - current (Notes 4 and 13)	60,825	-	58,246	-
Other payables (Note 17)	1,731,823	4	1,313,344	3
Current tax liabilities (Note 4)	606,389	1	542,221	2
Current portion of long-term loans (Notes 15 and 30)	766,500	2	766,500	2
Other current liabilities (Note 17)	<u>188,513</u>	<u>-</u>	<u>289,944</u>	<u>1</u>
Total current liabilities	<u>9,219,440</u>	<u>19</u>	<u>14,739,043</u>	<u>36</u>
NON-CURRENT LIABILITIES				
Lease liabilities (Notes 4 and 13)	148,427	-	163,808	-
Long-term loans (Notes 15 and 30)	2,805,726	6	3,568,134	9
Deferred tax liabilities (Notes 4 and 22)	<u>353,392</u>	<u>1</u>	<u>468,868</u>	<u>1</u>
Total non-current liabilities	<u>3,307,545</u>	<u>7</u>	<u>4,200,810</u>	<u>10</u>
Total liabilities	<u>12,526,985</u>	<u>26</u>	<u>18,939,853</u>	<u>46</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 19)				
Share capital	2,000,000	4	1,890,250	4
Capital surplus	14,846,145	31	6,870,172	17
Retained earnings	19,529,933	41	14,799,924	36
Other equity	<u>(1,232,155)</u>	<u>(2)</u>	<u>(1,077,587)</u>	<u>(3)</u>
Total equity attributable to owners of the Company	35,143,923	74	22,482,759	54
NON-CONTROLLING INTERESTS	<u>7,748</u>	<u>-</u>	<u>8,369</u>	<u>-</u>
Total equity	<u>35,151,671</u>	<u>74</u>	<u>22,491,128</u>	<u>54</u>
TOTAL	<u>\$ 47,678,656</u>	<u>100</u>	<u>\$ 41,430,981</u>	<u>100</u>

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

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales (Notes 4, 20 and 33)	\$ 25,399,895	100	\$ 19,103,001	100
OPERATING COSTS				
Cost of goods sold (Notes 10 and 21)	<u>13,063,277</u>	<u>52</u>	<u>9,649,868</u>	<u>51</u>
GROSS PROFIT	<u>12,336,618</u>	<u>48</u>	<u>9,453,133</u>	<u>49</u>
OPERATING EXPENSES (Note 21)				
Selling and marketing expenses	2,275,176	9	2,068,045	11
General and administrative expenses	1,280,662	5	921,524	5
Research and development expenses	595,112	2	477,047	2
Expected credit loss recognized (gain reversed)	<u>(30,311)</u>	<u>-</u>	<u>22,320</u>	<u>-</u>
Total operating expenses	<u>4,120,639</u>	<u>16</u>	<u>3,488,936</u>	<u>18</u>
PROFIT FROM OPERATIONS	<u>8,215,979</u>	<u>32</u>	<u>5,964,197</u>	<u>31</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 21)				
Other income	104,081	1	154,222	1
Other gains and losses	256,019	1	485,033	2
Finance costs	<u>(191,616)</u>	<u>(1)</u>	<u>(260,804)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>168,484</u>	<u>1</u>	<u>378,451</u>	<u>2</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	8,384,463	33	6,342,648	33
INCOME TAX EXPENSE (Notes 4 and 22)	<u>1,943,066</u>	<u>8</u>	<u>1,498,445</u>	<u>8</u>
NET PROFIT FOR THE YEAR	<u>6,441,397</u>	<u>25</u>	<u>4,844,203</u>	<u>25</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Exchange differences arising on translation to the presentation currency	(145,840)	-	394,055	2
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>(8,721)</u>	<u>-</u>	<u>(24,101)</u>	<u>-</u>

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AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
Other comprehensive income for the year, net of income tax	<u>(154,561)</u>	<u>-</u>	<u>369,954</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 6,286,836</u>	<u>25</u>	<u>\$ 5,214,157</u>	<u>27</u>
NET PROFIT ATTRIBUTABLE TO:				
Owner of the Company	\$ 6,442,025	25	\$ 4,845,297	25
Non-controlling interests	<u>(628)</u>	<u>-</u>	<u>(1,094)</u>	<u>-</u>
	<u>\$ 6,441,397</u>	<u>25</u>	<u>\$ 4,844,203</u>	<u>25</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the Company	\$ 6,287,457	25	\$ 5,215,272	27
Non-controlling interests	<u>(621)</u>	<u>-</u>	<u>(1,115)</u>	<u>-</u>
	<u>\$ 6,286,836</u>	<u>25</u>	<u>\$ 5,214,157</u>	<u>27</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 33.67</u>		<u>\$ 25.63</u>	
Diluted	<u>\$ 33.65</u>		<u>\$ 25.62</u>	

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

(Concluded)

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company								Non-controlling Interests	Total Equity
					Other Equity		Total			
	Share Capital		Capital Surplus	Retained Earnings	Exchange Differences on Translating Foreign Operations	Remeasurement of Defined Benefits Plans				
	Shares (In Thousands)	Ordinary Shares			Unappropriated Earnings					
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 year ended December 31, 2020	-	-	-	4,845,297	-	-	4,845,297	(1,094)	4,844,203	
Other comprehensive income for the year ended December 31, 2020, net of income tax	-	-	-	-	369,975	-	369,975	(21)	369,954	
Total comprehensive income for the year ended December 31, 2020	-	-	-	4,845,297	369,975	-	5,215,272	(1,115)	5,214,157	
BALANCE AT DECEMBER 31, 2020	189,025	1,890,250	6,870,172	14,799,924	(1,083,849)	6,262	22,482,759	8,369	22,491,128	
Appropriation of 2020 earnings										
Cash dividends distributed by the Company	-	-	-	(1,712,016)	-	-	(1,712,016)	-	(1,712,016)	
Net profit for the year ended December 31, 2021	-	-	-	6,442,025	-	-	6,442,025	(628)	6,441,397	
Other comprehensive income for the year ended December 31, 2021, net of income tax	-	-	-	-	(154,568)	-	(154,568)	7	(154,561)	
Total comprehensive income for the year ended December 31, 2021	-	-	-	6,442,025	(154,568)	-	6,287,457	(621)	6,286,836	
Issuance of ordinary shares for cash	10,975	109,750	7,763,596	-	-	-	7,873,346	-	7,873,346	
Compensation cost of employee share options	-	-	212,377	-	-	-	212,377	-	212,377	
BALANCE AT DECEMBER 31, 2021	200,000	\$ 2,000,000	\$ 14,846,145	\$ 19,529,933	\$ (1,238,417)	\$ 6,262	\$ 35,143,923	\$ 7,748	\$ 35,151,671	

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

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 8,384,463	\$ 6,342,648
Adjustments for:		
Depreciation expenses	1,710,016	1,531,403
Amortization expenses	17,179	16,271
Expected credit loss recognized (gain reversed)	(30,311)	22,320
Net gain on financial assets/liabilities at fair value through profit or loss	(101,584)	(107,705)
Finance costs	191,616	260,804
Interest income	(104,081)	(154,222)
Compensation cost of employee share options	212,377	-
Loss on disposal of property, plant and equipment	87,994	62,416
Write-down of inventories	31,937	66,935
Net gain on foreign currency exchange	(983)	(85,056)
Changes in operating assets and liabilities:		
(Increase) decrease in notes receivable	301,566	(888,070)
Increase in trade receivables	(742,740)	(1,072,944)
(Increase) decrease in other receivables	(705)	7,470
Increase in inventories	(1,735,278)	(491,806)
(Increase) decrease in other current assets	(126,489)	5,930
Increase (decrease) in contract liabilities	(25,684)	42,357
Increase (decrease) in notes payable	101,589	(164,890)
Increase in trade payables	208,788	336,322
Increase in other payables	113,479	198,381
Increase (decrease) in other current liabilities	(99,183)	53,594
Cash generated from operations	8,393,966	5,982,158
Interest received	73,993	79,426
Interest paid	(189,595)	(259,686)
Income tax paid	(1,958,476)	(1,357,018)
Net cash generated from operating activities	<u>6,319,888</u>	<u>4,444,880</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(5,426,625)	(10,768,476)
Proceeds on sale of financial assets at amortized cost	4,975,083	12,650,451
Proceeds from sale of financial assets at fair value through profit and loss	131,245	71,732
Payments for property, plant and equipment	(3,796,479)	(3,003,698)
Proceeds from disposal of property, plant and equipment	36,238	72,802
Increase in refundable deposits	(52,885)	(5,183)
Decrease in refundable deposits	43,018	11,197
Payments for intangible assets	(7,641)	(15,536)
Payments for right-of-use assets	(26,382)	(167,403)
Increase in prepayments for equipment	<u>(1,367,721)</u>	<u>-</u>

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AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Net cash used in investing activities	<u>(5,492,149)</u>	<u>(1,154,114)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of short-term loans	(5,792,457)	(2,259,814)
Proceeds from repayment of short-term bills payable	(320,000)	250,000
Repayments of long-term loans	(766,500)	(1,066,500)
Repayment of the principal portion of lease liabilities	(76,105)	(86,664)
Dividends paid to owners of the Company	(1,712,016)	(913,133)
Proceeds from issuance of ordinary shares	<u>7,873,346</u>	<u>-</u>
Net cash used in financing activities	<u>(793,732)</u>	<u>(4,076,111)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(20,138)</u>	<u>(90,226)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,869	(875,571)
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>\$ 4,374,302</u>	<u>\$ 4,360,433</u>

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

(Concluded)

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020

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

1. GENERAL

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and issued on March 4, 2022.

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:

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.

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.
- 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).

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 into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17—Comparative Information”	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 continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

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

b. Basis of Preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

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

of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Basis of Consolidation

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

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

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

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

e. Foreign Currencies

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

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

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

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

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

f. Inventories

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

g. Property, Plant and Equipment

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

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

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

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

h. Intangible Assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis. The estimated useful life residual value, and amortization method are audited at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life. When the Group has a right to charge for

usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognizes an intangible asset at fair value upon initial recognition. The intangible asset is subsequently measured at cost less accumulated amortization and any accumulated impairment loss.

2) Derecognition of intangible assets

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

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

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

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

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

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

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been

determined had no impairment loss been recognized for the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial Instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial asset at FVTPL

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

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

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

ii. Financial assets at amortized cost

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

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

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

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

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

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

b) Impairment of financial assets

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

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

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

expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

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

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

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

c) Derecognition of financial assets

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

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

2) Equity Instruments

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

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

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

3) Financial Liabilities

a) Subsequent measurement

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

Financial liabilities held for trading are stated at fair value, and any gains or losses on such financial liabilities are recognized in other gains or losses. Fair value is determined in the manner described in Note 28.

Financial liabilities using the effective interest method at amortized cost.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

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

k. Revenue Recognition

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

Revenue from sale of goods

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

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

1. Leasing

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

1) The Group as lessor

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

2) The Group as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment

to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

m. Borrowing Costs

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

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

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

n. Government Grants

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

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

o. Retirement Benefit Costs

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

3) Termination benefits

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

p. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

the to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	2020
Cash on hand	\$ 1,045	\$ 534
Checking accounts	46,996	22,893
Demand deposits	1,599,573	1,525,309
Cash equivalent		
Time deposits with original maturities less than three months	<u>2,726,622</u>	<u>2,811,697</u>
	<u>\$ 4,374,302</u>	<u>\$ 4,360,433</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2021	2020
<u>Financial assets at FVTPL- current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
— Foreign exchange forward contracts	\$ 7,444	\$ 35,576
Non-derivative financial assets		
— Mutual funds	9,411	10,011
	<u>\$ 16,855</u>	<u>\$ 45,587</u>
<u>Financial liabilities - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
— Foreign exchange forward contracts	\$ 981	\$ -

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

December 31, 2021

	Currency	Maturity Date	Notional Amount (In Thousands)
Buy	RMB /NTD	2022.1.18~2022.3.31	RMB 972,470/ NTD 4,210,842

December 31, 2020

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

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2021	2020
<u>Current</u>		
Time deposits with original maturity of more than 3 months	\$ 6,188	\$ 6,128
Restricted bank deposits	36,924	26,262
Structured deposits	1,788,103	1,319,179
	<u>\$ 1,831,215</u>	<u>\$ 1,351,569</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

	December 31	
	2021	2020
<u>Notes receivable</u>		
At amortized cost		
Notes receivable - operating	\$ 2,115,481	\$ 2,435,598
Less: Allowance for impairment loss	(<u>22,593</u>)	(<u>23,377</u>)
	<u>\$ 2,092,888</u>	<u>\$ 2,412,221</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 5,442,143	\$ 4,744,517
Less: Allowance for impairment loss	(<u>52,306</u>)	(<u>92,313</u>)
	<u>\$ 5,389,837</u>	<u>\$ 4,652,204</u>

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

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

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

December 31, 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	0.90%	3.53%	26.50%	43.57%	84.33%	92.36%	100%	
Gross carrying amount	\$ 7,280,949	\$ 221,171	\$ 17,319	\$ 2,979	\$ 957	\$ 1,662	\$ 32,587	\$ 7,557,624
Loss allowance (Lifetime ECL)	(<u>26,272</u>)	(<u>7,811</u>)	(<u>4,589</u>)	(<u>1,298</u>)	(<u>800</u>)	(<u>1,535</u>)	(<u>32,587</u>)	(<u>74,899</u>)
Amortized cost	<u>\$ 7,254,677</u>	<u>\$ 213,360</u>	<u>\$ 12,730</u>	<u>\$ 1,681</u>	<u>\$ 150</u>	<u>\$ 127</u>	<u>\$ -</u>	<u>\$ 7,482,725</u>

December 31, 2020

	Not Past Due	Less than 90 days	91 to 180 days	181 to 365 days	366 to 547 days	548 to 730 days	Over 731 days	Total
Expected credit loss rate	0.90%	3.43%	21.25%	39.35%	82.92%	88.66%	100%	
Gross carrying amount	\$ 6,914,785	\$ 200,306	\$ 17,479	\$ 4,122	\$ 5,382	\$ 10,369	\$ 27,672	\$ 7,180,115
Loss allowance (Lifetime ECL)	(<u>62,155</u>)	(<u>6,871</u>)	(<u>3,714</u>)	(<u>1,622</u>)	(<u>4,463</u>)	(<u>9,193</u>)	(<u>27,672</u>)	(<u>115,690</u>)
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>

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1, per IFRS 9	\$ 23,377	\$ 22,038
Add: Net remeasurement of loss allowance	-	972
Less: Impairment losses reversed	(615)	-
Foreign exchange gains and losses	(169)	367
Balance at December 31	<u>\$ 22,593</u>	<u>\$ 23,377</u>

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 92,313	\$ 97,331
Add: Amounts recovered	28	-
Add: Net remeasurement of loss allowance	-	31,348
Less: Amounts written off	(9,499)	(27,761)
Less: Impairment losses reversed	(29,696)	-
Foreign exchange gains and losses	(840)	1,395
Balance at December 31	<u>\$ 52,306</u>	<u>\$ 92,313</u>

10. INVENTORIES

	December 31	
	2021	2020
Raw materials	\$ 1,468,987	\$ 1,114,538
Finished goods	2,409,144	1,543,499
Work in progress	<u>1,423,552</u>	<u>976,671</u>
	<u>\$ 5,301,683</u>	<u>\$ 3,634,708</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 were \$13,063,277 thousand and \$9,649,868 thousand, respectively. For the year ended December 31, 2021 and 2020, the cost of goods sold included inventory write-downs amounting to \$31,937 thousand and \$66,935 thousand, respectively.

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

Investor	Investee	Proportion of Ownership	
		December 31	
		2021	2020
Airtac International Group	Airtac Trading (Hong Kong) Limited	100	100
	Airtac Industrial (Hong Kong) Limited	100	100
	INSTANT REACH INTERNATIONAL LIMITED	100	100
	AIRTAC HOLDING (SINGAPORE) PTE. LTD.	100	100
		100	100
Airtac Industrial (Hong Kong) Limited	Ningbo Airtac Automatic Industrial Co., Ltd.		
	Guangdong Airtac Automatic Industrial Co., Ltd.	100	100

Investor	Investee	Proportion of Ownership	
		December 31	
		2021	2020
INSTANT REACH INTERNATIONAL LIMITED	Airtac (China) Co., Ltd.	100	100
	Airtac (Jiangsu) Automation Co., Ltd.	100	100
	ATC (ITALIA) S.R.L.	100	100
	Airtac Enterprise Co., Ltd.	69.44	69.44
AIRTAC HOLDING (SINGAPORE) PTE. LTD.	AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	100	100
	Airtac Co., Ltd.	100	100
AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	AIRTAC USA CORPORATION	100	100
	AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	100	100
	AIRTAC INDUSTRIAL CO., LTD.	100	100
Airtac (China) Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	100	100
	Airtac (Tianjin) Intelligent Technology Co., Ltd.	100	100
	Airtac (Fujian) Intelligent Equipment Co., Ltd.	100	100

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

AIRTAC USA CORPORATION was established on November 4, 2016 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components.

- 5) AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD. was established on July 16, 2013 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components. AIRTAC INDUSTRIAL CO., LTD. was established on April 21, 2015 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components.
- 6) Guangdong Airtac Intelligent Equipment Co., Ltd. was established on November 30, 2016 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components. Airtac (Tianjin) Intelligent Technology Co., Ltd. was established on September 20, 2017 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components, importing and exporting of the aforementioned products and support services. Airtac (Fujian) Intelligent Equipment Co., Ltd. was established on July 18, 2018 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components, importing and exporting of the aforementioned products and support services.

12. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2021	2020
Assets used by the Group	\$ 24,353,723	\$ 22,124,005
Assets leased under operating leases	112,788	78,827
	<u>\$ 24,466,511</u>	<u>\$ 22,202,832</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	-	69,867	2,444,290	55,388	378,880	1,162,688	4,111,113
Disposals	-	(77,719)	(259,626)	(20,456)	(83,245)	-	(441,046)
Transfers to assets leased under operating leases	-	(46,488)	-	-	-	-	(46,488)
Reclassification	-	1,065,259	-	1,993	5,408	(1,072,660)	-
Effect of foreign currency exchange differences	-	(56,524)	(97,091)	(3,715)	(17,347)	(7,999)	(182,676)
Balance at December 31, 2021	<u>\$ 890,359</u>	<u>\$ 12,736,461</u>	<u>\$ 14,615,907</u>	<u>\$ 415,282</u>	<u>\$ 1,920,056</u>	<u>\$ 1,150,496</u>	<u>\$ 31,728,561</u>
Accumulated depreciation							
Balance at January 1, 2021	\$ -	\$ 1,527,507	\$ 3,454,951	\$ 217,100	\$ 964,095	\$ -	\$ 6,163,653
Depreciation expenses	-	280,531	1,046,033	53,806	228,285	-	1,608,655
Disposals	-	(27,642)	(188,426)	(18,522)	(82,224)	-	(316,814)
Transfers to assets leased under operating leases	-	(8,906)	-	-	-	-	(8,906)
Effect of foreign currency exchange differences	-	(1,842)	(45,503)	(9,092)	(15,313)	-	(71,750)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 1,769,648</u>	<u>\$ 4,267,055</u>	<u>\$ 243,292</u>	<u>\$ 1,094,843</u>	<u>\$ -</u>	<u>\$ 7,374,838</u>
Carrying amount at December 31, 2021	<u>\$ 890,359</u>	<u>\$ 10,966,813</u>	<u>\$ 10,348,852</u>	<u>\$ 171,990</u>	<u>\$ 825,213</u>	<u>\$ 1,150,496</u>	<u>\$ 24,353,723</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	-	135,064	2,237,066	33,304	231,010	639,283	3,275,727
Disposals	-	(55,558)	(280,146)	(17,151)	(94,483)	-	(447,338)
Transfers to assets leased under operating leases	-	(20,383)	-	-	-	-	(20,383)
Reclassification	-	340,490	-	-	12,330	(352,820)	-
Effect of foreign currency exchange differences	-	94,668	162,038	5,353	21,850	19,135	303,044
Balance at December 31, 2020	<u>\$ 890,359</u>	<u>\$ 11,782,066</u>	<u>\$ 12,528,334</u>	<u>\$ 382,072</u>	<u>\$ 1,636,360</u>	<u>\$ 1,068,467</u>	<u>\$ 28,287,658</u>

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office facilities and other equipment	Property in construction	Total
<u>Accumulated depreciation</u>							
Balance at January 1, 2020	\$ -	\$ 1,250,417	\$ 2,697,952	\$ 187,598	\$ 839,713	\$ -	\$ 4,975,680
Depreciation expenses	-	262,589	908,057	51,328	206,245	-	1,428,219
Disposals	-	(10,617)	(192,139)	(16,425)	(92,939)	-	(312,120)
Transfers to assets leased under operating leases	-	(85)	-	-	-	-	(85)
Effect of foreign currency exchange differences	-	25,203	41,081	(5,401)	11,076	-	71,959
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 1,527,507</u>	<u>\$ 3,454,951</u>	<u>\$ 217,100</u>	<u>\$ 964,095</u>	<u>\$ -</u>	<u>\$ 6,163,653</u>
Carrying amount at December 31, 2020	<u>\$ 890,359</u>	<u>\$ 10,254,559</u>	<u>\$ 9,073,383</u>	<u>\$ 164,972</u>	<u>\$ 672,265</u>	<u>\$ 1,068,467</u>	<u>\$ 22,124,005</u>

No impairment assessment was performed for the years ended December 31, 2021 and 2020 as there was no indication of impairment. There was no impairment indication for property, plant and equipment.

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

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

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

2) Assets leased under operating leases

	<u>Buildings</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ 92,605
Transfers from assets used by the Group	46,488
Effect of foreign currency exchange differences	(669)
Balance at December 31, 2021	<u>\$138,424</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2021	\$ 13,778
Transfers from assets used by the Group	8,906
Depreciation expenses	3,049
Effect of foreign currency exchange differences	(97)
Balance at December 31, 2021	<u>\$ 25,636</u>
Carrying amounts at January 1, 2021	<u>\$ 78,827</u>
Carrying amounts at December 31, 2021	<u>\$112,788</u>
<u>Cost</u>	
Balance at January 1, 2020	\$ 70,588
Transfers from assets used by the Group	20,383

	Buildings
Effect of foreign currency exchange differences	<u>1,634</u>
Balance at December 31, 2020	<u>\$ 92,605</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2020	\$ 11,455
Transfers from assets used by the Group	85
Depreciation expenses	1,999
Effect of foreign currency exchange differences	<u>239</u>
Balance at December 31, 2020	<u>\$ 13,778</u>
Carrying amounts at January 1, 2020	<u>\$ 59,133</u>
Carrying amounts at December 31, 2020	<u>\$ 78,827</u>

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:

	December 31	
	2021	2020
Year 1	\$ 3,791	\$ 1,872
Year 2	4,109	2,340
Year 3	2,454	2,013
Year 4	2,576	998
Year 5	2,014	1,048
Year 6 onwards	<u>4,485</u>	<u>5,620</u>
	<u>\$ 19,429</u>	<u>\$ 13,891</u>

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

Buildings	
Main Buildings	40 years

13. LEASE AGUREMENT

1) Right-of-use assets

	December 31	
	2021	2020
Carrying amount		
Land	\$ 801,540	\$ 799,513
Buildings	208,667	223,303
Transportation equipment	<u>52</u>	<u>1,856</u>
	<u>\$ 1,010,259</u>	<u>\$ 1,024,672</u>

	For the years ended December 31	
	2021	2020
Additions to right-of-use assets	<u>\$ 101,652</u>	<u>\$ 247,289</u>
Depreciation of right-of-use assets		
Land	\$ 18,330	\$ 14,167
Buildings	78,190	84,602
Transportation equipment	<u>1,792</u>	<u>2,416</u>
	<u>\$ 98,312</u>	<u>\$ 101,185</u>

2) Lease Liabilities

	December 31	
	2021	2020
Carry amount		
Current	<u>\$ 60,825</u>	<u>\$ 58,246</u>
Non-current	<u>\$ 148,427</u>	<u>\$ 163,808</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2021	2020
Buildings and structures	1.79%~4.35%	1.79%~4.35%

3) Material leasing activities and terms

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

4) Other lease information

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

	For the years ended December 31	
	2021	2020
Expenses relating to short-term leases	<u>\$ 20,867</u>	<u>\$ 26,138</u>
Total cash outflow for leases	<u>(\$ 131,522)</u>	<u>(\$ 282,261)</u>

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

	December 31	
	2021	2020
Lease commitments	<u>\$ 10,825</u>	<u>\$ 6,543</u>

14. OTHER ASSETS

	December 31	
	2021	2020
<u>Current</u>		
Prepayments	\$ 115,890	\$ 85,281
Prepaid expenses	114,217	55,660
Excess VAT paid	41,372	16,161
Others	149	2
	<u>\$ 271,628</u>	<u>\$ 157,104</u>
<u>Non-current</u>		
Prepayments for equipment	\$ 2,220,286	\$ 858,185
Refundable deposits	40,701	31,715
Net defined benefit assets	6,957	6,957
	<u>\$ 2,267,944</u>	<u>\$ 896,857</u>

15. LOANS

(1) Short-term loans

	December 31	
	2021	2020
<u>Unsecured loans</u>		
Line of credit loans	<u>\$ 3,712,644</u>	<u>\$ 9,572,760</u>

The range of interest rate on bank loans was 0.79%-0.94% and 0.45%-4.05% per annum as of December 31, 2021 and 2020, respectively.

(2) Short-term bills payable

	December 31	
	2021	2020
Commercial paper	<u>\$ 780,000</u>	<u>\$ 1,100,000</u>

Outstanding short-term bills payable were as follows:

December 31, 2021

<u>Promissory Institutions</u>	<u>Nominal amount</u>	<u>Discount amount</u>	<u>Carrying amount</u>
TaChing Bills	\$ 200,000	\$ -	\$ 200,000
China Bills	200,000	-	200,000
International Bills	180,000	-	180,000
Mega Bills	200,000	-	200,000
	<u>\$ 780,000</u>	<u>\$ -</u>	<u>\$ 780,000</u>

December 31, 2020

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

- 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 0.878% and 1.038% per annum as of December 31, 2021 and 2020, respectively.

(3) Long-term loans

	December 31	
	2021	2020
<u>Secured loans</u>		
Between March, 2018 and March 2023 (with interest rate of 1.7985%)	\$ 3,577,500	\$ 4,343,500
Deduct: Current portion	(766,500)	(766,500)
Deduct: Syndication loan charge fee	(4,774)	(8,866)
Long-term loans	<u>\$ 2,805,726</u>	<u>\$ 3,568,134</u>

In March, 2018, the Group signed a \$6,000,000 thousand syndicated loan (the Loan) with Mega International Commercial Bank and 12 other participating banks. The Loan is composed by three kinds of loans. The first one is a secured loan in the amount of \$2,200,000 thousand. This loan is to repay the existing bank loans. The Loan is effective in 3 months since February 12, 2018 and the undrawn credit line will be automatically cancelled as the effective term terminated. As of December 31, 2020, the Group draw all the amount of this loan. The second one is a secured loan in the amount of \$3,300,000 thousand. This loan is to support the capital needs of Phase 2 factory and manufacturing productivity expansion plan in Tainan ShuGu Park. The Loan is effective in 18 months after the first draw and the undrawn credit line will be automatically cancelled as the effective term terminated. As of December 31, 2020, the Group draw in the amount of \$2,910,000 thousand of this loan. The third one is an unsecured loan in the amount of \$500,000 thousand. The purpose of this loan is for providing medium-term working capital. If the Group meets all criteria in 5 years after the first draw, the Group could apply to Mega International Commercial Bank for extending the credit period for two years once in a written application. The principal will be payable after two years from the first draw of the first and second loans in 7 semiannually installments. The first to the sixth installment will be calculated at a repayable amount equal to 7.5% of the outstanding principal prior to the day before the first installment and the 55% remainder principal will be repaid in

full on the maturity date. Each credit of the third loan would be repaid in full on each maturity date. During the loan period, financial ratios of the Group comply with predetermined financial covenants since year 2018.

Refer to Note 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

	December 31	
	2021	2020
<u>Current</u>		
Other payables		
Salaries and bonus	\$ 984,449	\$ 899,356
Payables for purchase of equipment	625,968	313,503
Others	<u>121,406</u>	<u>100,485</u>
	<u>\$ 1,731,823</u>	<u>\$ 1,313,344</u>
Other current liabilities		
Other taxes	\$ 171,026	\$ 274,174
Others	<u>17,487</u>	<u>15,770</u>
	<u>\$ 188,513</u>	<u>\$ 289,944</u>

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

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

b. Defined benefit plans

The defined benefit plans adopted by the Company and Airtac Enterprise Co., Ltd. in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. Pension contributions are deposited in the Bank of Taiwan in

the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The actuarial valuations of the present value of the defined benefit obligation of Airtac Enterprise Co., Ltd. for the year ended December 31, 2021 was not carried out by qualified actuaries. However, the Group considers that there would make no material impact on the consolidated statements.

19. EQUITY

a. Share capital

Ordinary shares

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

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

On May 28, 2021 the Company's board of directors resolved to issue 10,975 thousand ordinary shares with a par value of NT\$10, for a consideration of NT\$718 per share which increased the share capital issued and fully paid to \$2,000,000 thousand. On September 3, 2021, the above transaction was approved by the FSC, and the subscription base date was determined by the board of directors to be October 15, 2021.

b. Capital surplus

	December 31	
	2021	2020
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u> (1)		
Issuance of ordinary shares	\$ 14,099,953	\$ 6,123,980
Organization Reconstruction	704,640	704,640
Donations	<u>41,552</u>	<u>41,552</u>
	<u>\$ 14,846,145</u>	<u>\$ 6,870,172</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).
- 2) The Company issued new ordinary shares in October 2021. The Company reserved 1,098 thousand of the newly issued shares for employees to subscribe. The compensation cost calculated by Black-Scholes evaluation model was \$212,377 thousand and the amount was transferred to the capital surplus.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the Articles, the Company may, by a resolution adopted by a majority of the Directors who represent two-thirds or more of the total number of Directors in a board meeting, distribute to the Members, in the form of cash, all or a portion of its dividends and bonuses and/or legal reserve and capital reserve derived from issuance of new shares at a premium or from gifts received by the Company, and shall subsequently report such distribution to a shareholders' meeting.

Under the dividends policy as set forth in the Articles, if there is any Annual Net Income (after tax) of the current fiscal year after final account, it shall first be used to offset its losses in previous years which have not been previously offset (include the adjusted amount of undistributed earnings); then a special capital reserve shall be set aside in accordance with the Applicable Public Company Rules or as requested by the authorities in charge. The board shall prepare and propose a profit distribution proposal to the shareholders' meeting for a dividend distribution of any surplus, plus the undistributed earnings (include the adjusted amount of undistributed earnings) to be resolved and adopted by the shareholders' meeting. Unless otherwise resolved by the Directors at the board meeting and the Members at the general meeting by an Ordinary Resolution, the amount of profits distributed to Members shall not be lower than 30% of the distributable surplus earnings generated from the current fiscal year and the amount of cash dividends distributed shall not be less than 10% of the profits proposed to be distributed of the current fiscal year.

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.

Pursuant to existing regulations, the Company is required to set aside additional special capital reserve equivalent to the net debit balance of the other components of stockholders' equity, such as the accumulated balance of foreign currency translation reserve. For the subsequent decrease in the deduction amount to stockholders' equity, any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

The appropriations of earnings for 2020 and 2019 were approved in the Company's board of directors on March 8, 2021 and May 11, 2020 were as follows:

**For the Year Ended
December 31**

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

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

The board of directors had resolved to issue cash dividends from capital surplus of RMB \$213,598 thousand, RMB \$1.13 per share on May 11, 2020. The actual amount converted and paid in New Taiwan Dollars were 913,133 thousand, 4.83 per share. The exchange rate was based on the rate on September 14, 2020.

The appropriation of earnings for 2021, which were resolved by the Company's board of directors on March 4, 2022, were as follows:

**For the Year Ended
December 31, 2021**

Cash dividends	<u>\$2,662,200</u>
Cash dividends per share (NT\$)	<u>\$ 13.311</u>

The board of directors had resolved to issue cash dividends from capital surplus of RMB \$600,000 thousand (NT\$2,622,200 thousand), RMB \$3 (NT\$13.311) per share on March 4, 2022.

d. Other equity items

Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2021	2020
Balance at January 1	(\$ 1,083,849)	(\$ 1,453,824)
Exchange differences on translating foreign operations	(8,791)	(23,953)
Exchange differences on translating to presentation currency	(<u>145,777</u>)	<u>393,928</u>
Balance at December 31	(<u>\$ 1,238,417</u>)	(<u>\$ 1,083,849</u>)

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

20. REVENUE

	For the Year Ended December 31	
	2021	2020
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 25,399,895</u>	<u>\$ 19,103,001</u>

a. Contract information

Revenue from sale of goods

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

b. Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Note receivables and trade receivables (Note 9)	<u>\$ 7,482,725</u>	<u>\$ 7,064,425</u>	<u>\$ 4,999,997</u>
Contract liabilities-current			
Sale of goods	<u>\$ 68,712</u>	<u>\$ 95,130</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 year ended December 31	
	2021	2020
<u>From contract liabilities at the start of the year</u>		
Sale of goods	<u>\$ 84,867</u>	<u>\$ 45,634</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. Other income

	For the Year ended December 31	
	2021	2020
<u>Interest revenue</u>		
Bank deposits	\$ 77,032	\$ 76,471
Financial assets at amortized cost	<u>27,049</u>	<u>77,751</u>
	<u>\$ 104,081</u>	<u>\$ 154,222</u>

b. Other gains and losses

	For the Year ended December 31	
	2021	2020
Gain or loss on disposal of financial assets		
Financial assets mandatorily classified		
as at FVTPL	\$ 107,509	\$ 110,032
Financial liabilities held for trading	(5,925)	(2,327)
Net foreign exchange gain (losses)	(22,087)	241,007
Government grants (Note 25)	243,974	186,293
Loss on disposal of property, plant and		
equipment	(87,994)	(62,416)
Others	<u>20,542</u>	<u>12,444</u>
	<u>\$ 256,019</u>	<u>\$ 485,033</u>

c. Financial costs

	For the Year ended December 31	
	2021	2020
Interest on bank loans	\$ 185,882	\$ 255,125
Interest on lease liability	<u>5,734</u>	<u>5,679</u>
	<u>\$ 191,616</u>	<u>\$ 260,804</u>

d. Depreciation and amortization

	For the Year ended December 31	
	2021	2020
An analysis of deprecation by function		
Operating costs	\$ 1,302,585	\$ 1,129,078
Operating expenses	<u>407,431</u>	<u>402,325</u>
	<u>\$ 1,710,016</u>	<u>\$ 1,531,403</u>
An analysis of amortization by function		
Operating costs	\$ 1,099	\$ 986
Operating expenses	<u>16,080</u>	<u>15,285</u>
	<u>\$ 17,179</u>	<u>\$ 16,271</u>

e. Employee benefits expense

	For the Year ended December 31	
	2021	2020
Post-employment benefits		
Compensation costs	\$ 212,377	\$ -
Post-employment benefits		
Defined contribution plans	234,980	133,275
Other employee benefits	<u>5,622,945</u>	<u>4,311,192</u>
Total employee benefits expense	<u>\$ 6,070,302</u>	<u>\$ 4,444,467</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 3,489,165	\$ 2,398,303
Operating expenses	<u>2,581,137</u>	<u>2,046,164</u>
	<u>\$ 6,070,302</u>	<u>\$ 4,444,467</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.

The employees' compensation and remuneration to directors and supervisors for the years ended December 31, 2021 and 2020 which have been approved by the Company's board of directors on March 4, 2022 and March 8, 2021, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2021	2020
Employees' compensation	1%	1%

Amount

	Cash	
	For the Year Ended December 31	
	2021	2020
Employees' compensation	\$ 83,142	\$ 64,187

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

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

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gain or loss on foreign currency exchange

	For the Year ended December 31	
	2021	2020
Foreign exchange gains	\$ 143,999	\$ 673,654
Foreign exchange losses	(166,086)	(432,647)
	<u>(\$ 22,087)</u>	<u>\$ 241,077</u>

22. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follow:

	For the Year ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 1,634,377	\$ 1,260,357
Adjustments for prior years	(148)	5,613
	<u>1,634,229</u>	<u>1,265,970</u>
Deferred tax		
In respect of the current year	<u>308,837</u>	<u>232,475</u>
Income tax expense recognized in profit or loss	<u>\$ 1,934,066</u>	<u>\$ 1,498,445</u>

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

	For the Year ended December 31	
	2021	2020
Profit before tax from continuing operations	<u>\$ 8,384,463</u>	<u>\$ 6,342,648</u>
Income tax expense calculated at the statutory rate	\$ 2,182,426	\$ 1,684,593
Nondeductible expenses in determining taxable income	4,981	3,772
Tax-exempt income	(191,317)	(162,462)
R&D with tax credits	(52,132)	(32,391)
Disable persons with tax credits	(744)	(680)
Adjustments for prior years' tax	<u>(148)</u>	<u>5,613</u>
Income tax expense recognized in profit or loss	<u>\$ 1,943,066</u>	<u>\$ 1,498,445</u>

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

b. Deferred tax assets and liabilities

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

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Others	Closing Balance
<u>Deferred Tax Assets</u>					
Temporary differences					
Allowance for loss on inventories	\$ 15,901	\$ 4,921	(\$ 340)	\$ -	\$ 20,482
Allowance for impaired receivables	27,112	3,685	(244)	-	30,553
Unrealized gross profit	111,954	48,775	(640)	-	160,089
Others	<u>13,862</u>	<u>5,189</u>	<u>(72)</u>	<u>-</u>	<u>18,979</u>
	168,829	62,570	(1,296)	-	230,103
Loss carryforwards	<u>428,460</u>	<u>(89,049)</u>	<u>(1,295)</u>	<u>-</u>	<u>338,116</u>
	<u>\$ 597,289</u>	<u>(\$ 26,479)</u>	<u>(\$ 2,591)</u>	<u>\$ -</u>	<u>\$ 568,219</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Unrealized exchange gains	\$ 17,884	(\$ 16,695)	\$ 104	\$ -	\$ 1,293
Fair value changes of financial assets	7,117	1,189	10	-	8,316
Defined benefit obligation	1,391	-	-	-	1,391
Withholding tax	<u>442,476</u>	<u>297,864</u>	<u>(3,242)</u>	<u>(394,706)</u>	<u>342,392</u>
	<u>\$ 468,868</u>	<u>\$ 282,358</u>	<u>(\$ 3,128)</u>	<u>(\$ 394,706)</u>	<u>\$ 353,392</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Others	Closing Balance
<u>Deferred Tax Assets</u>					
Temporary differences					
Allowance for loss on inventories	\$ 13,269	\$ 2,263	\$ 369	\$ -	\$ 15,901
Allowance for impaired receivables	28,324	(1,694)	482	-	27,112
Unrealized gross profit	65,490	44,079	2,385	-	111,954
Others	<u>42,256</u>	<u>(28,592)</u>	<u>198</u>	<u>-</u>	<u>13,862</u>
	149,339	16,056	3,434	-	168,829
Loss carryforwards	<u>421,613</u>	<u>6,541</u>	<u>306</u>	<u>-</u>	<u>428,460</u>
	<u>\$ 570,952</u>	<u>\$ 22,597</u>	<u>\$ 3,740</u>	<u>\$ -</u>	<u>\$ 597,289</u>

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Others	Closing Balance
<u>Deferred tax liabilities</u>					
Temporary differences					
Unrealized exchange gains	\$ 338	\$ 17,546	\$ -	\$ -	\$ 17,884
Fair value changes of financial assets	-	7,117	-	-	7,117
Defined benefit obligation	1,391	-	-	-	1,391
Withholding tax	<u>533,609</u>	<u>230,409</u>	<u>7,102</u>	<u>(328,644)</u>	<u>442,476</u>
	<u>\$ 535,338</u>	<u>\$ 255,072</u>	<u>\$ 7,102</u>	<u>(\$ 328,644)</u>	<u>\$ 468,868</u>

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

	December 31	
	2021	2020
Loss carryforwards		
Expire in 2026	\$ 1,366	\$ 1,366
Expire in 2027	587	587
Expire in 2028	1,512	1,512
Expire in 2029	1,505	1,505
Expire in 2030	1,233	1,233
Expire in 2031	<u>1,447</u>	<u>-</u>
	<u>\$ 10,121</u>	<u>\$ 6,203</u>

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

Loss carryforwards as of December 31, 2020 comprised of :

Unused Amount	Expiry Year
\$ 89,271	2025
399,322	2026
370,902	2027
403,120	2028
344,260	2029
37,706	2030
1,447	2031
<u>45,579</u>	-
<u>\$ 1,691,604</u>	

- e. Income tax assessments

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

cleared by the ROC tax authority through 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:

Unit: NT\$ Per Share

Net profit for the period

	For the year ended December 31	
	2021	2020
Profit for the period attributable to owners of the Company	<u>\$6,442,025</u>	<u>\$4,845,297</u>
Earnings used in the computation of basic earnings per share	<u>6,442,025</u>	<u>4,845,297</u>
Earnings used in the computation of diluted earnings per share	<u>\$6,442,025</u>	<u>\$4,845,297</u>

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

	For the year ended December 31	
	2021	2020
Weighted average number of ordinary shares in computation of basic earnings per share	191,340	189,025
Effect of potentially dilutive ordinary shares:		
Bonus issue to employees or employee remuneration	<u>95</u>	<u>90</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>191,435</u>	<u>189,115</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 December 31, 2021.

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

	<u>Grant Date</u>
	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 years ended December 31, 2021 and 2020.

- a. The Group acquired property, plant and equipment with an aggregate fair value of \$4,111,113 thousand during the period of the year ended December 31, 2021. Other trade payables increased \$314,634 thousand in total. The cash paid of the Group for acquisition of property, plant and equipment was \$3,796,479 thousand (refer to Note 12).
- b. The Group acquired the right-of-use assets with value of \$101,652 thousand during the year ended December 31, 2021. Lease liability increased \$75,270 thousand. The cash paid of the Group for acquisition of the right-of-use assets was \$26,382 thousand (refer to Note 13).
- c. The Group acquired property, plant and equipment with an aggregate fair value of \$3,275,727 thousand during the period of the year ended December 31, 2020. Other non-current assets decreased \$560,836 thousand in total. Other trade payables decreased \$288,807 thousand in total. The cash paid of the Group for acquisition of property, plant and equipment was \$3,003,698 thousand (refer to Note 12).
- d. The Group acquired the right-of-use assets with value of \$247,289 thousand during the year ended December 31, 2020. Lease liability increased \$79,886 thousand. The cash paid of the Group for acquisition of the right-of-use assets was \$167,403 thousand (refer to Note 13).

(2) Reconciliation of liabilities arising from financing activities

For the year ended December 31, 2021

	Balance as of January 1, 2021	Financing Cash Flow	Non-cash changes			Foreign Exchange Movement	Balance as of December 31, 2021
			New Leases	Adjustments	Finance cost		
Short-term loans	\$ 9,572,760	(\$ 5,792,457)	\$ -	\$ -	\$ -	(\$ 67,659)	\$ 3,712,644
Short-term bills payable	1,100,000	(320,000)	-	-	-	-	780,000
Long-term loans	4,334,634	(766,500)	-	-	4,092	-	3,572,226
Lease liabilities	<u>222,054</u>	<u>(76,105)</u>	<u>75,270</u>	<u>(3,002)</u>	<u>-</u>	<u>(8,965)</u>	<u>209,252</u>
	<u>\$ 15,229,448</u>	<u>(\$ 6,955,062)</u>	<u>\$ 75,270</u>	<u>(\$ 3,002)</u>	<u>\$ 4,092</u>	<u>(\$ 76,624)</u>	<u>\$ 8,274,122</u>

For the year ended December 31, 2020

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

27. CAPITAL MANAGEMENT

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

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

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

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

28. FINANCIAL INSTRUMENTS

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

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

b. Fair value of financial instruments

(1) Fair value hierarchy

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTPL				
Mutual Funds	\$ 9,411	\$ -	\$ -	\$ 9,411
Foreign exchange forward contracts	-	7,444	\$ -	7,444
Total	<u>\$ 9,411</u>	<u>\$ 7,444</u>	<u>\$ -</u>	<u>\$ 16,855</u>

December 31, 2020

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

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Financial assets</u>		
Financial assets at FVTPL		
Designated as at FVTPL	\$ 16,855	\$ 45,587
Financial assets at amortized cost (Note 1)	13,711,218	12,795,886
<u>Financial liabilities</u>		
FVTPL		
Held for trading	\$ 981	-
Measured at amortized cost (Note 2)	10,115,297	16,422,280

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

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

d. Financial risk management objectives and policies

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

1. Market risk

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

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

(1) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Note 32.

Sensitivity analysis

The Group was mainly exposed to the currency USD.

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

there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	USD Impact	
	For the Year ended December 31	
	2021	2020
Profit and losses	\$ 4,587	(\$ 21,573)

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

(2) Interest rate risk

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

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

	December 31	
	2021	2020
Fair value risk		
-Financial assets	\$ 4,520,979	\$ 4,137,004
-Financial liabilities	8,064,870	14,998,640
Cash flow risk		
-Financial assets	1,636,497	1,574,464
-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 years ended December 31, 2021 and 2020 would increase or decrease by \$16,365 thousand and \$15,657 thousand, respectively, which

was mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits.

2. Credit risk

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

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

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

The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any other counterparty did not exceed 1% of gross monetary assets at any time during the years ended December 31, 2021 and 2020.

The Group's concentration of credit risk by geographical locations was mainly in Mainland China, which accounted for 91.94% and 93.05% of the total trade receivables as of December 31, 2021 and 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 December 31, 2021 and 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.

December 31, 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	\$ 2,408,908	\$ 625,968	\$ -	\$ -
Lease liabilities	11,250	54,233	152,818	-
Fixed interest rate liabilities	<u>4,818,654</u>	<u>499,302</u>	<u>2,822,212</u>	-
	<u>\$ 7,238,812</u>	<u>\$ 1,179,503</u>	<u>\$ 2,975,030</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	<u>10,026,132</u>	<u>1,486,907</u>	<u>3,644,405</u>	-
	<u>\$ 12,047,324</u>	<u>\$ 1,852,092</u>	<u>\$ 3,815,711</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.

December 31, 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	(\$ 294)	(\$ 687)	\$ -	\$ -	\$ -

December 31, 2020: None.

(3) Financing facilities

	December 31	
	2021	2020
Unsecured bank loans (re-examined annually)		
-Amounts used	\$ 4,492,644	\$ 10,672,760
-Amounts unused	<u>17,306,206</u>	<u>8,851,350</u>
	<u>\$ 21,798,850</u>	<u>\$ 19,524,110</u>
Secured bank loans		
-Amounts used	\$ 3,577,000	\$ 4,343,500
-Amounts unused	<u>-</u>	<u>-</u>
	<u>\$ 3,577,000</u>	<u>\$ 4,343,500</u>

e. Transfers of financial assets

During the year ended December 31, 2021, the Group transferred a portion of its commercial acceptance bills in mainland China with an aggregate carrying amount of \$165,853 to some of its suppliers in order to settle the trade payables. According to the contract, if these commercial acceptance bills are not paid at maturity, suppliers have the right to request that the Group pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these commercial acceptance bills, it continues to recognize the full carrying amounts of these commercial acceptance bills.

As of December 31, 2021 and 2020, the carrying amount of these commercial acceptance bills that have been transferred but not derecognized were \$104,611 thousand and \$75,530 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 December 31, 2021, the face amounts of these unsettled bills receivable were \$221,382 thousand. The unsettled bills receivable will be due in 12 months after December 31, 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 year ended December 31, 2021, the Group did not recognize any gains or losses upon the transfer of the banker's acceptance bills. No gains or losses were recognized from the continuing involvement, both during the period or cumulatively.

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

The maximum exposure to loss from the Group's continuing involvement in the derecognized bills receivable is equal to the face amounts of the transferred but unsettled bills receivable, and as of December 31, 2021 the face amounts of these unsettled bills receivable was \$1,504,372 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 year ended December 31, 2021 the Group recognized financial costs \$16,017 thousand 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 Year ended December 31	
		2021	2020
Sales	Substantive related parties	\$ <u>52</u>	\$ <u>418</u>

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

(3) Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2021	2020
Trade Receivables	Substantive related parties	\$ <u>8</u>	\$ <u>4</u>

No expense was recognized for the years ended of December 31, 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 Year ended December 31	
	2021	2020
Short-term employee benefits	\$ <u>100,468</u>	\$ <u>99,197</u>

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

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	December 31	
	2021	2020
Pledge deposits (classified as financial assets at amortized cost)	\$ 6,188	\$ 6,128
Restricted bank deposits (classified as financial assets at amortized cost)	36,924	26,262
Land	890,359	890,359
Buildings, net	4,829,920	4,870,331
Machinery and Equipment	<u>1,600,924</u>	<u>1,657,494</u>
	<u>\$ 7,364,315</u>	<u>\$ 7,450,574</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

	December 31	
	2021	2020
Acquisition of property, plant and equipment	<u>\$ 4,054,353</u>	<u>\$ 2,150,449</u>

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:
December 31, 2021

	Foreign currency	Exchange rate	Carrying amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 636	27.66 (USD: NTD)	\$ 17,584
USD	17,745	6.37 (USD: RMB)	490,818
RMB	1,432,600	4.34 (RMB: NTD)	<u>6,223,214</u>
			<u>\$ 6,731,616</u>
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 981	27.66 (USD: NTD)	\$ 27,131
USD	816	6.37 (USD: RMB)	22,570
RMB	65,273	4.34 (RMB: NTD)	<u>283,546</u>
			<u>\$ 333,247</u>

December 31, 2020

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

For the year ended in December 31, 2021 and 2020, realized and unrealized net foreign exchange gains (losses) were (\$22,087) thousand and \$241,007 thousand respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

33. DISCLOSED ITEMS

(1) Information about significant transactions and (2) investees:

1. Loans provided to other parties (Table 1)
2. Endorsements/guarantees given to other parties (None)
3. Marketable securities held (excluding investments in subsidiaries, associates and joint controlled entities) (Table 3)
4. Purchases or sales of the same marketable securities amounting to at least NT\$300 million or 20% of the paid-in capital. (Table 4)
5. Acquisition of real estate at costs of at least NT \$300 million or 20% of the paid-in capital (Table 5)
6. Disposal of real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
7. Purchases or sales with related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 7)
9. Derivative transactions (Note 7)
10. Intercompany relationships and significant intercompany transactions (Table 9)

(2) Information on investees (Table 2)

(3) Information for investments in Mainland China

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

payables at the end of the period.

- b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements/guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the ending balance, the interest rate range, and the total of current interest with respect to loans provided.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- (4) Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder. (Table 10)

34. SEGMENT INFORMATION

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

Pneumatic components - direct sales
- distributors

a. Segment revenues and results

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

	Revenues		Profit Before Tax	
	For the Year ended		For the Year ended	
	December 31		December 31	
	2021	2020	2021	2020
Pneumatic components				
-Direct sales	\$ 16,788,537	\$ 13,359,094	\$ 6,268,693	\$ 4,806,881
-Distributors	<u>8,611,358</u>	<u>5,743,907</u>	<u>3,227,948</u>	<u>2,078,840</u>
Total amounts of continuing operations	<u>\$ 25,399,895</u>	<u>\$ 19,103,001</u>	9,496,641	6,885,721
Interest revenue			104,081	154,222

	Revenues		Profit Before Tax	
	For the Year ended December 31		For the Year ended December 31	
	2021	2020	2021	2020
Loss on disposal of property, plant and equipment			(87,994)	(62,416)
Net exchange gains (losses)			(22,087)	241,007
Net gain arising on financial assets designated as at FVTPL			101,584	107,705
HQ admin. cost and directors' salaries			(1,016,146)	(722,787)
Finance costs			(191,616)	(260,804)
Profit before income tax from continuing operations			<u>\$8,384,463</u>	<u>\$6,342,648</u>

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

	December 31	
	2021	2020
<u>Segment assets</u>		
Pneumatic components		
-Direct sales	\$31,125,695	\$28,548,498
-Distributors	<u>15,971,922</u>	<u>12,269,568</u>
Total segment total assets	47,097,617	40,818,066
Unallocated assets	<u>581,039</u>	<u>612,915</u>
Consolidated total assets	<u>\$47,678,656</u>	<u>\$41,430,981</u>

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

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

TABLE 1

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

**LOANS PROVIDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 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 (Note 1)	Ending Balance (Note 1)	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits	Note
													Item	Value			
0	Airtac International Group	ATC (ITALIA) S.R.L	Other receivables	Yes	EUR 5,000 (NTD 156,599)	EUR 3,000 (NTD 93,959)	EUR 1,700 (NTD 53,244)	-	Short-term financing needs	\$ -	Revolving fund	\$ -	-	-	\$14,057,570	\$14,057,570	Note 2
0	Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd	Other receivables	Yes	USD 20,000 (NTD 553,200)	USD 10,000 (NTD 276,600)	USD - (NTD -)	-	Short-term financing needs	-	Revolving fund	-	-	-	14,057,570	14,057,570	Note 2
0	Airtac International Group	Airtac International (Singapore) Pte. Ltd.	Other receivables	Yes	USD 5,000 (NTD 138,300)	USD 2,500 (NTD 69,150)	USD 900 (NTD 24,894)	-	Short-term financing needs	-	Revolving fund	-	-	-	14,057,570	14,057,570	Note 2
0	Airtac International Group	Airtac Co., Ltd	Other receivables	Yes	USD 9,500 (NTD 262,770)	USD 6,500 (NTD 179,790)	USD 4,815 (NTD 133,191)	-	Short-term financing needs	-	Revolving fund	-	-	-	14,057,570	14,057,570	Note 2
0	Airtac International Group	AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	Other receivables	Yes	USD 5,000 (NTD 138,300)	USD 4,000 (NTD 110,640)	USD 2,320 (NTD 64,171)	-	Short-term financing needs	-	Revolving fund	-	-	-	14,057,570	14,057,570	Note 2
0	Airtac International Group	AIRTAC USA CORPORATION	Other receivables	Yes	USD 9,000 (NTD 248,940)	USD 8,000 (NTD 221,280)	USD 7,000 (NTD 193,620)	-	Short-term financing needs	-	Revolving fund	-	-	-	14,057,570	14,057,570	Note 2

Note 1: Conversion to NTD used the spot exchange rate on December 31, 2021, that is, 1USD=27.6600, 1EUR=31.3198 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 YEAR ENDED DECEMBER 31, 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		December 31, 2021			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 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 467,500 (NTD 4,451,070)	USD 87,500 RMB 434,500 (NTD 4,307,718)	152,634,522	100	\$ 26,950,307	\$ 6,123,664	\$ 6,123,664	2
	Airtac Trading (Hong Kong) Limited	Hong Kong	General investment	USD - (NTD -)	USD - (NTD -)	7,000,000	100	2,273	(119)	(119)	2
	INSTANT REACH INTERNATIONAL LIMITED	British Virgin Island	General investment	USD 2,283 EUR 1,000 RMB 17,500 (NTD 170,488)	USD 2,283 EUR 1,000 RMB 17,500 (NTD 170,488)	1	100	103,107	(5,161)	(5,161)	2
	AIRTAC HOLDING (SINGAPORE) PTE. LTD.	Singapore	General investment	USD 17,000 (NTD 470,220)	USD 17,000 (NTD 470,220)	17,000,000	100	85,374	(17,454)	(17,454)	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	21,114	(2,054)	-	4
	ATC (ITALIA) S.R.L	Italy	Production and sales of pneumatic and hydraulic control components	EUR 4,000 (NTD 125,279)	EUR 4,000 (NTD 125,279)	4,000,000	100	56,998	(3,672)	-	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 345,750)	USD 12,500 (NTD 345,750)	12,500,000	100	271,707	14,307	-	4
	Airtac Co., Ltd.	Japan	Production and sales of pneumatic control components and accessories	JPY 98,000 (NTD 23,589)	JPY 98,000 (NTD 23,589)	2,000	100	(84,616)	(5,424)	-	4
	AIRTAC USA CORPORATION	USA	Production and sales of pneumatic control components and accessories	USD 3,000 (NTD 82,980)	USD 3,000 (NTD 82,980)	3,000	100	(109,073)	(25,931)	-	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 6,351)	MYR 1,000 (NTD 6,351)	1,000,000	100	(22,948)	(1,677)	-	4
	Airtac Industrial Co. Ltd.	Thailand	Production and sales of pneumatic control components and accessories	THB 100,000 (NTD 83,530)	THB 100,000 (NTD 83,530)	1,000,000	100	89,175	18,172	-	4

Note1: Conversion to NTD used the spot exchange rate on December 31, 2021, that is, 1USD=27.6600 NTD , 1EUR=31.3198 NTD , 1JPY=0.2407 NTD , 1RMB= 4.34400 NTD , 1MYR=6.3507 NTD , THB=0.8353 NTD.

Note2: The amount was eliminated upon consolidation.

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

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

TABLE 3

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
DECEMBER 31, 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	December 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Airtac (China) Co., Ltd.	Structured deposits	-	Financial assets at amortized cost - current	-	\$ 1,788,103 (RMB 411,626)	-	\$ 1,788,103 (RMB 411,626)	1
Airtac Enterprise Co., Ltd.	Mega International Nordea callable mortgage bond index Fund	-	Financial assets at fair value through profit or loss - current	-	\$ 9,411	-	\$ 9,411	-

Note1 : Conversion to NTD used the spot exchange rate on December 31, 2021, that is, 1 RMB=4.3440 NTD.

TABLE 4

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 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)	-	-	\$ 349,664 (RMB 80,493)	-	\$ 217,200 (RMB 50,000)	-	\$ 568,608 (RMB 130,895)	\$ 564,720 (RMB 130,000)	\$ 3,888 (RMB 895)	-	\$ - -
Guangdong Airtac Automatic Industrial Co., Ltd.	Structured deposits	Financial assets at amortized cost - current	Fubon Bank (China)	-	-	\$ 959,570 (RMB 220,896)	-	\$ 1,563,840 (RMB 360,000)	-	\$ 2,532,994 (RMB 583,102)	\$ 2,519,520 (RMB 580,000)	\$ 13,474 (RMB 3,102)	-	\$ -
Airtac (China) Co., Ltd.	Structured deposits	Financial assets at amortized cost - current	Fubon Bank (China)	-	-	\$ -	-	\$ 3,648,960 (RMB 840,000)	-	\$ 1,876,576 (RMB 431,993)	\$ 1,867,920 (RMB 430,000)	\$ 8,656 (RMB 1,993)	-	\$ 1,788,103 (RMB 411,626)

Note 1: Conversion to NTD used the spot exchange rate on December 31, 2021, that is 1 RMB= 4.3440 NTD.

TABLE 5

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

**ACQUISITION OF REAL ESTATE AT COSTS OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 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	2020.09.08-2021.12.31	\$ 1,904,463	\$ 1,089,692	Self-building	-	-	-	-	\$ -	N/A	Manufacturing, research and development purpose	-
Guangdong Airtac Intelligent Equipment Co., Ltd.	Research base and logistics centers	2019.01.07-2021.12.31	354,036	324,410	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 YEAR ENDED DECEMBER 31, 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	\$ 13,679,440	90	T/T 120 days	\$ -	-	\$ 2,617,876	82	
Ningbo Airtac Automatic Industrial Co., Ltd	Airtac International Group	The parent company	Sales	442,429	3	T/T 120 days	-	-	252,335	8	
Ningbo Airtac Automatic Industrial Co., Ltd	Guangdong Airtac Automatic Industrial Co., Ltd	The same parent company	Sales	540,466	4	T/T 120 days	-	-	155,667	5	
Ningbo Airtac Automatic Industrial Co., Ltd	AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	The same parent company	Sales	109,188	1	T/T 120 days	-	-	32,032	1	
Ningbo Airtac Automatic Industrial Co., Ltd	ATC (ITALIA) S.R.L	The same parent company	Sales	182,425	1	T/T 120 days	-	-	79,678	2	
Guangdong Airtac Automatic Industrial Co., Ltd	Airtac (China) Co., Ltd.	The same parent company	Sales	1,259,043	36	T/T 120 days	-	-	389,835	24	
Guangdong Airtac Automatic Industrial Co., Ltd	Guangdong Airtac Intelligent Equipment Co., Ltd.	The same parent company	Sales	1,056,256	30	T/T 120 days	-	-	639,701	40	
Guangdong Airtac Automatic Industrial Co., Ltd	Airtac (Jiangsu) Automation Co., Ltd.	The same parent company	Sales	822,580	24	T/T 120 days	-	-	500,284	31	
Guangdong Airtac Automatic Industrial Co., Ltd	Ningbo Airtac Automatic Industrial Co., Ltd.	The same parent company	Sales	131,135	4	T/T 120 days	-	-	25,686	2	
Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd.	Subsidiary	Sales	1,146,866	29	T/T 120 days	-	-	1,721,187	47	
Airtac International Group	Airtac (China) Co., Ltd.	Subsidiary	Sales	1,963,849	50	T/T 120 days	-	-	1,700,222	46	

Purchaser (Seller)	Counterparty	Relationship	Transaction				Non-arm's Length Transaction and Reasons		Notes/Trade Payables/ Receivable		Note
			Purchase (Sale)	Amount	% of Total	Payment Term	Unit Price (Note)	Payment Terms (Note)	Balance	% to Total	
Airtac (China) Co., Ltd.	Airtac (Jiangsu) Automatic Co., Ltd	The same parent company	Sales	4,896,711	24	T/T 120 days	-	-	39,722	1	
Airtac (China) Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	Subsidiary	Sales	6,029,394	30	T/T 120 days	-	-	1,223,031	41	
Airtac (China) Co., Ltd.	Airtac (Tianjin) Intelligent Technology Co., Ltd.	Subsidiary	Sales	827,849	4	T/T 120 days	-	-	163,545	6	
Airtac (China) Co., Ltd.	Airtac (Fujian) Intelligent Equipment Co., Ltd.	Subsidiary	Sales	671,866	3	T/T 120 days	-	-	64,732	2	
Guangdong Airtac Intelligent Equipment Co., Ltd.	Airtac (China) Co., Ltd.	The parent company	Sales	502,097	6	T/T 120 days	-	-	42,613	3	

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

TABLE 7

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

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

DECEMBER 31, 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		
Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd.	Subsidiary	\$ 1,721,187	1	-	-	\$ -	-
Airtac International Group	Airtac (China) Co., Ltd.	Subsidiary	1,700,222	2	-	-	514,880	-
Airtac International Group	Airtac Co., Ltd	Subsidiary	133,191	Note 1	-	-	-	-
Airtac International Group	AIRTAC USA CORPORATION	Subsidiary	193,620	Note 1	-	-	-	-
Airtac (China) Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	Subsidiary	1,223,031	5	-	-	266,639	-
Airtac (China) Co., Ltd.	Airtac (Tianjin) Intelligent Technology Co., Ltd.	Subsidiary	163,545	6	-	-	47,814	-
Ningbo Airtac Automatic Industrial Co., Ltd	Airtac (China) Co., Ltd.	The same parent company	2,617,876	6	-	-	2,031,758	-
Ningbo Airtac Automatic Industrial Co., Ltd	Airtac International Group	The same parent company	252,335	2	-	-	247,730	-
Ningbo Airtac Automatic Industrial Co., Ltd	Guangdong Airtac Automatic Industrial Co., Ltd.	The same parent company	155,667	4	-	-	42,775	-
Guangdong Airtac Automatic Industrial Co., Ltd.	Airtac (China) Co., Ltd.	The same parent company	389,835	3	-	-	130,320	-
Guangdong Airtac Automatic Industrial Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	The same parent company	639,701	2	-	-	130,511	-
Guangdong Airtac Automatic Industrial Co., Ltd.	Airtac (Jiangsu) Automation Co., Ltd.	The same parent company	500,284	2	-	-	21,720	-

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

TABLE 8

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

INFORMATION FOR INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2021

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

Investee Company Name	Main Businesses and Products	Paid-in Capital (Note 2)	Method of Investment	Accumulated Investment Outflow from Taiwan as of January 1, 2021	Investment Flow for the Period		Accumulated Investment Outflow from Taiwan as of December 31, 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 December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 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 2,947,860)	N/A	N/A	\$ -	\$ -	N/A	\$ 3,322,000	100	\$ 3,249,937	\$ 17,713,603	N/A	
Guangdong Airtac Automatic Industrial Co., Ltd	Production of pneumatic control components and auxiliary components	USD 6,000 (NTD 165,960)	N/A	N/A	-	-	N/A	942,963	100	927,483	3,224,326	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 1,045,224)	N/A	N/A	-	-	N/A	1,800,894	100	1,703,427	4,778,430	N/A	
Airtac (Jiangsu) Automation Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	USD 1,500 RMB 56,000 (NTD 284,754)	N/A	N/A	-	-	N/A	540,169	100	540,169	1,564,689	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 43,440)	N/A	N/A	-	-	N/A	620,827	100	620,827	686,742	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 43,440)	N/A	N/A	-	-	N/A	60,563	100	60,563	112,917	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 43,440)	N/A	N/A	-	-	N/A	83,876	100	83,876	141,652	N/A	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 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 December 31, 2021, that is, 1 USD=27.6600 NTD, 1 RMB=4.3440 NTD.

TABLE 9

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS FOR THE YEARS ENDED DECEMBER 31, 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	\$1,721,187	General terms and conditions	4%
		Ningbo Airtac Automatic Industrial Co., Ltd	1	Sales revenue	1,146,866	General terms and conditions	5%
		Ningbo Airtac Automatic Industrial Co., Ltd	1	Sell property, plant and equipment	567,228	General terms and conditions	2%
		Airtac (China) Co., Ltd	1	Trade receivables	1,700,222	General terms and conditions	4%
		Airtac (China) Co., Ltd	1	Sales revenue	1,963,849	General terms and conditions	8%
		Guangdong Airtac Automatic Industrial Co., Ltd	1	Trade receivables	30,743	General terms and conditions	-
		Guangdong Airtac Automatic Industrial Co., Ltd	1	Sales revenue	72,677	General terms and conditions	-
		ATC (ITALIA) S.R.L	1	Other receivable	53,244	General terms and conditions	-
		AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	1	Other receivable	64,171	General terms and conditions	-
		AIRTAC USA CORPORATION	1	Other receivable	193,620	General terms and conditions	-
		Airtac Co., Ltd.	1	Other receivable	133,191	General terms and conditions	-
		AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	1	Other receivable	24,894	General terms and conditions	-
1	Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac International Group	2	Trade receivables	252,335	General terms and conditions	1%
		Airtac International Group	2	Sales revenue	442,429	General terms and conditions	2%
		Airtac (China) Co., Ltd	3	Trade receivables	2,617,876	General terms and conditions	5%
		Airtac (China) Co., Ltd	3	Sales revenue	13,679,440	General terms and conditions	54%
		Guangdong Airtac Automatic Industrial Co., Ltd	3	Trade receivables	155,667	General terms and conditions	-
		Guangdong Airtac Automatic Industrial Co., Ltd	3	Sales revenue	540,466	General terms and conditions	2%
		ATC (ITALIA) S.R.L	3	Trade receivables	79,678	General terms and conditions	-
		ATC (ITALIA) S.R.L	3	Sales revenue	182,425	General terms and conditions	1%
		AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	3	Trade receivables	11,209	General terms and conditions	-
		AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	3	Sales revenue	35,807	General terms and conditions	-
		AIRTAC USA CORPORATION	3	Trade receivables	31,119	General terms and conditions	-
		AIRTAC USA CORPORATION	3	Sales revenue	74,350	General terms and conditions	-
		AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	3	Trade receivables	32,032	General terms and conditions	-

No.	Company Name	Counter Party	Nature of Relationship (Note)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Sales or Assets
1	Ningbo Airtac Automatic Industrial Co., Ltd.	AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	3	Sales revenue	109,188	General terms and conditions	1%
		Airtac Industrial Co., Ltd.	3	Trade receivables	9,480	General terms and conditions	-
		Airtac Industrial Co., Ltd.	3	Sales revenue	39,444	General terms and conditions	-
		Airtac Co., Ltd.	3	Sales revenue	17,847	General terms and conditions	-
2	Guangdong Airtac Automatic Industrial Co., Ltd.	Airtac International Group	2	Trade receivables	27,043	General terms and conditions	-
		Airtac International Group	2	Sales revenue	82,951	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd	3	Trade receivables	25,686	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd	3	Sales revenue	131,135	General terms and conditions	1%
		Airtac (China) Co., Ltd.	3	Trade receivables	389,835	General terms and conditions	1%
		Airtac (China) Co., Ltd.	3	Sales revenue	1,259,043	General terms and conditions	5%
		AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	3	Sales revenue	22,578	General terms and conditions	-
		ATC (ITALIA) S.R.L	3	Trade receivables	11,083	General terms and conditions	-
		ATC (ITALIA) S.R.L	3	Sales revenue	39,766	General terms and conditions	-
		Airtac (Jiangsu) Automation Co., Ltd.	3	Trade receivables	500,284	General terms and conditions	1%
		Airtac (Jiangsu) Automation Co., Ltd.	3	Sales revenue	822,580	General terms and conditions	3%
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Trade receivables	639,701	General terms and conditions	1%
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Sales revenue	1,056,256	General terms and conditions	4%
		AIRTAC USA CORPORATION	3	Trade receivables	12,649	General terms and conditions	-
		AIRTAC USA CORPORATION	3	Sales revenue	51,955	General terms and conditions	-
3	Airtac (China) Co., Ltd	Airtac (Jiangsu) Automation Co., Ltd.	3	Trade receivables	39,722	General terms and conditions	-
		Airtac (Jiangsu) Automation Co., Ltd.	3	Sales revenue	4,869,711	General terms and conditions	19%
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Trade receivables	1,223,031	General terms and conditions	3%
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Sales revenue	6,029,394	General terms and conditions	24%
		Airtac (Tianjin) Intelligent Technology Co., Ltd.	3	Trade receivables	163,545	General terms and conditions	-
		Airtac (Tianjin) Intelligent Technology Co., Ltd.	3	Sales revenue	827,849	General terms and conditions	3%
		Airtac (Fujian) Intelligent Equipment Co., Ltd.	3	Trade receivables	64,732	General terms and conditions	-
		Airtac (Fujian) Intelligent Equipment Co., Ltd.	3	Sales revenue	671,866	General terms and conditions	3%
		Ningbo Airtac Automatic Industrial Co., Ltd.	3	Trade receivables	9,097	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
3	Airtac (China) Co., Ltd	Ningbo Airtac Automatic Industrial Co., Ltd.	3	Sales revenue	67,650	General terms and conditions	-
4	Guangdong Airtac Intelligent Equipment Co., Ltd.	Airtac (China) Co., Ltd.	3	Trade receivables	42,613	General terms and conditions	-
		Airtac (China) Co., Ltd.	3	Sales revenue	502,097	General terms and conditions	2%
5	Airtac Co., Ltd.	Ningbo Airtac Automatic Industrial Co., Ltd	3	Sales revenue	25,511	General terms and conditions	-

Note : No 1. Represents the transactions from parent company to subsidiary.
No 2. Represents the transactions from subsidiary to parent company.
No 3. Represents the transactions from subsidiary to subsidiary.

Table 10

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES
INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Ding Kan Investment Ltd.	28,050,227	14.02%
YHZ Ltd.	11,528,142	5.76%
Express Brilliant Ltd.	10,433,095	5.21%

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.