

**Airtac International Group  
and Subsidiaries**

**Consolidated Financial Statements for the  
Six Months Ended June 30, 2022 and 2021 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' REVIEW 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 June 30, 2022, December 31, 2021 and June 30, 2021, and the consolidated statements of comprehensive income for the three months and six months ended June 30, 2022 and 2021, changes in equity and cash flows for the six months ended June 30, 2022 and 2021, 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 June 30, 2022, December 31, 2021, and June 30, 2021 and its consolidated financial performance and its consolidated cash flows for the three months and six months ended June 30, 2022 and 2021 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 six months ended June 30, 2022. 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 six months ended June

30, 2022 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 six months ended June 30, 2022, the sales revenue from dealers was \$4,307,823 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.

#### **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 six months

ended June 30, 2022 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 reviews resulting in this independent auditors' review report are Jui-Chuan Chih and Bo-Ren Weng.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

August 19, 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 (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2022		December 31, 2021		June 30, 2021	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 4,537,062	9	\$ 4,374,302	9	\$ 4,198,796	10
Financial assets at fair value through profit or loss - current (Note 7)	-	-	16,855	-	10,251	-
Financial assets at amortized cost - current (Notes 8 and 30)	1,066,959	2	1,831,215	4	714,458	2
Notes receivable (Note 9)	1,956,682	4	2,092,888	5	2,713,307	6
Trade receivables (Notes 9 and 29)	7,007,984	13	5,389,837	11	6,238,150	14
Other receivables	20,811	-	22,976	-	19,623	-
Current tax assets (Note 4)	19,053	-	12,820	-	17,993	-
Inventories (Note 10)	6,336,302	12	5,301,683	11	3,908,262	9
Other current assets (Note 14)	307,842	1	271,628	1	191,074	-
Total current assets	21,252,695	41	19,314,204	41	18,011,914	41
NON-CURRENT ASSETS						
Property, plant and equipment (Notes 12 and 30)	27,424,483	53	24,466,511	51	22,993,273	53
Right-of-use assets (Note 13)	1,026,507	2	1,010,259	2	1,038,393	2
Other intangible assets	47,718	-	51,519	-	53,531	-
Deferred tax assets (Notes 4 and 22)	474,112	1	568,219	1	530,427	1
Other non-current assets (Note 14)	1,664,732	3	2,267,944	5	1,257,094	3
Total non-current assets	30,637,552	59	28,364,452	59	25,872,718	59
TOTAL	\$ 51,890,247	100	\$ 47,678,656	100	\$ 43,884,632	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term loans (Note 15)	\$ 8,614,709	17	\$ 3,712,644	8	\$ 10,627,695	24
Short-term bills payable (Note 15)	80,000	-	780,000	2	1,100,000	3
Financial liabilities at fair value through profit or loss - current (Note 7)	-	-	981	-	3,061	-
Contract liabilities - current (Note 20)	61,766	-	68,712	-	93,681	-
Notes payable (Note 16)	262,235	1	226,223	-	187,747	-
Trade payables (Note 16)	998,238	2	1,076,830	2	1,191,877	3
Lease liability - current (Note 13)	67,089	-	60,825	-	57,130	-
Other payables (Note 17)	4,155,990	8	1,731,823	4	1,636,606	4
Current tax liabilities (Note 4)	495,149	1	606,389	1	559,773	1
Current portion of long-term loans (Notes 15 and 30)	-	-	766,500	2	766,500	2
Other current liabilities (Note 17)	108,644	-	188,513	-	288,924	1
Total current liabilities	14,843,820	29	9,219,440	19	16,512,994	38
NON-CURRENT LIABILITIES						
Lease liabilities (Note 13)	145,937	-	148,427	-	171,173	-
Long-term loans (Notes 15 and 30)	-	-	2,805,726	6	3,186,930	7
Deferred tax liabilities (Notes 4 and 22)	502,127	1	353,392	1	362,415	1
Total non-current liabilities	648,064	1	3,307,545	7	3,720,518	8
Total liabilities	15,491,884	30	12,526,985	26	20,233,512	46
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 19)						
Share capital	2,000,000	4	2,000,000	4	1,890,250	4
Capital surplus	14,846,145	28	14,846,145	31	6,870,172	16
Retained earnings	20,147,760	39	19,529,933	41	16,323,382	37
Other equity	(603,039)	(1)	(1,232,155)	(2)	(1,440,699)	(3)
Total equity attributable to owners of the Company	36,390,866	70	35,143,923	74	23,643,105	54
NON-CONTROLLING INTERESTS	7,497	-	7,748	-	8,015	-
Total equity	36,398,363	70	35,151,671	74	23,651,120	54
TOTAL	\$ 51,890,247	100	\$ 47,678,656	100	\$ 43,884,632	100

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

# AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE								
Sales (Notes 20 and 34)	\$ 7,222,386	100	\$ 7,035,048	100	\$ 13,731,348	100	\$ 12,968,924	100
OPERATING COSTS								
Cost of goods sold (Notes 10 and 21)	<u>3,856,330</u>	<u>53</u>	<u>3,579,299</u>	<u>51</u>	<u>7,557,225</u>	<u>55</u>	<u>6,636,852</u>	<u>51</u>
GROSS PROFIT	<u>3,366,056</u>	<u>47</u>	<u>3,455,749</u>	<u>49</u>	<u>6,174,123</u>	<u>45</u>	<u>6,332,072</u>	<u>49</u>
OPERATING EXPENSES								
(Note 21)								
Selling and marketing expenses	666,075	9	590,430	9	1,271,934	9	1,119,344	9
General and administrative expenses	301,962	4	281,354	4	515,910	4	510,258	4
Research and development expenses	181,554	3	148,173	2	358,959	3	289,645	2
Expected credit loss	<u>24,152</u>	<u>-</u>	<u>23,899</u>	<u>-</u>	<u>23,925</u>	<u>-</u>	<u>26,646</u>	<u>-</u>
Total operating expenses	<u>1,173,743</u>	<u>16</u>	<u>1,043,856</u>	<u>15</u>	<u>2,170,728</u>	<u>16</u>	<u>1,945,893</u>	<u>15</u>
PROFIT FROM OPERATIONS	<u>2,192,313</u>	<u>31</u>	<u>2,411,893</u>	<u>34</u>	<u>4,003,395</u>	<u>29</u>	<u>4,386,179</u>	<u>34</u>
NON-OPERATING INCOME AND EXPENSES (Note 21)								
Other income	21,392	-	28,273	1	47,764	-	50,315	1
Other gains and losses	(110,971)	(2)	(66,127)	(1)	280,795	2	(102,680)	(1)
Finance costs	<u>(30,640)</u>	<u>-</u>	<u>(48,738)</u>	<u>(1)</u>	<u>(69,051)</u>	<u>-</u>	<u>(94,975)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(120,219)</u>	<u>(2)</u>	<u>(86,592)</u>	<u>(1)</u>	<u>259,508</u>	<u>2</u>	<u>(147,340)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	2,072,094	29	2,325,301	33	4,262,903	31	4,238,839	33
INCOME TAX EXPENSE (Notes 4 and 22)	<u>470,473</u>	<u>7</u>	<u>537,352</u>	<u>7</u>	<u>983,105</u>	<u>7</u>	<u>1,003,736</u>	<u>8</u>
NET PROFIT FOR THE PERIOD	<u>1,601,621</u>	<u>22</u>	<u>1,787,949</u>	<u>26</u>	<u>3,279,798</u>	<u>24</u>	<u>3,235,103</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	(564,391)	(8)	(200,010)	(3)	777,964	5	(379,721)	(3)
Items that may be reclassified subsequently to profit or loss:								

(Continued)

# AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
Exchange differences on translating foreign operations	121,098	2	6,260	-	(148,870)	(1)	16,626	-
Other comprehensive income for the period, net of income tax	(443,293)	(6)	(193,750)	(3)	629,094	4	(363,095)	(3)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 1,158,328</u>	<u>16</u>	<u>\$ 1,594,199</u>	<u>23</u>	<u>\$ 3,908,892</u>	<u>28</u>	<u>\$ 2,872,008</u>	<u>22</u>
NET PROFIT								
ATTRIBUTABLE TO:								
Owner of the Company	\$ 1,601,717	22	\$ 1,788,138	25	\$ 3,280,027	24	\$ 3,235,474	25
Non-controlling interests	(96)	-	(189)	-	(229)	-	(371)	-
	<u>\$ 1,601,621</u>	<u>22</u>	<u>\$ 1,787,949</u>	<u>25</u>	<u>\$ 3,279,798</u>	<u>24</u>	<u>\$ 3,235,103</u>	<u>25</u>
TOTAL COMPREHENSIVE INCOME								
ATTRIBUTABLE TO:								
Owner of the Company	\$ 1,158,405	16	\$ 1,594,378	23	\$ 3,909,143	28	\$ 2,872,362	22
Non-controlling interests	(77)	-	(179)	-	(251)	-	(354)	-
	<u>\$ 1,158,328</u>	<u>16</u>	<u>\$ 1,594,199</u>	<u>23</u>	<u>\$ 3,908,892</u>	<u>28</u>	<u>\$ 2,872,008</u>	<u>22</u>
EARNINGS PER SHARE								
(Note 23)								
Basic	<u>\$ 8.01</u>		<u>\$ 9.46</u>		<u>\$ 16.40</u>		<u>\$ 17.12</u>	
Diluted	<u>\$ 8.01</u>		<u>\$ 9.46</u>		<u>\$ 16.39</u>		<u>\$ 17.11</u>	

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

(Concluded)

**AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES**

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

	Equity Attributable to Owners of the Company							Non-controlling Interests	Total Equity
					Other Equity		Total		
					Exchange Differences on Translating Foreign Operations	Remeasurement of Defined Benefits Plans			
	Share Capital	Capital Surplus (Note 19)	Retained Earnings Unappropriated Earnings						
	Shares (In Thousands)	Ordinary Shares							
BALANCE AT JANUARY 1, 2021	189,025	\$ 1,890,250	\$ 6,870,172	\$ 14,799,924	\$ (1,083,849)	\$ 6,262	\$ 22,482,759	\$ 8,369	\$ 22,491,128
Appropriation of 2020 earnings									
Cash dividends distributed by the Company	-	-	-	(1,712,016)	-	-	(1,712,016)	-	(1,712,016)
Net profit for the six months ended June 30, 2021	-	-	-	3,235,474	-	-	3,235,474	(371)	3,235,103
Other comprehensive income for the six months ended June 30, 2021, net of income tax	-	-	-	-	(363,112)	-	(363,112)	17	(363,095)
Total comprehensive income for the six months ended June 30, 2021	-	-	-	3,235,474	(363,112)	-	2,872,362	(354)	2,872,008
BALANCE AT JUNE 30, 2021	<u>189,025</u>	<u>\$ 1,890,250</u>	<u>\$ 6,870,172</u>	<u>\$ 16,323,382</u>	<u>\$ (1,446,961)</u>	<u>\$ 6,262</u>	<u>\$ 23,643,105</u>	<u>\$ 8,015</u>	<u>\$ 23,651,120</u>
BALANCE AT JANUARY 1, 2022	200,000	\$ 2,000,000	\$ 14,846,145	\$ 19,529,933	\$ (1,238,417)	\$ 6,262	\$ 35,143,923	\$ 7,748	\$ 35,151,671
Appropriation of 2021 earnings									
Cash dividends distributed by the Company	-	-	-	(2,662,200)	-	-	(2,662,200)	-	(2,662,200)
Net profit for the six months ended June 30, 2022	-	-	-	3,280,027	-	-	3,280,027	(229)	3,279,798
Other comprehensive income for the six months ended June 30, 2022, net of income tax	-	-	-	-	629,116	-	629,116	(22)	629,094
Total comprehensive income for the six months ended June 30, 2022	-	-	-	3,280,027	629,116	-	3,909,143	(251)	3,908,892
BALANCE AT JUNE 30, 2022	<u>200,000</u>	<u>\$ 2,000,000</u>	<u>\$ 14,846,145</u>	<u>\$ 20,147,760</u>	<u>\$ (609,301)</u>	<u>\$ 6,262</u>	<u>\$ 36,390,866</u>	<u>\$ 7,497</u>	<u>\$ 36,398,363</u>

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

# AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 4,262,903	\$ 4,238,839
Adjustments for:		
Depreciation expenses	1,027,462	825,060
Amortization expenses	8,629	8,312
Expected credit loss recognized	23,925	26,646
Net gain on financial assets at fair value through profit or loss	(168,431)	(24,884)
Finance costs	69,051	94,975
Interest income	(47,764)	(50,315)
Loss on disposal of property, plant and equipment	79,141	86,673
Write-down of inventories	8,460	21,516
Net loss (gain) on foreign currency exchange	593	(15,861)
Changes in operating assets and liabilities:		
Decrease (increase) in notes receivable	181,724	(342,089)
Increase in trade receivables	(1,520,072)	(1,702,465)
Decrease in other receivables	350	1,244
Increase in inventories	(924,300)	(356,298)
Increase in other current assets	(30,187)	(25,902)
(Decrease) Increase in contract liabilities	(8,425)	30
Increase in notes payable	30,976	64,843
(Decrease) Increase in trade payables	(102,250)	333,539
(Decrease) Increase in other payables	(40,668)	23,540
(Decrease) Increase in other current liabilities	(83,751)	3,521
Cash generated from operations	2,767,366	3,210,924
Interest received	37,861	38,554
Interest paid	(63,417)	(92,800)
Income tax paid	(873,621)	(1,016,793)
Net cash generated from operating activities	<u>1,868,189</u>	<u>2,139,885</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets measured at amortized cost	(1,549,205)	(1,784,935)
Proceeds from sale of financial assets at amortized cost	2,363,444	2,406,608
Proceeds from sale of financial assets at fair value through profit or loss	175,466	63,213
Payments for property, plant and equipment	(3,279,323)	(2,050,660)
Proceeds from disposal of property, plant and equipment	29,698	26,511
Increase in refundable deposits	(10,166)	(14,853)
Decrease in refundable deposits	31,907	19,997
Acquisitions of intangible assets	(3,936)	(2,158)
Acquisitions of right-of-use assets	-	(26,456)
Increase in prepayments for equipment	-	(383,317)

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## AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2022	2021
Net cash used in generated from investing activities	<u>(2,242,115)</u>	<u>(1,746,050)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term loans	4,898,941	1,118,975
Repayments of short-term bills payable	(700,000)	-
Repayments of long-term loans	(3,577,000)	(383,250)
Repayment of the principal portion of lease liability	(44,924)	(43,227)
Dividends paid to owners of the Company	<u>-</u>	<u>(1,253,497)</u>
Net cash generated from (used in) financing activities	<u>577,017</u>	<u>(560,999)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(40,331)</u>	<u>5,527</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	162,760	(161,637)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>4,374,302</u>	<u>4,360,433</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 4,537,062</u>	<u>\$ 4,198,796</u>
The accompanying notes are an integral part of the consolidated financial statements.		(Concluded)

# AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2022 and 2021

(Amounts 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 August 5, 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.

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies

- b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

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

Note 2: 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 3: 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.

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

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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

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

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a. Statement of Compliance

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

b. Basis of Preparation

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

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

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

c. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries, including structured entities). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

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

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

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

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

d. Other significant accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2021.

### Taxation

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

## **5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

The 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**

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Cash on hand	\$ 828	\$ 1,045	\$ 583
Check accounts	121,892	46,996	46,345
Demand deposits	1,290,473	1,599,573	1,829,480
Cash equivalent (investments with original maturities of less than 3 months)			
Time deposits	<u>3,123,869</u>	<u>2,726,688</u>	<u>2,322,388</u>
	<u>\$ 4,537,062</u>	<u>\$ 4,374,302</u>	<u>\$ 4,198,796</u>

## **7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
<u>Financial assets - current</u>			
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
— Foreign exchange forward contracts	\$ -	\$ 7,444	\$ 712
Non-derivative financial assets			
— Mutual funds	<u>-</u>	<u>9,411</u>	<u>9,539</u>

	June 30, 2022	December 31, 2021	June 30, 2021
	<u>\$ -</u>	<u>\$ 16,855</u>	<u>\$ 10,251</u>
<u>Financial liabilities - current</u>			
Financial liabilities held for trading			
Derivative financial assets (not under hedge accounting)			
— Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 981</u>	<u>\$ 3,061</u>

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

June 30, 2022: None

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

June 30, 2021

	Currency	Maturity Date	Notional Amount (In Thousands)
Buy	RMB /NTD	2021.7.14~2021.9.30	RMB 802,070/ NTD 3,449,374

## 8. FINANCIAL ASSETS AT AMORTIZED COST

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Current</u>			
Time deposits with original maturity of more than 3 month	\$ 6,434	\$ 6,188	\$ 6,138
Restricted bank deposits	37,732	36,924	15,081
Structured deposits	1,022,793	1,788,103	693,239
	<u>\$ 1,066,959</u>	<u>\$ 1,831,215</u>	<u>\$ 714,458</u>

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

## 9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>June 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>June 30,</u> <u>2021</u>
<u>Notes receivable</u>			
At amortized cost			
Notes receivable - operating	\$ 1,979,499	\$ 2,115,481	\$ 2,736,351
Less: Allowance for impairment loss	( <u>22,817</u> )	( <u>22,593</u> )	( <u>23,044</u> )
	<u>\$ 1,956,682</u>	<u>\$ 2,092,888</u>	<u>\$ 2,713,307</u>
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount	\$ 7,085,492	\$ 5,442,143	\$ 6,355,385
Less: Allowance for impairment loss	( <u>77,508</u> )	( <u>52,306</u> )	( <u>117,235</u> )
	<u>\$ 7,007,984</u>	<u>\$ 5,389,837</u>	<u>\$ 6,238,150</u>

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

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

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

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

## June 30, 2022

	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	0.45%	3.87%	40.61%	55.95%	81.57%	86.85%	100.00%	
Gross carrying amount	\$ 8,670,911	\$ 332,774	\$ 9,560	\$ 14,264	\$ 1,107	\$ 6,122	\$ 30,253	\$ 9,064,991
Loss allowance (Lifetime ECL)	( 39,128)	( 12,862)	( 3,882)	( 7,980)	( 903)	( 5,317)	( 30,253)	( 100,325)
Amortized cost	<u>\$ 8,631,783</u>	<u>\$ 319,912</u>	<u>\$ 5,678</u>	<u>\$ 6,284</u>	<u>\$ 204</u>	<u>\$ 805</u>	<u>\$ -</u>	<u>\$ 8,964,666</u>

## 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	0.36%	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)	( 26,272)	( 7,811)	( 4,589)	( 1,298)	( 807)	( 1,535)	( 32,587)	( 74,899)
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>

## June 30, 2021

	Not Past Due	Less than 90 days	91 to 180 days	181 to 365 days	366 to 547 days	548 to 730 days	Over 731 days	Total
Expected credit loss rate	1.01%	3.21%	20.69%	38.52%	82.61%	91.61%	100.00%	
Gross carrying amount	\$ 8,823,943	\$ 214,027	\$ 6,004	\$ 4,904	\$ 3,963	\$ 7,418	\$ 31,477	\$ 9,091,736
Loss allowance (Lifetime ECL)	( 88,740)	( 6,861)	( 1,242)	( 1,889)	( 3,274)	( 6,796)	( 31,477)	( 140,279)
Amortized cost	<u>\$ 8,735,203</u>	<u>\$ 207,166</u>	<u>\$ 4,762</u>	<u>\$ 3,015</u>	<u>\$ 689</u>	<u>\$ 622</u>	<u>\$ -</u>	<u>\$ 8,951,457</u>

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

	For the Six Months Ended June 30	
	2022	2021
Balance at January 1	\$ 22,593	\$ 23,377
Add: Net remeasurement of loss allowance	-	20
Less: Impairment losses reversed	( 252)	-
Foreign exchange gains and losses	476	( 353)
Balance at June 30	<u>\$ 22,718</u>	<u>\$ 23,044</u>

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

	For the Six Months Ended June 30	
	2022	2021
Balance at January 1	\$ 52,306	\$ 92,313
Add: Amounts recovered	6	28
Add: Net remeasurement of loss allowance	24,177	26,626
Foreign exchange gains and losses	1,019	( 1,732)
Balance at June 30	<u>\$ 77,508</u>	<u>\$ 117,235</u>

## 10. INVENTORIES

	June 30, 2022	December 31, 2021	June 30, 2021
Raw materials	\$ 1,714,985	\$ 1,468,987	\$ 1,311,750
Finished goods	2,804,089	2,409,144	1,339,384
Work in progress	<u>1,817,228</u>	<u>1,423,552</u>	<u>1,257,128</u>
	<u>\$ 6,336,302</u>	<u>\$ 5,301,683</u>	<u>\$ 3,908,262</u>

The cost of inventories recognized as cost of goods sold for the three months and six months ended June 30, 2022 and 2021 were \$3,856,330 thousand, \$3,579,299 thousand, \$7,557,225 thousand and \$6,636,852 thousand, respectively. The cost of goods sold included inventory write-downs for the three months and six months ended June 30, 2022 and 2021 were \$3,065 thousand, \$5,969 thousand, \$8,460 thousand and \$21,516 thousand, respectively.

## 11. SUBSIDIARIES

### Subsidiaries included in the consolidated financial statements

The consolidated entities were as follows:

Name of investing company	Name of subsidiary	% of Ownership		
		June 30, 2022	December 31, 2021	June 30, 2021
Airtac International Group	AIRTAC TRADING (HONG KONG) LIMITED	100	100	100
	AIRTAC INDUSTRIAL (HONG KONG) LIMITED	100	100	100
	INSTANT REACH INTERNATIONAL LIMITED	100	100	100
	AIRTAC HOLDING (SINGAPORE) PTE. LTD.	100	100	100
AIRTAC INDUSTRIAL (HONG KONG) LIMITED	Ningbo Airtac Automatic Industrial Co., Ltd.	100	100	100
	Guangdong Airtac Automatic Industrial Co., Ltd.	100	100	100
	Airtac (China) Co., Ltd.	100	100	100
	Airtac (Jiangsu) Automatic Co., Ltd.	100	100	100
INSTANT REACH INTERNATIONAL LIMITED	ATC (ITALIA) S.R.L.	100	100	100
	Airtac Enterprise Co., Ltd.	69.44	69.44	69.44
AIRTAC HOLDING (SINGAPORE) PTE. LTD.	AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	100	100	100
	Airtac Co., Ltd.	100	100	100
	AIRTAC USA CORPORATION	100	100	100
AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	100	100	100
	AIRTAC INDUSTRIAL CO., LTD.	100	100	100
Airtac (China) Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	100	100	100
	Airtac (Tianjin) Intelligent Technology Co., Ltd.	100	100	100
	Airtac (Fujian) Intelligent Equipment Co., Ltd.	100	100	100

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

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

## 12. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2022	December 31, 2021	June 30, 2021
Assets used by the Group	\$27,310,988	\$24,353,723	\$22,897,929
Assets leased under operating leases	113,495	112,788	95,344
	<u>\$27,424,483</u>	<u>\$24,466,511</u>	<u>\$22,993,273</u>

### (1) Assets used by the Group

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office facilities and other equipment	Property in construction	Total
<b>Cost</b>							
Balance at January 1, 2022	\$ 890,359	\$ 12,736,461	\$ 14,615,907	\$ 415,282	\$ 1,920,056	\$ 1,150,496	\$ 31,728,561
Additions	-	67,739	2,721,521	26,495	223,366	634,452	3,673,573
Disposals	-	-	( 414,639 )	( 15,571 )	( 66,832 )	-	( 497,042 )
Reclassification	-	23,367	-	-	-	( 23,367 )	-
Effects of foreign currency exchange differences	-	180,672	249,651	8,317	37,256	26,914	502,810
Balance at June 30, 2022	<u>\$ 890,359</u>	<u>\$ 13,008,239</u>	<u>\$ 17,172,440</u>	<u>\$ 434,523</u>	<u>\$ 2,113,846</u>	<u>\$ 1,788,495</u>	<u>\$ 35,407,902</u>
<b>Accumulated depreciation</b>							
Balance at January 1, 2022	\$ -	\$ 1,769,648	\$ 4,267,055	\$ 243,292	\$ 1,094,843	\$ -	\$ 7,374,838
Depreciation expense	-	152,609	648,268	27,680	147,541	-	976,098
Disposals	-	-	( 307,769 )	( 14,661 )	( 65,773 )	-	( 388,203 )
Effects of foreign currency exchange differences	-	41,291	71,495	1,842	19,553	-	134,181
Balance at June 30, 2022	<u>\$ -</u>	<u>\$ 1,963,548</u>	<u>\$ 4,679,049</u>	<u>\$ 258,153</u>	<u>\$ 1,196,164</u>	<u>\$ -</u>	<u>\$ 8,096,914</u>
Carrying amounts at June 30, 2022	<u>\$ 890,359</u>	<u>\$ 11,044,691</u>	<u>\$ 12,493,391</u>	<u>\$ 176,370</u>	<u>\$ 917,682</u>	<u>\$ 1,788,495</u>	<u>\$ 27,310,988</u>
Carrying amounts at December 31, 2021 and January 1, 2022	<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>
<b>Cost</b>							
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	-	41,606	1,040,153	17,692	113,986	697,648	1,911,085
Disposals	-	( 77,937 )	( 218,881 )	( 7,547 )	( 38,907 )	-	( 343,272 )
Transfers to assets leased under operating leases	-	( 22,770 )	-	-	-	-	( 22,770 )
Reclassification	-	574,628	-	-	-	( 574,628 )	-
Effects of foreign currency exchange differences	-	( 109,470 )	( 170,179 )	( 6,200 )	( 24,652 )	( 17,858 )	( 328,359 )
Balance at June 30, 2021	<u>\$ 890,359</u>	<u>\$ 12,188,123</u>	<u>\$ 13,179,427</u>	<u>\$ 386,017</u>	<u>\$ 1,686,787</u>	<u>\$ 1,173,629</u>	<u>\$ 29,504,342</u>
<b>Accumulated depreciation</b>							
Balance at January 1, 2021	\$ -	\$ 1,527,507	\$ 3,454,951	\$ 217,100	\$ 964,095	\$ -	\$ 6,163,653
Depreciation expense	-	137,520	501,324	26,370	108,688	-	773,902
Disposals	-	( 27,719 )	( 157,066 )	( 7,222 )	( 38,081 )	-	( 230,088 )
Transfers to assets leased under operating leases	-	( 3,416 )	-	-	-	-	( 3,416 )
Effects of foreign currency exchange differences	-	( 14,727 )	( 58,881 )	( 7,061 )	( 16,969 )	-	( 97,638 )
Balance at June 30, 2021	<u>\$ -</u>	<u>\$ 1,619,165</u>	<u>\$ 3,740,328</u>	<u>\$ 229,187</u>	<u>\$ 1,017,733</u>	<u>\$ -</u>	<u>\$ 6,606,413</u>
Carrying amounts at June 30, 2021	<u>\$ 890,359</u>	<u>\$ 10,568,958</u>	<u>\$ 9,439,099</u>	<u>\$ 156,830</u>	<u>\$ 669,054</u>	<u>\$ 1,173,629</u>	<u>\$ 22,897,929</u>

No impairment assessment was performed for the six months ended June 30, 2022 and 2021 as there was no indication of impairment.

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

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

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

(2) Assets leased under operating leases

	<b><u>Buildings</u></b>
<u>Cost</u>	
Balance at January 1, 2022	\$138,424
Effect of foreign currency exchange differences	<u>3,027</u>
Balance at June 30, 2022	<u>\$141,451</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2022	\$ 25,636
Depreciation expenses	1,754
Effect of foreign currency exchange differences	<u>566</u>
Balance at June 30, 2022	<u>\$ 27,956</u>
Carrying amounts at June 30 , 2022	<u>\$113,495</u>
Carrying amounts at December 31, 2021 and January 31, 2022	<u>\$112,788</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ 92,605
Transfers from assets used by the Group	22,770
Effect of foreign currency exchange differences	( <u>1,671</u> )
Balance at June 30, 2021	<u>\$113,704</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2021	\$ 13,778
Transfers from assets used by the Group	3,416
Depreciation expenses	1,431
Effect of foreign currency exchange differences	( <u>265</u> )
Balance at June 30, 2021	<u>\$ 18,360</u>
Carrying amounts at June 30 , 2021	<u>\$ 95,344</u>

Operating leases relate to leases of buildings with lease terms between 1 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:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Year 1	\$ 4,217	\$ 3,791	\$ 3,041
Year 2	3,168	4,109	3,339
Year 3	2,569	2,454	2,898
Year 4	2,697	2,576	2,493
Year 5	1,278	2,014	2,618
Year 6 onwards	4,007	4,485	5,130
	<u>\$ 17,936</u>	<u>\$ 19,429</u>	<u>\$ 19,519</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

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Carrying amount			
Land	\$ 809,608	\$ 801,540	\$ 804,268
Buildings	216,899	208,667	233,249
Transportation equipment	-	52	876
	<u>\$1,026,507</u>	<u>\$1,010,259</u>	<u>\$1,038,393</u>

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Additions to right-of-use assets			<u>\$ 46,598</u>	<u>\$ 85,804</u>
Depreciation of right-of-use assets				
Land	\$ 4,739	\$ 4,572	\$ 9,435	\$ 9,103
Buildings	21,333	19,580	40,123	39,658
Transportation equipment	-	466	52	966
	<u>\$ 26,072</u>	<u>\$ 24,618</u>	<u>\$ 49,610</u>	<u>\$ 49,727</u>

(2) Lease Liabilities

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Carry amount			
Current	\$ 67,089	\$ 60,825	\$ 57,130
Non-current	<u>\$ 145,937</u>	<u>\$ 148,427</u>	<u>\$ 171,173</u>

Range of discount rate for lease liabilities was as follows:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Buildings	1.79%~4.35%	1.79%~4.35%	1.79%~4.35%

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

The Company lease lands and buildings mainly for the use of offices and logistic centers with lease terms of 1 to 7 years for the six months ended June 30, 2022. The prepayments for leases is applicable to the land use right located in Mainland China with lease terms of 50 years. The Company does not have purchase options to acquire the leasehold buildings at the end of the lease terms.

(4) Other lease information

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Expenses relating to short-term leases	\$ 6,256	\$ 3,833	\$ 13,721	\$ 8,254
Total cash outflow for leases			\$ 59,947	\$ 82,288

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

	June 30, 2022	December 31, 2021	June 30, 2021
Lease commitments	\$ 15,158	\$ 10,825	\$ 12,845

**14. OTHER ASSETS**

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Current</u>			
Prepayments	\$ 118,871	\$ 115,890	\$ 93,170
Prepaid expenses	121,505	114,217	72,965
Excess VAT paid	67,465	41,372	24,936
Others	1	149	3
	<u>\$ 307,842</u>	<u>\$ 271,628</u>	<u>\$ 191,074</u>
<u>Non-current</u>			
Prepayments for equipment	\$ 1,638,344	\$ 2,220,286	\$ 1,224,251
Refundable deposits	19,431	40,701	25,886
Net defined benefit assets	6,957	6,957	6,957
	<u>\$ 1,664,732</u>	<u>\$ 2,267,944</u>	<u>\$ 1,257,094</u>

**15. LOANS**

(1) Short-term loans

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Unsecured loans</u>			
Line of credit loans	\$ 8,614,709	\$ 3,712,644	\$ 10,627,695

The range of interest rate on bank loans was 0.50%-1.77%, 0.79%-0.94%, and 0.43%-1.07% per annum as of June 30, 2022, December 31, 2021, and June 30, 2021, respectively.

(2) Short-term bills payable

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Commercial paper	<u>\$ 80,000</u>	<u>\$ 780,000</u>	<u>\$1,100,000</u>

Outstanding short-term bills payable were as follows:

June 30, 2022

<b>Promissory Institutions</b>	<b>Nominal amount</b>	<b>Discount amount</b>	<b>Discount amount</b>
<u>Commercial paper</u>			
International Bills	<u>\$ 80,000</u>	<u>\$ -</u>	<u>\$ 80,000</u>

December 31, 2021

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

June 30, 2021

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

- The payables of the commercial paper have not been discounted, because the effect was not material.
- The range of interest rate on short-term bills were 1.008%, 0.878% and 0.978%-1.018% per annum as of June 30, 2022, December 31, 2021 and June 30, 2021, respectively.

(3) Long-term loans

	<u>June 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>June 30,</u> <u>2021</u>
<u>Secured loans</u>			
Between March 2018 and March 2023 (with interest rate of 1.7895%)	\$ -	\$ 3,577,000	\$ 3,960,250
Deduct: Current portion	-	( 766,500 )	( 766,500 )
Deduct : Syndication loan charge fee	-	( 4,774 )	( 6,820 )
Long-term loans	<u>\$ -</u>	<u>\$ 2,805,726</u>	<u>\$ 3,186,930</u>

In March, 2018, the Group signed a \$6,000,000 thousand syndicated loan (the Loan) with Mega International Commercial Bank and 12 other participating banks. The Loan is composed by three kinds of loans. The first one is a secured loan in the amount of \$2,200,000 thousand. This loan is to repay the existing bank loans. The Loan is effective in 3 months since February 12, 2018 and the undrawn facilities will be automatically cancelled as the effective term terminated. As of June 30, 2022, the Group draw all the amount of this loan. The second one is a secured loan in the amount of \$3,300,000 thousand. This loan is to support the capital needs of Phase 2 factory and manufacturing productivity expansion plan in Tainan ShuGu Park. The Loan is effective in 18 months after the first draw and the undrawn facilities will be automatically cancelled as the effective term terminated. As of June 30, 2022, the Group draw in the amount of \$2,910,000 thousand of this loan. The third one is an unsecured loan in the amount of \$500,000 thousand on a revolving basis. The purpose of this loan is for providing medium-term working capital. As of June 30, 2022, the Group draw all the amount of this loan. If the Group meet all criteria in 5 years after the first draw, the Group could apply to Mega International Commercial Bank for extending the credit period for two years once in written application. The principal will be payable after two years from the first draw of the first and second loans in 7 semiannually installments. The first to the sixth installment will be calculated at a repayable amount equal to 7.5% of the outstanding principal prior to the day before the first installment and the 55% remainder principal will be repaid in full on the maturity date. Each credit of the third loan would be repaid in full on each maturity date. During the loan period, financial ratios of the Group comply with predetermined financial covenants since year 2018.

Refer to Note 30 for the information relating to the Group's assets pledged as collateral bank loans.

## 16. NOTES PAYABLE AND TRADE PAYABLES

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

## 17. OTHER LIABILITIES

	June 30, 2022	December 31, 2021	June 30, 2022
<u>Current</u>			
Other payables			
Salaries and bonus	\$ 888,045	\$ 984,449	\$ 896,682
Payables for dividends	2,662,200	-	458,519
Payables for purchase of equipment	404,543	625,968	170,484
Others	<u>201,202</u>	<u>121,406</u>	<u>110,921</u>
	<u>\$ 4,155,990</u>	<u>\$ 1,731,823</u>	<u>\$ 1,636,606</u>
Other current liabilities			
Other taxes	\$ 93,369	\$ 171,026	\$ 273,397
Others	<u>15,275</u>	<u>17,487</u>	<u>15,527</u>
	<u>\$ 108,644</u>	<u>\$ 188,513</u>	<u>\$ 288,924</u>

## 18. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

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

### b. Defined benefit plans

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

## 19. EQUITY

### a. Share capital

#### Ordinary shares

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Numbers of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>200,000</u>	<u>200,000</u>	<u>189,025</u>
Shares issued	<u>\$ 2,000,000</u>	<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

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
<u>Used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>			
Issuance of ordinary shares	\$ 14,099,953	\$ 14,099,953	\$ 6,123,279
Organization Reconstruction	704,640	704,640	704,640
Donations	<u>41,552</u>	<u>41,552</u>	<u>41,552</u>
	<u>\$ 14,846,145</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, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside

or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. 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. At least 30% of the balance of net income less accumulated deficit, legal reserve and special reserve should be appropriated as dividends. The cash dividends should be at least 10% of total dividends declared.

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

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

The appropriations of earnings for 2021 and 2020 that was approved in the board meetings on March 4, 2022 and March 8, 2021 was as follow:

	<b>2021</b>	<b>2020</b>
Cash dividends	<u>\$2,662,200</u>	<u>\$1,712,016</u>
Cash dividends per share (NT\$)	\$ 13.311	\$ 9.06

The above 2021 appropriations for cash dividends had been resolved by the Company's board of directors on March 4, 2022 and the report of such distribution will be summited to the shareholder's meeting on June 16, 2022. The board of directors had resolved to issue cash dividends from capital surplus of RMB \$600,000 thousand (NT\$2,662,200 thousand), RMB \$3 (NT\$13.311) per share. The exchange rate for the actual cash dividend is based on the amount of the cash dividend converted from the exchange rate of RMB to NT\$ by the stock agency.

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

d. Other equity items

Exchange differences on translating foreign operations

	<b>For the Six Months Ended June 30</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	(\$1,238,417)	(\$1,083,849)
Exchange differences on translating foreign operations	( 148,679)	16,482
Exchange differences on translating to presentation currency	<u>777,795</u>	( <u>379,594</u> )
Balance at June 30	<u>(\$ 609,301)</u>	<u>(\$1,446,961)</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

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Revenue from contracts with customers				
Revenue from sale of goods	<u>\$ 7,222,386</u>	<u>\$ 7,035,048</u>	<u>\$13,731,348</u>	<u>\$12,968,924</u>
a. Contract information				
<u>Revenue from sale of goods</u>				

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

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>	<b>January 1, 2021</b>
Note receivables and trade receivables (Note 9)	<u>\$ 8,964,666</u>	<u>\$ 7,482,725</u>	<u>\$ 8,951,457</u>	<u>\$ 7,064,425</u>
Contract liabilities-current				
Sale of goods	<u>\$ 61,766</u>	<u>\$ 68,712</u>	<u>\$ 93,681</u>	<u>\$ 95,130</u>

c. Disaggregation of revenue

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

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

Net income from continuing operations includes:

### a. Interest income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Bank deposits	\$ 18,638	\$ 22,997	\$ 35,667	\$ 40,344
Financial assets at amortized cost	<u>2,754</u>	<u>5,276</u>	<u>12,097</u>	<u>9,971</u>
	<u>\$ 21,392</u>	<u>\$ 28,273</u>	<u>\$ 47,764</u>	<u>\$ 50,315</u>

### b. Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Gain/(loss) on disposal of financial assets				
Financial assets designated as at FVTPL	( \$ 9,985 )	( \$ 598 )	\$ 168,431	\$ 32,559
Financial liabilities held for trading (Note 7)	-	( 2,241 )	-	( 7,675 )
Net foreign exchange losses	( 37,178 )	( 2,143 )	160,121	( 62,213 )
Government grants	12,123	1,696	22,131	7,806
Gain (loss) on disposal of property, plant and equipment	( 78,710 )	( 66,881 )	( 79,141 )	( 86,673 )
Others	<u>2,779</u>	<u>4,040</u>	<u>9,253</u>	<u>13,516</u>
	<u>( \$ 110,971 )</u>	<u>( \$ 66,127 )</u>	<u>\$ 280,795</u>	<u>( \$ 102,680 )</u>

### c. Financial costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Interest on bank loans	\$ 29,136	\$ 47,330	\$ 66,237	\$ 92,148
Interest on lease liability	<u>1,504</u>	<u>1,408</u>	<u>2,814</u>	<u>2,827</u>
	<u>\$ 30,640</u>	<u>\$ 48,738</u>	<u>\$ 69,051</u>	<u>\$ 94,975</u>

### d. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
An analysis of deprecation by function				
Operating costs	\$ 422,228	\$ 314,510	\$ 806,830	\$ 624,161
Operating expenses	<u>113,353</u>	<u>101,074</u>	<u>220,632</u>	<u>200,899</u>
	<u>\$ 535,581</u>	<u>\$ 415,584</u>	<u>\$ 1,027,462</u>	<u>\$ 825,060</u>
An analysis of amortization by function				
Operating costs	\$ 279	\$ 275	\$ 557	\$ 549
Operating expenses	<u>3,958</u>	<u>3,966</u>	<u>8,072</u>	<u>7,763</u>
	<u>\$ 4,237</u>	<u>\$ 4,241</u>	<u>\$ 8,629</u>	<u>\$ 8,312</u>

e. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Post-employment benefits				
Defined contribution plans	\$ 78,874	\$ 52,393	\$ 156,859	\$ 105,428
Other employee benefits	<u>1,623,446</u>	<u>1,397,682</u>	<u>3,141,675</u>	<u>2,657,056</u>
Total employee benefits expense	<u>\$ 1,702,320</u>	<u>\$ 1,450,075</u>	<u>\$ 3,298,534</u>	<u>\$ 2,762,484</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 1,019,772	\$ 828,427	\$ 2,014,909	\$ 1,586,830
Operating expenses	<u>682,548</u>	<u>621,648</u>	<u>1,283,625</u>	<u>1,175,654</u>
	<u>\$ 1,702,320</u>	<u>\$ 1,450,075</u>	<u>\$ 3,298,534</u>	<u>\$ 2,762,484</u>

f. Employees' compensation and remuneration of directors and supervisors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 1% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. For the three months and six months ended June 30, 2022 and 2021, the employees' compensation and the remuneration of directors and supervisors were as follows:

Accrual rate

	For the Six Months Ended June 30	
	2022	2021
Employees' compensation	1.0%	1.0%

Amount

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Employees' compensation	<u>\$ 20,978</u>	<u>\$ 23,252</u>	<u>\$ 43,177</u>	<u>\$ 42,665</u>

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

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

Amount

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

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

g. Gain or loss on foreign currency exchange

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Foreign exchange gains	( \$ 37,168 )	\$ 23,987	\$ 178,894	\$ 27,841
Foreign exchange losses	( 10 )	( 26,130 )	( 18,773 )	( 90,054 )
Net losses (gains)	( \$ 37,178 )	( \$ 2,143 )	\$ 160,121	( \$ 62,213 )

## 22. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follow:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Current tax				
In respect of the current period	\$ 393,830	\$ 447,859	\$ 754,295	\$ 817,284
Adjustments for prior periods	( 10,329 )	( 149 )	( 10,329 )	( 149 )
	<u>383,501</u>	<u>447,710</u>	<u>743,966</u>	<u>817,135</u>
Deferred tax				
In respect of the current period	<u>86,972</u>	<u>89,642</u>	<u>239,139</u>	<u>186,601</u>
Income tax expense recognized in profit or loss	<u>\$ 470,473</u>	<u>\$ 537,352</u>	<u>\$ 983,105</u>	<u>\$ 1,003,736</u>

b. Income tax assessments

The income tax returns of the Company and subsidiaries, except the Company and Instant Reach International Limited are exempted from income tax, Airtac International Group Taiwan Branch, and Airtac Industrial Co., Ltd have been examined and cleared by the ROC tax authority through 2020. The other subsidiaries have also filed business income tax returns by the deadlines set by the local governments.

## 23. EARNINGS PER SHARE

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

### Net profit for the period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Profit for the period attributable to owners of the Company	<u>\$ 1,601,717</u>	<u>\$ 1,788,138</u>	<u>\$ 3,280,027</u>	<u>\$ 3,235,474</u>
Earnings used in the computation of basic earnings per share	<u>1,601,717</u>	<u>1,788,138</u>	<u>3,280,027</u>	<u>3,235,474</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,601,717</u>	<u>\$ 1,788,138</u>	<u>\$ 3,280,027</u>	<u>\$ 3,235,474</u>

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Weighted average number of ordinary shares in computation of basic earnings per share	200,000	189,025	200,000	189,025
Effect of dilutive potential ordinary shares:				
Employees' compensation	<u>21</u>	<u>22</u>	<u>75</u>	<u>65</u>
Weighted average number of ordinary shares used in computation of dilutive earnings per share	<u>200,021</u>	<u>189,047</u>	<u>200,075</u>	<u>189,090</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 capital surplus-premium and capital surplus-option expired on the exercise date.

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 six months ended June 30, 2022 and 2021.

- a. The Group acquired property, plant and equipment with an aggregate fair value of \$3,673,573 thousand during the period of the six months ended June 30, 2022. Other non-current assets decrease \$628,693 thousand in total. Other payables decrease \$234,443 thousand in total. The cash paid of the Group for acquisition of property, plant and equipment was \$3,279,323 thousand (see the Note 12).
- b. The Group acquired property, plant and equipment with an aggregate fair value of \$1,911,085 thousand during the period of the six months ended June 30, 2021. Other payables decrease \$139,575 thousand in total. The cash paid of the Group for acquisition of property, plant and equipment was \$2,050,660 thousand (see the Note 12).
- c. The Group acquired the right-of-use assets with value of \$85,804 thousand during the six months ended June 30, 2021. Lease liability increases \$59,348 thousand. The cash paid of the Group for right-of-use assets was \$26,456 thousand (see the Note 13).

### 2. Reconciliation of liabilities arising from financing activities

For the period of the six months ended June 30, 2022

	<u>Balance as of January 1, 2022</u>	<u>Cash Flow</u>	<u>Non-cash changes</u>				<u>Foreign Exchange Movement</u>	<u>Balance as of June 30, 2022</u>
			<u>New Leases</u>	<u>Adjustments</u>	<u>Finance cost</u>			
Short-term loans	\$ 3,712,644	\$ 4,898,941	\$ -	\$ -	\$ -	\$ 3,124		\$ 8,614,709
Short-term bill payable	780,000	( 700,000 )	-	-	-	-		80,000
Long-term loans	3,572,226	( 3,577,000 )	-	-	4,774	-		-
Lease liabilities	209,252	( 44,924 )	46,598	( 5,234 )	-	7,334		213,026
	<u>\$ 8,274,122</u>	<u>\$ 577,017</u>	<u>\$ 46,598</u>	<u>( 5,234 )</u>	<u>\$ 4,774</u>	<u>\$ 10,458</u>		<u>\$ 8,907,735</u>

For the period of the six months ended June 30, 2021

	Balance as of January 1, 2021	Cash Flow	Non-cash changes				Balance as of June 30, 2021
			New Leases	Adjustments	Finance cost	Foreign Exchange Movement	
Short-term loans	\$ 9,572,760	\$ 1,118,975	\$ -	\$ -	\$ -	( \$ 64,040 )	\$ 10,627,695
Short-term bill payable	1,100,000	-	-	-	-	-	1,100,000
Long-term loans	4,334,634	( 383,250 )	-	-	2,046	-	3,953,430
Lease liabilities	222,054	( 43,227 )	59,348	( 2,916 )	-	( 6,956 )	228,303
	<u>\$ 15,229,448</u>	<u>\$ 692,498</u>	<u>\$ 59,348</u>	<u>( \$ 2,916 )</u>	<u>\$ 2,046</u>	<u>( \$ 70,996 )</u>	<u>\$ 15,909,428</u>

## 27. CAPITAL MANAGEMENT

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

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

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

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

## 28. FINANCIAL INSTRUMENTS

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

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

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

#### (1) Fair value hierarchy

June 30, 2022: None

December 31, 2021

	Level 1	Level 2	Level 3	Total
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>

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial liabilities at FVTPL				
Foreign exchange forward contracts	\$ -	\$ 981	\$ -	\$ 981

June 30, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTPL				
Mutual Funds	\$ 9,539	\$ -	\$ -	\$ 9,539
Foreign exchange forward contracts	-	712	-	712
Total	\$ 9,539	\$ 712	\$ -	\$ 10,251

Financial liabilities at FVTPL				
Foreign exchange forward contracts	\$ -	\$ 3,061	\$ -	\$ 3,061

There were no transfers between the level 1 and level 2 during the period of the six months ended June 30, 2022 and 2021.

(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	<u>Discounted cash flow</u> Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
<u>Financial assets</u>			
Financial assets at FVTPL			
Designated as at FVTPL	\$ -	\$ 16,855	\$ 10,251
Financial assets at amortized cost (Note 1)	14,608,929	13,751,919	13,910,220
<u>Financial liabilities</u>			
FVTPL			
Held for trading	-	981	3,061
Measured at amortized cost (Note 2)	13,223,127	10,115,297	17,800,673

Note1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, and notes receivable and trade receivables. Those reclassified to held-for-sale disposal groups are also included.

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

d. Financial risk management objectives and policies

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

1. Market risk

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

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

(1) Foreign currency risk

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

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

	<b>USD Impact</b>	
	<b>For the Six Months Ended June 30</b>	
	<b>2022</b>	<b>2021</b>
Profit and losses	\$ 5,215	(\$ 16,490)

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:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Fair value risk			
-Financial assets	\$ 4,153,096	\$ 4,520,979	\$ 3,021,765
-Financial liabilities	8,694,709	8,064,870	15,681,125
Cash flow risk			
-Financial assets	1,328,205	1,636,497	1,844,561
-Financial liabilities	-	-	-

Sensitiveness analysis

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

If interest rates had been 1% higher or lower and all other variables were held constant, the Group's pre-tax profit for the six months ended June 30, 2022 and 2021 would increase or decrease by \$6,641 thousand and \$9,455 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits and borrowings.

## 2. Credit risk

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

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

The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any other counterparty did not exceed 1% of gross monetary assets at any time during the six months ended June 30, 2022 and 2021.

The Group's concentration of credit risk by geographical locations was mainly in Mainland China, which accounted for 92.87%, 91.94%, and 92.54% of the total trade receivables as of June 30, 2022, December 31, 2021, and June 30, 2021, respectively.

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

## 3. Liquidity

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank loans as a significant source of liquidity. As of June 30, 2022, December 31, 2021, and June 30, 2021, the Group had available unutilized short-term bank loan facilities set out in (2) below.

### (1) Liquidity and interest rate risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks

choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

June 30, 2022

	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	\$ 5,011,920	\$ 404,543	\$ -	\$ -
Lease liabilities	23,361	48,355	150,667	-
Fixed interest rate liabilities	8,114,995	584,772	-	-
	<u>\$ 13,150,276</u>	<u>\$ 1,037,670</u>	<u>\$ 150,667</u>	<u>\$ -</u>

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	4,818,654	499,302	2,822,212	-
	<u>\$ 7,238,812</u>	<u>\$ 1,179,503</u>	<u>\$ 2,975,030</u>	<u>\$ -</u>

June 30, 2021

	On Demand or Less than 3 Month	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 2,845,746	\$ 170,484	\$ -	\$ -
Lease liabilities	11,236	50,978	178,131	-
Fixed interest rate liabilities	10,998,832	1,571,839	3,231,843	-
	<u>\$ 13,855,814</u>	<u>\$ 1,793,301</u>	<u>\$ 3,409,974</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.

June 30, 2022: None

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)	\$ -	\$ -	\$ -

June 30, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1 to 3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Net settled</u>					
Foreign exchange forward contract	( \$ 2,028)	( \$ 1,033)	\$ -	\$ -	\$ -

(3) Financing facilities

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Unsecured bank loans (re-examined annually)			
-Amounts used	\$ 8,694,709	\$ 4,492,644	\$ 11,727,695
-Amounts unused	<u>13,719,368</u>	<u>17,306,206</u>	<u>8,197,461</u>
	<u>\$ 22,414,077</u>	<u>\$ 21,798,850</u>	<u>\$ 19,925,156</u>
Secured bank loans			
-Amounts used	\$ -	\$ 3,577,000	\$ 3,960,250
-Amounts unused	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 3,577,000</u>	<u>\$ 3,930,250</u>

e. Transfers of financial assets

During the six months ended June 30, 2022, the Group transferred a portion of its banker's acceptance bills in mainland China with an aggregate carrying amount of \$346,353 thousand to some of its suppliers in order to settle the trade payables to these suppliers. According to the contract, if these banker's acceptance bills are not recoverable 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 banker's acceptance bills, it continues to recognize the full carrying amounts of these banker's acceptance bills.

As of June 30, 2022 and 2021, the carrying amount of these commercial acceptance bills that have been transferred but not derecognized were \$135,263 thousand and \$99,793 thousand.

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

The maximum exposure to loss from the Group's continuing involvement in the derecognized bills receivable is equal to the face amounts of the transferred but unsettled bills receivable, and as of June 30, 2022, the face amounts of these unsettled bills receivable were \$224,584 thousand. The unsettled bills receivable will be due in 12 months after June

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 six months ended June 30, 2022, the Group did not recognize any gains or losses upon the transfer of the banker's acceptance bills. No gains or losses were recognized from the continuing involvement, both during the current year or cumulatively.

The Group discounted trade receivables in mainland China to banks for cash proceeds. As the Group has transferred substantially all risks and rewards relating to these bills receivable, it derecognized the full carrying amount of the bills receivable and the associated trade payables. However, if the derecognized bills receivable are not paid at maturity, the suppliers have the right to request that the Group pay the unsettled balance; therefore, the Group still has continuing involvement in these bills receivable.

The maximum exposure to loss from the Group's continuing involvement in the derecognized bills receivable is equal to the face amounts of the transferred but unsettled bills receivable, and as of June 30, 2022, the face amounts of these unsettled bills receivable was \$1,470,245 thousand. The unsettled bills receivable will be due in 12 months after June 30, 2022. Taking into consideration the credit risk of these derecognized bills receivable, the Group estimates that the fair values of its continuing involvement are not significant.

During the six months ended June 30, 2022 the Group recognized financial cost of \$17,343 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 Three Months Ended June 30		For the Six Months Ended June 30	
		2022	2021	2022	2021
Sales	Substantive related parties ( the responsible person of the party is the director of the Group)	\$ 53	\$ 37	\$ 73	\$ 37

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

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

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Trade Receivables	Substantive related parties ( the responsible person of the party is the director of the Group)	<u>\$ 7</u>	<u>\$ 52</u>	<u>\$ 24</u>

No expense was recognized for the six months ended June 30, 2022 and 2021 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:

	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Short-term employee benefits	<u>\$24,192</u>	<u>\$22,278</u>	<u>\$63,097</u>	<u>\$69,494</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:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Pledge deposits (classified as financial assets at amortized cost)	\$ 6,434	\$ 6,188	\$ 6,138
Restricted bank deposits (classified as financial assets at amortized cost)	37,732	36,924	15,081
Land	890,359	890,359	890,359
Buildings, net	4,838,705	4,829,920	4,857,970
Machinery and Equipment	<u>1,502,104</u>	<u>1,600,924</u>	<u>1,730,443</u>
	<u>\$ 7,275,334</u>	<u>\$ 7,364,315</u>	<u>\$ 7,499,991</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:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Acquisition of property, plant and equipment	<u>\$ 2,175,852</u>	<u>\$ 4,054,353</u>	<u>\$ 4,189,379</u>

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

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

#### June 30, 2022

	<b>Foreign currency</b>	<b>Exchange rate</b>	<b>Carrying amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 901	29.79(USD: NTD)	\$ 26,841
USD	18,631	6.71(USD: RMB)	555,063
RMB	1,501,235	4.44(RMB: NTD)	6,663,980
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 34	29.79(USD: NTD)	\$ 1,003
USD	1,994	6.71(USD: RMB)	59,412
RMB	50,830	4.44(RMB: NTD)	255,634

#### December 31, 2021

	<b>Foreign currency</b>	<b>Exchange rate</b>	<b>Carrying amount</b>
<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)	6,223,214
<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)	283,546

June 30, 2021

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Financial assets</u>			
Monetary items			
USD	\$ 310	27.84(USD: NTD)	\$ 8,629
USD	17,231	6.46(USD: RMB)	479,647
RMB	1,267,839	4.31(RMB: NTD)	5,463,118
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 1,412	27.84(USD: NTD)	\$ 39,297
USD	75,366	6.46(USD: RMB)	2,097,931
RMB	59,361	4.31(RMB: NTD)	255,786

For the three months and six months ended June 30, 2022 and 2021, realized and unrealized net foreign exchange losses were (\$37,178) thousand, (\$2,143) thousand, \$160,121 thousand and (\$62,213) thousand, respectively. It is impractical to disclose net foreign exchange gains by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

### **33. DISCLOSED ITEMS**

a. 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)
  11. Information for investees (Table 2)
- b. Information on investees (Table 2)
- c. 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.
- d. 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.

	<b>Revenues</b>		<b>Profit Before Tax</b>	
	<b>For the Six Months Ended</b>		<b>For the Six Months Ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Pneumatic components				
-Direct sales	\$ 9,423,525	\$ 8,740,674	\$ 3,101,480	\$ 3,291,761
-Distributors	<u>4,307,823</u>	<u>4,228,250</u>	<u>1,417,825</u>	<u>1,604,676</u>
Total amounts of continuing operations	<u>\$ 13,731,348</u>	<u>\$ 12,968,924</u>	4,519,305	4,896,437
Interest income			47,764	50,315
Gain on disposal of property, plant and equipment			( 79,141 )	( 86,673 )
Net exchange gains (losses)			160,121	( 62,213 )
Net gain arising on financial assets designated as at FVTPL			168,431	24,884
HQ admin. cost and directors' salaries			( 484,526 )	( 488,936 )
Finance costs			( 69,051 )	( 94,975 )
Profit before income tax from continuing operations			<u>\$ 4,262,903</u>	<u>\$ 4,238,839</u>

The segment revenues were accounted for the transactions with external customers. No inter-segment sales occurred for the six months ended June 30, 2022 and 2021.

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, gain recognized on the disposal of interest in former associates, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of financial instruments, exchange gain or loss, valuation gain or loss on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
<u>Segment assets</u>			
Pneumatic components			
-Direct sales	\$ 35,268,470	\$ 31,125,695	\$ 29,205,964
-Distributors	<u>16,128,612</u>	<u>15,971,922</u>	<u>14,130,248</u>
Total segment total assets	51,397,082	47,097,617	43,336,212
Unallocated assets	<u>493,165</u>	<u>581,039</u>	<u>548,420</u>
Consolidated total assets	<u>\$ 51,890,247</u>	<u>\$ 47,678,656</u>	<u>\$ 43,884,632</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 SIX MONTHS ENDED JUNE 30, 2022  
(In Thousands of New Taiwan Dollars and Foreign Currencies, Unless Specified Otherwise)**

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note1)	Ending Balance (Note1)	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits	Note
													Item	Value			
0	Airtac International Group	ATC (ITALIA) S.R.L	Other receivables	Yes	EUR 7,000 (NTD 217,349 )	EUR 7,000 (NTD 217,349 )	EUR 3,200 (NTD 99,360 )	-	Short-term financing needs	\$ -	Revolving fund	\$ -	-	-	\$ 14,556,346	\$ 14,556,346	Note 2
0	Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd	Other receivables	Yes	USD 20,000 (NTD 595,838 )	USD 10,000 (NTD 297,919 )	USD - (NTD - )	-	Short-term financing needs	-	Revolving fund	-	-	-	14,556,346	14,556,346	Note 2
0	Airtac International Group	AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	Other receivables	Yes	USD 4,000 (NTD 119,168 )	USD 1,500 (NTD 44,688 )	USD 450 (NTD 13,406 )	-	Short-term financing needs	-	Revolving fund	-	-	-	14,556,346	14,556,346	Note 2
0	Airtac International Group	Airtac Co., Ltd	Other receivables	Yes	USD 9,500 (NTD 283,023 )	USD 6,000 (NTD 178,751 )	USD 5,005 (NTD 149,117 )	-	Short-term financing needs	-	Revolving fund	-	-	-	14,556,346	14,556,346	Note 2
0	Airtac International Group	AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	Other receivables	Yes	USD 4,000 (NTD 119,168 )	USD 4,000 (NTD 119,168 )	USD 2,320 (NTD 69,117 )	-	Short-term financing needs	-	Revolving fund	-	-	-	14,556,346	14,556,346	Note 2
0	Airtac International Group	AIRTAC USA CORPORATION	Other receivables	Yes	USD 13,000 (NTD 387,295 )	USD 9,000 (NTD 268,127 )	USD 7,750 (NTD 230,887 )	-	Short-term financing needs	-	Revolving fund	-	-	-	14,556,346	14,556,346	Note 2

Note 1: Conversion to NTD used the spot exchange rate on June 30, 2022, that is, 1USD=29.7919 NTD, 1EUR=31.0499 NTD.  
 Note 2: According to Company’s Loans to Others Procedure, the limits on loans provided to other parties is 40% of the Group’s net worth at the end of the period.

TABLE 2

# AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

## INFORMATION FOR INVESTEEES

FOR THE SIX MONTHS ENDED JUNE 30, 2022

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		June 30, 2022			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				June 30, 2022 (Note1)	December 31, 2021 (Note1)	Shares	%	Carrying Amount			
Airtac International Group	AIRTAC INDUSTRIAL (HONG KONG) LIMITED	Hong Kong	General investment	USD 87,500 RMB 467,500 (NTD 4,682,024)	USD 87,500 RMB 467,500 (NTD 4,682,024)	157,634,522	100	\$ 30,396,448	\$ 2,849,252	\$ 2,849,252	2
	AIRTAC TRADING (HONG KONG) LIMITED	Hong Kong	General investment	USD - (NTD -)	USD - (NTD -)	7,000,000	100	2,345	23	23	2
	INSTANT REACH INTERNATIONAL LIMITED	British Virgin Island	General investment	USD 2,283 EUR 1,000 RMB 17,500 (NTD 176,748)	USD 2,283 EUR 1,000 RMB 17,500 (NTD 176,748)	1	100	99,758	( 3,509)	( 3,509)	2
	AIRTAC HOLDING (SINGAPORE) PTE. LTD.	Singapore	General investment	USD 17,000 (NTD 506,462)	USD 17,000 (NTD 506,462)	17,000,000	100	90,754	( 10,153)	( 10,153)	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	20,620	( 748)	-	4
	ATC (ITALIA) S.R.L	Italy	Production and sales of pneumatic and hydraulic control components	EUR 4,000 (NTD 124,200)	EUR 4,000 (NTD 124,200)	4,000,000	100	53,619	( 2,969)	-	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 372,399)	USD 12,500 (NTD 372,399)	12,500,000	100	301,685	13,082	-	4
	Airtac Co., Ltd.	Japan	Production and sales of pneumatic control components and accessories	JPY 98,000 (NTD 21,403)	JPY 98,000 (NTD 21,403)	2,000	100	( 76,295)	532	-	4
	AIRTAC USA CORPORATION	USA	Production and sales of pneumatic control components and accessories	USD 3,000 (NTD 89,376)	USD 3,000 (NTD 89,376)	3,000	100	( 142,368)	( 23,983)	-	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 6,489)	MYR 1,000 (NTD 6,489)	1,000,000	100	( 23,606)	( 174)	-	4
	AIRTAC INDUSTRIAL CO., LTD.	Thailand	Production and sales of pneumatic control components and accessories	THB 100,000 (NTD 84,910)	THB 100,000 (NTD 84,910)	1,000,000	100	99,937	9,351	-	4

Note 1 : Conversion to NTD used the spot exchange rate on June 30, 2022, that is, 1 USD=29.7919 NTD, 1 EUR=31.0499 NTD, 1 JPY=0.2184 NTD, 1 RMB= 4.4390 NTD, 1 MYR=6.4887 NTD, 1THB=0.8491 NTD.

Note 2 : The amount was eliminated upon consolidation.

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

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

TABLE 3

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES  
MARKETABLE SECURITIES HELD  
JUNE 30, 2022

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	JUNE 30, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Guangdong Airtac Automatic Industrial Co., Ltd.	Structured deposits	-	Financial assets at amortized cost - current	-	\$ 89,049 (RMB 20,061)	-	\$ 89,049 (RMB 20,061)	1
Airtac (China) Co., Ltd.	Structured deposits	-	Financial assets at amortized cost - current	-	\$ 933,744 (RMB 210,350)	-	\$ 933,744 (RMB 210,350)	1

Note 1 : Conversion to NTD used the spot exchange rate on June 30, 2022, that is, 1 RMB=4.4390 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 SIX MONTHS ENDED JUNE 30, 2022  
(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
Airtac (China) Co., Ltd.	Structured deposits	Financial assets at amortized cost - current	Fubon Bank (China)	-	-	\$ 1,827,208 (RMB 411,626)	-	\$ 1,376,090 (RMB 310,000)	-	\$ 2,281,282 (RMB 513,918)	\$ 2,263,890 (RMB 510,000)	\$ 17,392 (RMB 3,918)	-	\$ 933,744 (RMB 210,350)

Note1 : Conversion to NTD used the spot exchange rate on June 30, 2022, that is, 1 RMB=4.4390 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 SIX MONTHS ENDED JUNE 30, 2022  
(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	2020.09.08-2022.06.30	\$1,946,112	\$ 1,540,999	Self-building	-	-	-	-	\$ -	N/A	Manufacturing purpose	-
Guangdong Airtac Intelligent Equipment Co., Ltd.	Research base and logistics centers	2019.01.07-2022.06.30	361,779	331,505	Self-building	-	-	-	-	\$ -	N/A	Manufacturing purpose	-

**TABLE 6**

**AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES**

**PURCHASES OR SALES WITH RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE SIX MONTHS ENDED JUNE 30, 2022  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Purchaser (Seller)	Counterparty	Relationship	Transaction				Non-arm's Length Transaction and Reasons		Notes/Trade Payables/ Receivable		Note
			Purchase (Sale)	Amount	% of Total	Payment Term	Unit Price (Note)	Payment Terms (Note)	Balance	% to Total	
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac (China) Co., Ltd.	The same parent company	Sales	\$ 7,513,870	90	T/T 120 days	\$ -	-	\$ 1,786,600	77	
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac International Group	The parent company	Sales	283,833	3	T/T 120 days	-	-	131,602	6	
Ningbo Airtac Automatic Industrial Co., Ltd.	Guangdong Airtac Automatic Industrial Co., Ltd.	The same parent company	Sales	270,827	3	T/T 120 days	-	-	196,968	8	
Ningbo Airtac Automatic Industrial Co., Ltd.	ATC (ITALIA) S.R.L	The same parent company	Sales	110,063	1	T/T 120 days	-	-	69,122	3	
Guangdong Airtac Automatic Industrial Co., Ltd.	Airtac (China) Co., Ltd.	The same parent company	Sales	609,452	37	T/T 120 days	-	-	622,922	31	
Guangdong Airtac Automatic Industrial Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	The same parent company	Sales	488,719	29	T/T 120 days	-	-	608,262	30	
Guangdong Airtac Automatic Industrial Co., Ltd.	Airtac (Jiangsu) Automatic Co., Ltd.	The same parent company	Sales	389,490	23	T/T 120 days	-	-	619,686	31	
Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd.	Subsidiary	Sales	632,330	29	T/T 120 days	-	-	1,703,057	46	
Airtac International Group	Airtac (China) Co., Ltd.	Subsidiary	Sales	1,092,850	51	T/T 120 days	-	-	1,750,120	47	
Airtac (China) Co., Ltd.	Airtac (Jiangsu) Automatic Co., Ltd.	The same parent company	Sales	2,805,042	25	T/T 120 days	-	-	421,864	11	
Airtac (China) Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	Subsidiary	Sales	3,145,265	28	T/T 120 days	-	-	1,389,971	35	
Airtac (China) Co., Ltd.	Airtac (Tianjin) Intelligent Technology Co., Ltd.	Subsidiary	Sales	476,722	4	T/T 120 days	-	-	190,051	5	
Airtac (China) Co., Ltd.	Airtac (Fujian) Intelligent Equipment Co., Ltd.	Subsidiary	Sales	306,552	3	T/T 120 days	-	-	10,642	-	
Guangdong Airtac Intelligent Equipment Co., Ltd.	Airtac (China) Co., Ltd.	The parent company	Sales	545,079	13	T/T 120 days	-	-	162,249	8	

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**

**JUNE 30, 2022**

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

Name	Related Party	Relationship	Ending Balance	Turnover rate (%)	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Ningbo Airtac Automatic Industrial Co., Ltd.	Guangdong Airtac Automatic Industrial Co., Ltd.	The same parent company	\$ 196,968	3	\$ -	-	\$ 56,397	\$ -
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac (China) Co., Ltd.	The parent company	1,786,600	7	-	-	1,731,565	-
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac International Group	The same parent company	131,602	3	-	-	-	-
Guangdong Airtac Automatic Industrial Co., Ltd.	Airtac (China) Co., Ltd.	The same parent company	622,922	2	-	-	133,170	-
Guangdong Airtac Automatic Industrial Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	The same parent company	608,262	2	-	-	44,585	-
Guangdong Airtac Automatic Industrial Co., Ltd.	Airtac (Jiangsu) Automatic Co., Ltd.	The same parent company	619,686	1	-	-	66,585	-
Airtac (China) Co., Ltd.	Airtac (Jiangsu) Automatic Co., Ltd.	The same parent company	421,864	24	-	-	260,964	-
Airtac (China) Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	Subsidiary	1,389,971	5	-	-	338,523	-
Airtac (China) Co., Ltd.	Airtac (Tianjin) Intelligent Technology Co., Ltd.	Subsidiary	190,051	5	-	-	53,983	-
Guangdong Airtac Automatic Industrial Co., Ltd.	Airtac (China) Co., Ltd.	The parent company	162,249	11	-	-	22,279	-
Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd.	Subsidiary	1,703,057	1	-	-	-	-
Airtac International Group	Airtac (China) Co., Ltd.	Subsidiary	1,750,120	1	-	-	846,068	-
Airtac International Group	AIRTAC USA CORPORATION	Subsidiary	230,887	Note 1	-	-	-	-
Airtac International Group	Airtac Co., Ltd.	Subsidiary	149,117	Note 1	-	-	-	-

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

TABLE 8

# AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

## INFORMATION FOR INVESTMENTS IN MAINLAND CHINA FOR THE SIX MONTHS ENDED JUNE 30, 2022

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

Investee Company Name	Main Businesses and Products	Paid-in Capital (Note 3)	Method of Investment	Accumulated Investment Outflow from Taiwan as of January 1, 2022	Investment Flow for the Period		Accumulated Investment Outflow from Taiwan as of June 30, 2022	Net income of Investee Company	% of Ownership – Direct or Indirect investment	Investment Gain (Loss) Recognized for the Period (Note 2)	Carrying Amount as of June 30, 2022	Accumulated Inward Remittance of Earnings as of June 30, 2022	Note
					Outflow	Inflow							
Ningbo Airtac Automatic Industrial Co., Ltd	Production of pneumatic control components and auxiliary components	USD 52,000 RMB 347,500 (NTD 3,091,732)	N/A	N/A	\$ -	\$ -	N/A	\$ 1,568,750	100	\$ 1,492,998	\$ 19,597,313	N/A	
Guangdong Airtac Automatic Industrial Co., Ltd	Production of pneumatic control components and auxiliary components	USD 6,000 (NTD 178,751)	N/A	N/A	-	-	N/A	426,761	100	415,546	3,711,650	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 1,095,568)	N/A	N/A	-	-	N/A	806,021	100	819,576	5,704,905	N/A	
Airtac (Jiangsu) Automatic Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	USD 1,500 RMB 56,000 (NTD 293,272)	N/A	N/A	-	-	N/A	260,541	100	260,541	1,860,340	N/A	
Guangdong Airtac Intelligent Equipment Co., Ltd..	Wholesale and agency of pneumatic components, tools and equipment, and related support services	USD 10,000 (NTD 44,390)	N/A	N/A	-	-	N/A	281,449	100	281,449	984,046	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 44,390)	N/A	N/A	-	-	N/A	33,003	100	33,003	148,439	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 44,390)	N/A	N/A	-	-	N/A	45,193	100	45,193	190,072	N/A	

Accumulated Outward Remittance for Investment in Mainland China as of June 30, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
N/A	N/A	N/A

Note 1: The ways to invest in companies in Mainland China are classified into three types below. Mark the type of investment:

1. Direct investment in China.
2. Investment in China through a company registered in the third region.
3. Other ways.

Note 2: The amount was calculated based on financial statements audited by a multinational accounting firm having a cooperative relationship with an accounting firm in Taiwan.

Note 3: Conversion to NTD used the spot exchange rate on June 30, 2022, that is, 1 USD=29.7919 NTD, 1 RMB=4.4390 NTD.

TABLE 9

# AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

## INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS FOR THE SIX MONTHS ENDED JUNE 30, 2022 (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	\$ 1,703,057	General terms and conditions	3%
		Ningbo Airtac Automatic Industrial Co., Ltd	1	Sales revenue	632,330	General terms and conditions	5%
		Ningbo Airtac Automatic Industrial Co., Ltd	1	Sale of fixed assets	350,104	General terms and conditions	3%
		Airtac (China) Co., Ltd	1	Trade receivables	1,750,120	General terms and conditions	3%
		Airtac (China) Co., Ltd	1	Sales revenue	1,092,850	General terms and conditions	8%
		Guangdong Airtac Automatic Industrial Co., Ltd.	1	Trade receivables	21,602	General terms and conditions	
		Guangdong Airtac Automatic Industrial Co., Ltd.	1	Sales revenue	40,367	General terms and conditions	-
		AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	1	Other receivable	69,117	General terms and conditions	-
		ATC (ITALIA) S.R.L	1	Other receivable	99,360	General terms and conditions	-
		AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	1	Other receivable	13,406	General terms and conditions	-
		AIRTAC USA CORPORATION	1	Other receivable	230,887	General terms and conditions	-
		Airtac Co., Ltd.	1	Other receivable	149,117	General terms and conditions	-
1	Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac International Group	2	Trade receivables	131,602	General terms and conditions	-
		Airtac International Group	2	Sales revenue	283,833	General terms and conditions	2%
		Airtac (China) Co., Ltd	3	Trade receivables	1,786,600	General terms and conditions	3%
		Airtac (China) Co., Ltd	3	Sales revenue	7,513,870	General terms and conditions	55%
		Guangdong Airtac Automatic Industrial Co., Ltd.	3	Trade receivables	196,968	General terms and conditions	-
		Guangdong Airtac Automatic Industrial Co., Ltd.	3	Sales revenue	270,827	General terms and conditions	2%
		Guangdong Airtac Automatic Industrial Co., Ltd.	3	Sale of fixed assets	23,187	General terms and conditions	-
		Guangdong Airtac Automatic Industrial Co., Ltd.	3	Other receivable	19,520	General terms and conditions	-
		ATC (ITALIA) S.R.L	3	Trade receivables	69,122	General terms and conditions	-
		ATC (ITALIA) S.R.L	3	Sales revenue	110,063	General terms and conditions	1%
		AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	3	Trade receivables	13,252	General terms and conditions	-
		AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	3	Sales revenue	23,237	General terms and conditions	-
		AIRTAC USA CORPORATION	3	Trade receivables	50,030	General terms and conditions	-

No.	Company Name	Counter Party	Nature of Relationship (Note)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Sales or Assets
2	Guangdong Airtac Automatic Industrial Co., Ltd	AIRTAC USA CORPORATION	3	Sales revenue	57,005	General terms and conditions	-
		AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	3	Trade receivables	42,376	General terms and conditions	-
		AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	3	Sales revenue	71,055	General terms and conditions	1%
		AIRTAC INDUSTRIAL CO., LTD.	3	Trade receivables	17,738	General terms and conditions	-
		AIRTAC INDUSTRIAL CO., LTD.	3	Sales revenue	24,531	General terms and conditions	-
		Airtac Co., Ltd.	1	Sales revenue	13,241	General terms and conditions	-
		Airtac International Group	2	Trade receivables	22,881	General terms and conditions	-
		Airtac International Group	2	Sales revenue	37,502	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd.	3	Trade receivables	94,735	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd.	3	Sales revenue	60,435	General terms and conditions	-
		Airtac (China) Co., Ltd	3	Trade receivables	622,922	General terms and conditions	1%
		Airtac (China) Co., Ltd	3	Sales revenue	609,452	General terms and conditions	4%
		ATC (ITALIA) S.R.L	3	Trade receivables	13,707	General terms and conditions	-
		ATC (ITALIA) S.R.L	3	Sales revenue	21,625	General terms and conditions	-
		Airtac (Jiangsu) Automatic Co., Ltd.	3	Trade receivables	619,686	General terms and conditions	1%
		Airtac (Jiangsu) Automatic Co., Ltd.	3	Sales revenue	389,490	General terms and conditions	3%
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Trade receivables	608,262	General terms and conditions	1%
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Trade receivables	488,719	General terms and conditions	4%
		AIRTAC USA CORPORATION	3	Sales revenue	25,441	General terms and conditions	-
		AIRTAC USA CORPORATION	3	Sales revenue	32,086	General terms and conditions	-
3	Airtac (China) Co., Ltd.	AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	3	Sales revenue	15,617	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd.	3	Trade receivables	23,491	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd.	3	Sales revenue	28,368	General terms and conditions	-
		Airtac (Jiangsu) Automatic Co., Ltd.	3	Trade receivables	421,864	General terms and conditions	1%
		Airtac (Jiangsu) Automatic Co., Ltd.	3	Sales revenue	2,805,042	General terms and conditions	20%
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Trade receivables	1,389,971	General terms and conditions	4%
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Sales revenue	3,145,265	General terms and conditions	23%
		Airtac (Tianjin) Intelligent Technology Co., Ltd.	3	Trade receivables	190,051	General terms and conditions	-

No.	Company Name	Counter Party	Nature of Relationship (Note)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Sales or Assets
4	Guangdong Airtac Intelligent Equipment Co., Ltd.	Airtac (Tianjin) Intelligent Technology Co., Ltd.	3	Sales revenue	476,722	General terms and conditions	3%
		Airtac (Fujian) Intelligent Equipment Co., Ltd.	3	Trade receivables	10,642	General terms and conditions	-
		Airtac (Fujian) Intelligent Equipment Co., Ltd.	3	Sales revenue	306,552	General terms and conditions	2%
		Airtac (China) Co., Ltd.	3	Trade receivables	162,249	General terms and conditions	-
		Airtac (China) Co., Ltd.	3	Sales revenue	545,079	General terms and conditions	4%
5	Airtac Co. Ltd.	Ningbo Airtac Automatic Industrial Co., Ltd.	3	Sales revenue	11,654	General terms and conditions	-

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

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

No 3.Represents the transactions from subsidiary to subsidiary.

**AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS****June 30, 2022**

<b>Name of Major Shareholder</b>	<b>Shares</b>	
	<b>Number of Shares</b>	<b>Percentage of Ownership (%)</b>
Ding Kan Investment Ltd.	27,837,227	13.91%
YHZ Ltd.	11,507,142	5.75%
Express Brilliant Ltd.	10,350,000	5.17%

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.