



AIRTAC INTERNATIONAL GROUP  
2023 ANNUAL REPORT

Notice to readers

*This English-version annual report is a translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.*

Printed on April 25, 2024

Market Observation Post System: <http://mops.twse.com.tw/>

AirTAC Website: <http://www.airtac.com/>

## I. Spokesperson and Deputy Spokesperson

- **Spokesperson**  
Name: Tsao, Yung-Hsiang  
Title: Vice General Manager and Chief Financial Officer of AIRTAC INTERNATIONAL GROUP  
Tel: (886)2-2719-7538  
E-mail: [ivan.tsao@airtac.com](mailto:ivan.tsao@airtac.com)
- **Deputy Spokesperson**  
Name: Li, Huai-Wen  
Title: Executive vice General Manager of AIRTAC INTERNATIONAL GROUP and General Manager of Mainland China Business Group  
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## II. Headquarters and Subsidiaries

### 1. Company information

Name: AIRTAC INTERNATIONAL GROUP Tel:(886) 2-2719-7538  
Address: PO Box 309, Uglund House, Grand Cayman KY1-1104, Cayman Islands

### 2. Taipei Headquarter:

Name: AIRTAC INTERNATIONAL GROUP Tel:(886) 2-2719-7538  
Address: 4F., No.129, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City 10596, Taiwan (R.O.C.)

### 3. Operation Center in China:

Name: AIRTAC INTERNATIONAL GROUP Tel:(86) 574-8895-0001  
Address: No. 88, Siming East Rd., Hi-tech. Park, Fenghua Dist., Ningbo City, Zhejiang, China

### 4. Branch

Name: AIRTAC INTERNATIONAL GROUP TAIWAN BRANCH (“AirTAC Taiwan”)  
Office Address: 4F., No.129, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City 10596, Taiwan (R.O.C.) Tel:(886) 2-2719-7538  
Factory Address: No. 28, Kanxi Rd., Xinshi Dist., Tainan City 744092, Taiwan (R.O.C.) Tel:(886) 6-589-6889

### 5. Subsidiaries

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- AIRTAC INDUSTRIAL (HONG KONG) LIMITED (“Hong Kong Industrial”) Tel:(886) 2-2719-7538  
Address: 15/F., BOC Group Life Assurance Tower, 136 Des Voeux Road Central, Central, Hong Kong
- AIRTAC TRADING (HONG KONG) LIMITED (“Hong Kong Trading”) Tel:(886) 2-2719-7538  
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#### Subsidiary in British Virgin Islands

- INSTANT REACH INTERNATIONAL LIMITED (“Instant Reach”) Tel:(886) 2-2719-7538  
Address: Vistra Corporate Service Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands

#### Subsidiaries in Singapore

- AIRTAC HOLDING (SINGAPORE) PTE. LTD. (“AirTAC Holding Singapore”) Tel:(65) 6496-0496  
Address: 16 Raffles Quay, #19-01 Hong Leong Building, Singapore 048581
- AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD. (“AirTAC Singapore”) Tel:(65) 6496-0496  
Address: 16 Raffles Quay, #19-01 Hong Leong Building, Singapore 048581

#### Subsidiaries in China

- Ningbo Airtac Automatic Industrial Co., Ltd. (“AirTAC Ningbo”) Tel:(86) 574-8895-0001  
Address: No. 88, Siming East Rd., Hi-tech. Park, Fenghua Dist., Ningbo City, Zhejiang, China
- Guangdong AirTAC Automation Industrial Limited Company. (“AirTAC Guangdong”) Tel:(86) 757-8521-7397  
Address: No.7, Kaixuan Road, Songxia Industrial Park, Shishan Town, Nanhai Dist., Foshan City, Guangdong, China
- Airtac (China) Co., Ltd. (“AirTAC China”) Tel:(86) 574-8898-9999  
Address: No.8 Huisheng Road, Fenghua Dist., Ningbo City, Zhejiang, China
- Airtac (Jiangsu) Automatic Co., Ltd. (“AirTAC Jiangsu”) Tel:(86) 512-5518-1853  
Address: No.188 Ruike Road, Yushan Town, Kunshan City, Jiangsu, China
- Guangdong Airtac Intelligent Equipment Co., Ltd. (“Guangdong AirTAC Intelligent”) Tel:(86) 752-3989-888  
Address: No. 3, Lin Shiquanling Road, Chenjiang Street, Zhongkai High-Tech. Development Zone, Huizhou City Guangdong, China
- Airtac (Tianjin) Intelligent Technology Co., Ltd. (“AirTAC Tianjin”) Tel:(86) 228-3990-572  
Address: Factory A, 1-3 Floor, D10 of Easter District, No.1 of School west Road, Xiqing School Industrial Area, Tianjin city, China
- Airtac (Fujian) Intelligent Equipment Co. Ltd. (“AirTAC Fujian”) Tel:(86) 592-5806-652  
Address: 101, No.1, Guankou Zhenping Road, Jimei District, Xiamen, Fujian, China
- Airtac (Shandong) Automatic Co., Ltd. (“AirTAC Shandong”) Tel:(86) 531-8898-9636  
Address: 101, Building 4, Tysen-kld Intelligent Power Industrial Park, No. 103, Yushan Road, Licheng District, Jinan City, Shandong, China

#### Subsidiaries in Taiwan

- Airtac Enterprise Co., Ltd. Tel:(886) 3-392-0239  
Address: No. 163, Sec. 1, Wenzhong Rd., Luzhu Dist., Taoyuan City 338, Taiwan (R.O.C.)

#### Subsidiaries in Italy

- ATC (ITALIA) S.R.L. (“ATC”) Tel:(39) 0331-307204  
Address: Via San Vittore 16, 20123 Milano, Italy

#### Subsidiaries in Japan

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#### Subsidiaries in Malaysia

- AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD. (“AirTAC Malaysia”) Tel:(60) 7358-7969  
Address: No. 22-01, Jalan Ekoperniagaan 1/3, Taman Ekoperniagaan, 81100 Johor Bahru, Johor, Malaysia

**Subsidiaries in Thailand**

- AIRTAC INDUSTRIAL CO., LTD. (“AirTAC Thailand”)
  - Address: No. 11/12 M00 9, Bangchalong, Bangplee, Samutprakarn, Thailand. 10540.

Tel:(66) 2023-3515

**Subsidiaries in USA**

- AIRTAC USA CORPORATION (“AirTAC USA”)
  - Address:21201 Park Row Drive, Katy, TX, USA 77449

Tel:(1) 281-394-7177

**III. Transfer Agent & Registrar**

Name: Transfer Agency Department, China trust Commercial Bank

Tel:(886) 2-6636-5566

Address: 5F., No.83, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City, Taiwan (R.O.C.)

Website: <https://www.ctbcbank.com>**IV. Firm name, address, website URL, telephone number, and the name of the CPA who attested the most recent year's financial report**

Auditing Firm: Deloitte &amp; Touche

Tel: (886) 2-2725-9988

Independent Auditors: Jui-Chuan Chih, CPA and Bo-Ren Weng, CPA

Address: 20F., No.100, Songren Rd., Songshan Dist., Taipei City 110, Taiwan (R.O.C.)

Website: <http://www.deloitte.com.tw>**V. Overseas Securities Listing Exchange and Information: None****VI. Company Website: <http://www.airtac.com>****VII. List of Board of Directors**

<b>Occupation</b>	<b>Name</b>	<b>Nationality</b>	<b>Position &amp; Main Experience</b>
Chairman	Wang, Shih-Chung	R.O.C.	Chairman and GM of AIRTAC INTERNATIONAL GROUP
Director	Lan, Shun-Cheng	R.O.C.	Vice Chairman of Airtac Enterprise Co., Ltd.
Director	Wang, Hai-Ming	P.R.C.	Chairman of Behealthy Electronic Technology Co., Ltd.
Director	Chen, Jui-Lung	R.O.C.	GM of Guang Yang Industrial Works
Director	Li, Huai-Wen	P.R.C.	Executive vice GM of AIRTAC INTERNATIONAL GROUP and GM of Mainland China Business Group
Director	Tsao, Yung-Hsiang	R.O.C.	Vice GM and Chief Financial Officer of AIRTAC INTERNATIONAL GROUP
Independent Director	Renn, Jyh-Chyang	R.O.C.	Professor, Chair of Mechanical Engineering, National Yunlin University/ Associate Vice President of Academic Affairs
Independent Director	Lin, Yu-Ya	R.O.C.	Partner Accountant of Pey-Sheng CPAs Firm
Independent Director	Lin, Ken-Mao	R.O.C.	Chairman of Welldar Industrial Co., Ltd.
Independent Director	Huang, Yi-Wen	R.O.C.	Attorney-at-law of H.Y. Law Firm

**VIII. Designated Domestic Agent:**

Name: Tsao, Yung-Hsiang

Title: Vice General Manager and Chief Financial Officer of AIRTAC INTERNATIONAL GROUP

Tel: (886) 2-2719-7538

E-mail: [ivan.tsao@airtac.com](mailto:ivan.tsao@airtac.com)

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## 1. Letter to Shareholders

Dear Shareholders,

### **Foreword**

In the first half of 2023, the overall market demand tends to recover. As the government continues to announce stimulus policies and lift some restrictions, the pneumatic market will gradually recover at the end of 2023. In addition to continuously developing new products with high gross margins, improving product sales mix, improving internal production efficiency and reducing costs, AirTAC Group also continued to expand its brand image, develop new products and new customers to increase market share to support revenue growth.

### **Operating Performance in 2023:**

#### 1. Business performance

Total consolidated revenue for 2023 was NT\$29,827,352 thousand, a 14.40% increase compared with NT\$26,072,874 thousand in 2022. Gross profit for 2023 was NT\$ 13,754,982 thousand, a 15.66% increase compared with NT\$11,893,003 thousand in 2022. Gross margin was 46.12%. Profit from operation for 2023 was NT\$8,849,189 thousand, a 17.32% increase compared with NT\$7,542,803 thousand in 2022. Margin of profit from operation was 29.67%. Net profit for year 2023 was NT\$6,965,415 thousand, a 15.85% increase compared with NT\$6,012,658 thousand in 2022. Earnings per share was NT\$34.83. Total equity was NT\$42,589,493 thousand. Net worth was NT\$212.95 per share.

#### 2. Financial and Profitability analysis

In 2023, consolidated non-operating revenue of AirTAC Group amounted to NT \$47,831 thousand, a decrease of NT \$233,047 thousand compared with non-operating revenue amounted to NT \$280,878 thousand in 2022. The main reason was recognizing the net foreign exchange loss. In addition, our return on assets was 12.63% and return on equity was 17.09% in 2023.

#### 3. Research and development status

In R&D, AirTAC continues to shore up the high market shares of our mid-end products used in livelihood manufacturing industry and has been endeavoring in the development of mid-to-high end products in recent years. We plan to roll out about five to ten series of new products every year in the next three years to double the breadth of our product lines. Aside from new product R&D, we also spend heavily on production automation and process improvement to enhance our competitiveness. The 2023 R&D expenditure amounted to NT\$ 895,969 thousand, accounting for 3% of the year's consolidated revenue. In the continuing efforts to strengthen our R&D capability, it is estimated that the R&D will account for approximately 3% of the consolidated net operating income for the year 2024.

**Business plan in 2024:**

Besides expanding capacity in existing businesses, AirTAC set up a new Tainan factory and a second R&D center in Taiwan for developing high-precision pneumatic products, electric cylinders and other new products and components. Mass production of self-made linear slides has started. In China, AirTAC has continued to set up local sales branches and offices, and established a logistics center to improve operational efficiency. As for the overseas operation base, AirTAC plans to improve the operations in Japan, Malaysia, Thailand and the United States sales subsidiaries gradually. It is expected to improve the operation scale for capturing more market shares and increase our profit. In the future, we will develop electric cylinders and other related new products, agent other automation related components and products by using our dense marketing system in China and around the world to improve the rate of return to shareholders. Base on the factors of world economic situation, changes in the industrial environment, supply, demand and competition of the market, in consideration of our business with existing clients around the world, progress in new clients development and our own capacity. It is estimated that the sales volume of products in 2024 will have a double-digit growth compared with that in 2023.

The development of industrial automation is fast-growing. With the goals of seeking stable, sustainable operation and maximizing benefits for shareholders, the company will continue to explore new clients, develop new products, improve production technologies and production processes to strengthen the company's overall competitiveness. By improving the operational efficiency along with effective cost control, the company expects to obtain higher profits. As automation upgrade is the future trend of all industries, even with the running of overall economic and market demand cycle, the adverse effects on AirTAC can expect to be reduced with the company's diversified sales proportion in various industries, competitive product prices yet with higher product quality as well as better sales service to clients to enhance competitiveness and win market share from competitors. We believe that with the continuous efforts and support of our 8,832 employees worldwide and our shareholders, AirTAC will set yet another new record in the process of exploration and development of industrial automation.

*Sincerely,*

Chairman & GM      Wang, Shih-Chung

Vice GM & CFO      Tsao, Yung-Hsiang

## **2. Company Profile**

### **2.1 Company Introduction**

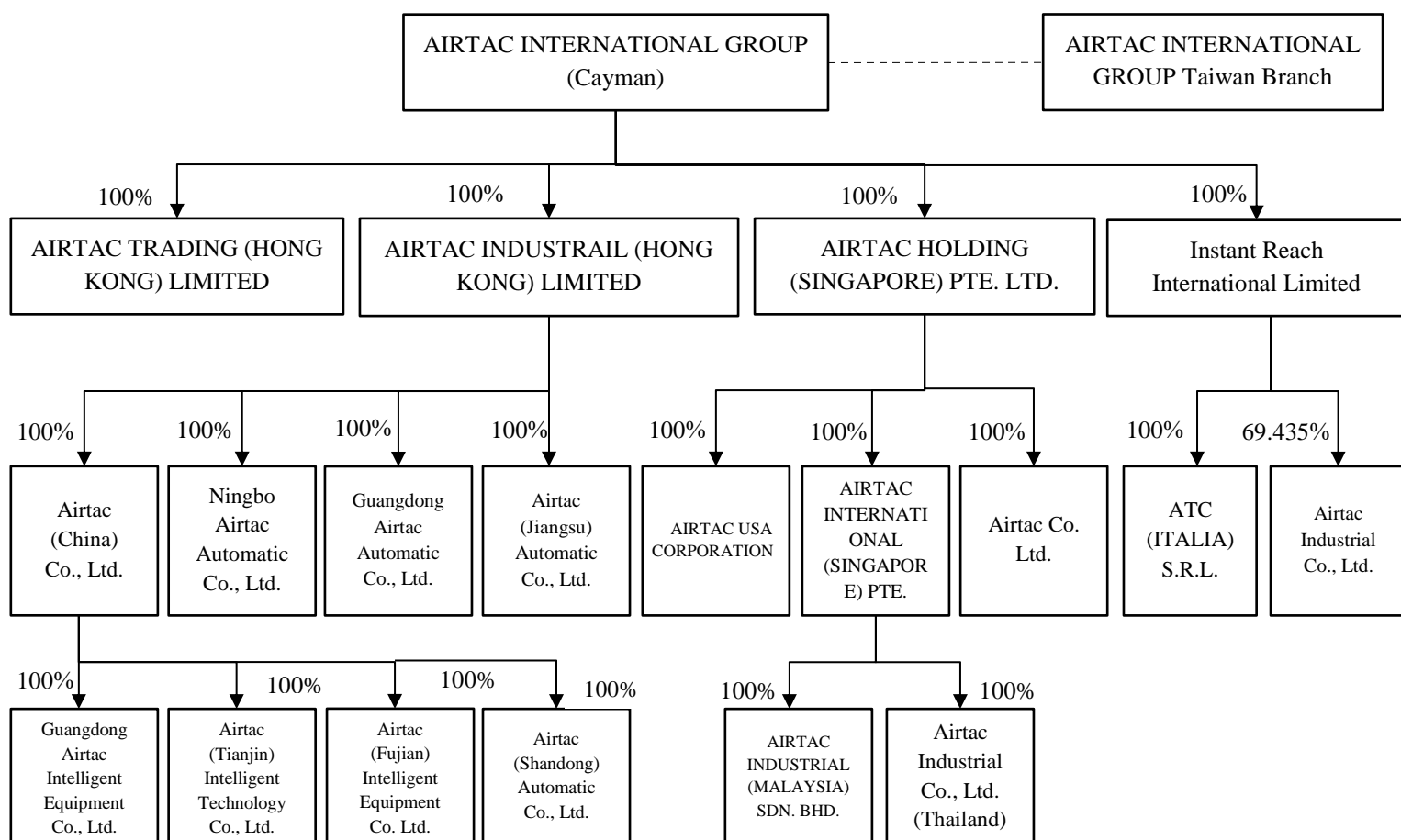
#### **2.1.1 Date of establishment and introduction of the Group**

AIRTAC INTERNATIONAL GROUP (referred to the “Company” or the “Group” hereinafter) started out as Airtac Enterprise Co., Ltd. (originally named Ching-Ki Enterprise Co., Ltd.), which was established in May 1989 and manufactured mainly solenoid valves in its early stage. Now AIRTAC INTERNATIONAL GROUP offers cylinders of special specifications and more than 40 series and hundreds of varieties of valve products, including solenoid valve, pneumatic valve, manual value, hand-draw valve, mechanical valve, and throttle valve. Ningbo AirTAC Automatic Industrial Co. Ltd. was established in 2001 to produce cylinders and air source treatment units for industrial automation applications in automotive, machinery, metallurgy, electronics, textile, porcelain, medical instruments and devices, and food packaging. AIRTAC INTERNATIONAL GROUP was incorporated on September 16, 2009 in Cayman Islands as the holding company for the group enterprises and was listed in Taiwan Stock Exchange on December 13, 2010.

As a leading manufacturer of pneumatic preparation components, the Company provides clients with total pneumatic solutions with its vertically integrated processes. The Company’s turnkey services, from product design, R&D to volume production, greatly shorten the lead time in product development and the production process for extensive applications in industrial automation.



## 2.1.2 Affiliates Organization Chart



## 2.2 Company History

Year	History
1989	AirTAC established in Taipei, Taiwan, mainly engaged in producing valve products.
1990	Launched the brand “AirTAC”.
1992	Introduced air preparation units, pneumatic cylinders, etc.
1995/07	Established the first operating institution of China in Guangzhou.
1998/07	Established the first factory in Guangzhou, China - Guangzhou Jianliang Automatic Industrial Co.
2001/08	Established Ningbo Airtac Automatic Industrial Co., Ltd. in Jejiang Ningbo Fenghua Economic Development Zone.
2003/07	The phase 1 plant construction of Ningbo Airtac Automatic Industrial Co., Ltd. was completed and in use of mass production.
2005	Adopted ERP system to implement full-scale information management.
2006	Established Guangzhou Airtac Automatic Industrial Co., Ltd. in 2006, changed its name to Guangdong Airtac Automatic Industrial Co., Ltd. in 2010.
2006/09	Established Jianliang (Shanghai) Trading Co., Ltd.
2008/05	Established ATC (ITALIA) as the European sales headquarters.

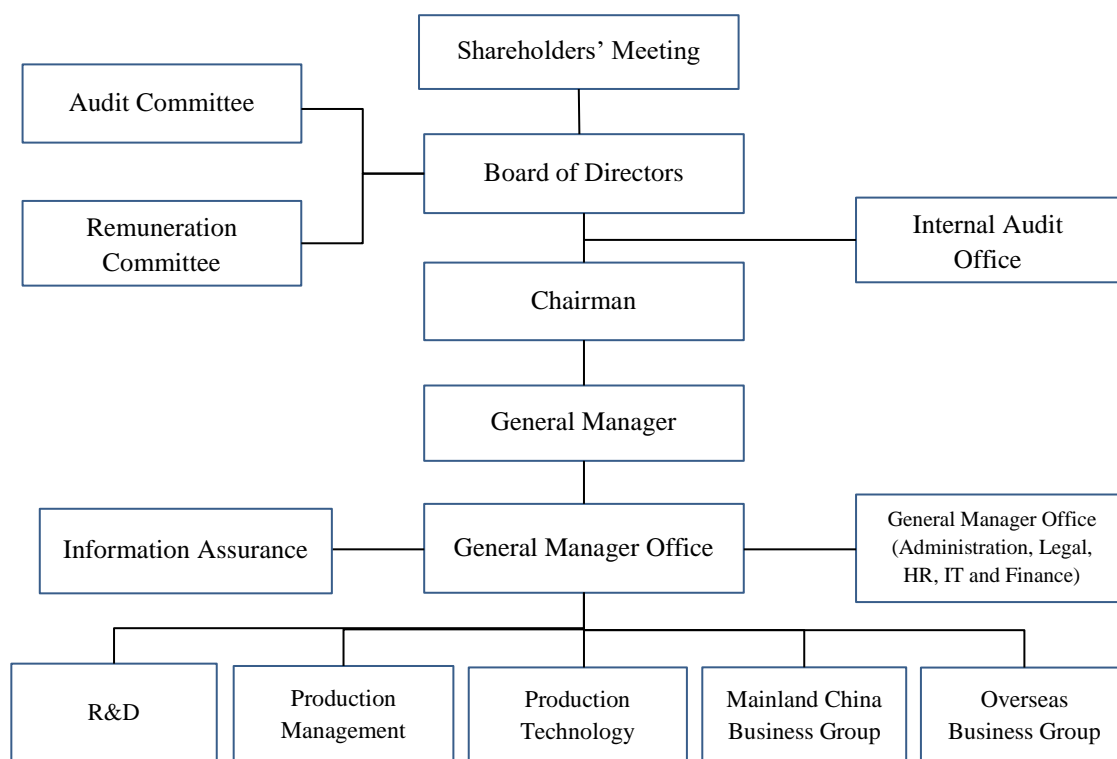
Year	History
2009/09	Established AIRTAC INTERNATIONAL GROUP in Cayman Islands as the Group's holding company and to apply for IPO
2010/12	IPO in Taiwan
2011/08	Established Southeast Asian Sales Headquarters in Singapore.
2012/01	Founded Airtac (China) Co., Ltd., currently has 57 sales branches in Mainland China.
2012/05	Guangdong Airtac Automatic Industrial Co., Ltd. relocated to the new plants in Foshan.
2012/07	Expanded and established the R&D Center in Ningbo.
2012/07	Established AIRTAC INTERNATIONAL GROUP Taiwan Branch and prepared to build the plants in Tainan
2013/04	Established the Japanese Sales Center
2013/07	Established the Malaysian Sales Center
2015/04	Established the Thailand Sales Center
2016/03	First phase project of AIRTAC INTERNATIONAL GROUP Taiwan Branch Tainan Plant has been completed and started mass production gradually.
2016/11	Established the USA Sales Center
2017/09	Established Airtac (Tianjin) Intelligent Technology Co., Ltd.
2018/07	Established Airtac (Fujian) Intelligent Equipment Co., Ltd.
2023/06	Established Airtac (Shandong) Automatic Co., Ltd.

**2.3 Risks: Please refer to Section 7 Review of Financial Conditions, Financial Performance, and Risk Management**

### 3. Corporate Governance Report

#### 3.1 Organization

##### 3.1.1 Organizational Chart



##### 3.1.2 Major Corporate Functions

Division	Functions
Chairman	Decide policy instructions, goals and directions for Company's business and appoint key managerial officers.
General Manager	Manage all affairs of the Company and implement decisions made by the board of directors.
Internal Audit	In charge of internal audit tasks.
General Manager Office	Draft strategies and development directions for product sales, customer service and market development. In charge of tasks relating to legal, human resources management and investment management of the Group. In charge of tasks relating to fund management and accounting.
Information Assurance	Implement information security management planning, establish and maintain information security management.
Production Management	In charge of production management of pneumatic actuator, pneumatic control components and air preparation components.
Production Technology	In charge of process technology for the production of pneumatic actuator, pneumatic control components and air preparation units.
R&D	In charge of research, design and improvement of pneumatic actuator, pneumatic control components and air preparation components.
Mainland China Business Group	In charge of market development in China.
Overseas Business Group	In charge of market development outside China.

### 3.2 Information on board directors, supervisors, president, vice presidents, assistant vice presidents, and chiefs of units and branches

#### 3.2.1 Board Directors and Supervisors

##### 1. Information on board directors

April 1, 2024; Unit: Shares, %

Title	Nationality or Registration Place	Name	Gender	Age	Date Elected	Term (Years)	Date First Elected	Shareholding when elected		Current shareholding		Spouse & Minor Shareholding		Shares held in the name of others		Experience ( Education )	Current jobs with the Company and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
								Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	ROC	Wang, Shih-Chung	Male	61-70	2022.6.16	3	2009.12.24	—	—	—	—	5,103,700	2.55	29,313,307	14.66	▪ Chairman of AIRTAC INTERNATIONAL GROUP	Note 1	None	None	None	Note 10
Director	ROC	Lan, Shun-Cheng	Male	61-70	2022.6.16	3	2009.12.24	3,270,152	1.64	2,955,152	1.48	—	—	10,350,000	5.18	▪ Vice Chairman of Airtac Enterprise Co., Ltd.	Note 2	None	None	None	None
Director	PRC	Wang, Hai-Ming	Male	51-60	2022.6.16	3	2009.12.24	—	—	—	—	491,397	0.25	10,858,142	5.43	▪ Chairman of Behealthy Electronic Technology Co., Ltd.	Note 3	None	None	None	None
Director	ROC	Chen, Jui-Lung	Male	51-60	2022.6.16	3	2013.5.22	4,716,081	2.36	4,716,081	2.36	—	—	—	—	▪ GM of Guang Yang Industrial Works	—	None	None	None	None
Director	PRC	Li, Huai-Wen	Male	51-60	2022.6.16	3	2016.5.18	—	—	—	—	—	—	—	—	▪ Executive Vice GM of AIRTAC INTERNATIONAL GROUP	Note 4	None	None	None	None
Director	ROC	Tsao, Yung-Hsiang	Male	51-60	2022.6.16	3	2013.5.22	86,965	0.04	86,965	0.04	—	—	—	—	▪ Vice GM of AIRTAC INTERNATIONAL GROUP	Note 5	None	None	None	None
Independent director	ROC	Renn, Jyh-Chyang	Male	51-60	2022.6.16	3	2019.6.21	—	—	—	—	—	—	—	—	▪ Associate Vice President for Academic Affairs and Chairman of department of Mechanical Engineering in National Yunlin University ▪ Consultant of Taiwan Fluid Power Association	Note 6	None	None	None	None
Independent director	ROC	Lin, Yu-Ya	Female	51-60	2022.6.16	3	2019.6.21	—	—	—	—	—	—	—	—	▪ Partner Accountant of Pey-Sheng CPAs Firm	Note 7	None	None	None	None
Independent director	ROC	Lin, Ken Mao	Male	60-70	2022.6.16	3	2022.6.16	30,000	0.02	—	—	—	—	—	—	▪ Chairman of Welldar Industrial Co., Ltd. ▪ Vice GM of Lynnbro Industrial Co., Ltd.	Note 8	None	None	None	None
Independent director	ROC	Huang, Yi Wen	Female	31-50	2022.6.16	3	2022.6.16	—	—	—	—	—	—	—	—	▪ Attorney-at-law of H.Y. Law Firm ▪ Attorney-at-law of Via Justice Law Offices	Note 9	None	None	None	None

Note 1. Chairman and GM of AIRTAC INTERNATIONAL GROUP, Chairman of Ningbo Airtac Automatic Industrial Co., Ltd., Chairman of Guangdong Airtac Automatic Industrial Co., Ltd., Chairman of Airtac (China) Co., Ltd., Director of ATC (ITALIA) S.R.L., Chairman of Airtac Enterprise Co., Ltd., Chairman of AIRTAC INDUSTRIAL (HONG KONG) LIMITED, Chairman of AIRTAC TRADING (HONG KONG) LIMITED, Chairman of INSTANT REACH INTERNATIONAL LIMITED, Chairman of AIRTAC HOLDING (SINGAPORE) PTE. LTD., Chairman of AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD., Director of Airtac Co., Ltd., Chairman of AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD., Chairman of AIRTAC INDUSTRIAL CO., LTD., Chairman of Airtac (Jiangsu) Automatic Co., Ltd., Chairman of AIRTAC USA CORPORAATION, Chairman of Guangdong Airtac Intelligent Equipment Co., Ltd. and Chairman of Airtac (Tianjin) Intelligent Technology Co., Ltd., 18 companies in total.

Note 2. Director of Ningbo Airtac Automatic Industrial Co., Ltd., Director of Guangdong Airtac Automatic Industrial Co., Ltd., Director of Airtac (China) Co., Ltd., Director of ATC (ITALIA) S.R.L., Director and Vice Chairman of Airtac Industrial Co., Ltd., Director of INSTANT REACH INTERNATIONAL LIMITED, Director of Airtac Co., Ltd., Director of Airtac Co., Ltd., Director of AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD., Director of AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD., Director of AIRTAC INDUSTRIAL CO., LTD., Director of Airtac (Jiangsu) Automatic Co., Ltd., Director of AIRTAC USA CORPORAATION, 12 companies in total.

Note 3. Director and Vice Chairman of Ningbo Airtac Automatic Industrial Co., Ltd., Director of Guangdong Airtac Automatic Industrial Co., Ltd., and Director of Airtac (China) Co., Ltd., 3 companies in total.

Note 4. Executive Vice GM of AIRTAC INTERNATIONAL GROUP/GM of Mainland China Business Group, Director and GM of Ningbo Airtac Automatic Industrial Co. Ltd., Director and GM of Guangdong Airtac Automatic Industrial Co., Ltd., Director and GM of Airtac (China) Co., Ltd., Director of Airtac (Jiangsu) Automatic Co., Ltd., Supervisor of Airtac (Fujian) Intelligent Equipment Co. Ltd., Chairman of Airtac (Fujian) Intelligent Equipment Co. Ltd. and Chairman of Airtac (Shandong) Automatic Co., Ltd., 7 companies in total.

Note 5. Vice GM and CFO of AIRTAC INTERNATIONAL GROUP, Director of Ningbo Airtac Automatic Industrial Co., Ltd., Director of Guangdong Airtac Automatic Industrial Co., Ltd., Director of Airtac (China) Co., Ltd., Chairman of ATC (ITALIA) S.R.L., Director of Airtac Enterprise Co., Ltd., Director of INSTANT REACH INTERNATIONAL LIMITED, Representative Director of Airtac Co., Ltd., Director of AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD., Director of AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD., Director of AIRTAC INDUSTRIAL CO., LTD., Supervisor of Airtac (Jiangsu) Automatic Co., Ltd., Director of AIRTAC USA CORPORAATION, Supervisor of Guangdong Airtac Intelligent Equipment Co., Ltd., Supervisor of Airtac (Fujian) Intelligent Equipment Co. Ltd., Supervisor of Airtac (Tianjin) Intelligent Technology Co., Ltd. and Supervisor of Airtac (Shandong) Automatic Co., Ltd., 17 companies in total.

Note 6. Consultant of Taiwan Fluid Power Association and Professor of Science and Technology, National Yunlin University, 2 companies in total.

Note 7. Partner Accountant of Pey-Sheng CPAs Firm, Independent director of Easywell Biomedicals, Inc., Independent director of P-Two Industrial Inc., and Independent director of Anda International Life Assurance Company Ltd., 4 companies in total.

Note 8. Chairman of Welldar Industrial Co., Ltd.

Note 9. Attorney-at-law of H.Y. Law Firm.

Note 10. The same person as the chairman and general manager can improve the operating efficiency and make the decision-making execution smoother. The company also set up an audit committee to supervise corporate governance and protect shareholders' rights, so that the board of directors operates sound. In order to enhance information transparency, the company cooperates with the implementation and disclosure of corporate governance evaluation indicators, so that external investors can obtain information from Market Observation Post System and company websites to achieve monitoring roles.

2. Supervisors: The Company does not have supervisors, but has set up an Audit Committee on April 28, 2010.
3. All directors of the Company are natural persons. The Company does not have any director that is juridical person.
4. Directors' Professional Qualifications and Independent Directors' Independence Status

Name	Criteria Professional Qualification Requirements and Work Experience	Independent Directors' Independence Status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director	
Wang, Shih-Chung	Chairman of Airtac International Group, with leadership and decision-making ability, operational judgment, operation management and pneumatic market and related industry experience	Not Applicable	0	
Lan, Shun-Cheng	Vice Chairman of Airtac Enterprise Co., Ltd., with industry knowledge and pneumatic market and related industry experience		0	
Wang, Hai-Ming	Chairman of Behealthy Electronic Technology Co., Ltd., with leadership and ability of operation management		0	
Chen, Jui-Lung	GM of Guang Yang Industrial Works, with industry knowledge and ability of operation management		0	
Li, Huai-Wen	Executive Vice GM of Airtac International Group and GM of Mainland China Business Group, with decision-making ability and operational judgment		0	
Tsao, Yung-Hsiang	Vice GM and CFO of AIRTAC INTERNATIONAL GROUP, former associate manager at Deloitte and Touche, with accounting and financial analysis and crisis management skills		0	
Renn, Jyh-Chyang	Professor of Department of Mechanical Engineering, National Yunlin University and Consultant of Taiwan Fluid Power Association, with industry knowledge and crisis management skills		All of the following situations apply to each and every of the Independent Directors: 1. Satisfy the requirements of Article 14-2 of "Securities and Exchange Act" and "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" issued by Taiwan's Securities and Futures Bureau. 2. Independent Director (or nominee arrangement) as well as his/her spouse and minor children do not hold any the Company's shares. 3. Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an "audit service" or a "non-audit service".	0
Lin, Yu-Ya	Partner Accountant of Pey-Sheng CPAs Firm, with accounting and financial analysis and crisis management skills		2	
Lin, Ken Mao	Chairman of Welldar Industrial Co., Ltd., with ability of operation management and operational judgment		0	
Huang, Yi Wen	Attorney-at-law of Via Justice Law Offices, with crisis management skills		0	

Note 1: None of the directors of the Company has any circumstance under Article 30 of the Company Act.

Note 2: a. All directors of the Company have not been elected on behalf of the government, corporate or representative in accordance with Article 27 of the Company Act.

b. Served as an independent director of other publicly offered companies, with no more than three companies.

c. During the two years prior to the election and during the term of office, there has been no of the following circumstances:

- (1) An employee of the company or any of its affiliates.
- (2) A director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (3) A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
- (4) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
- (5) A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (8) A director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.
- (9) A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

#### 5. Implementation of the Diversity Policy for Board Members

- (1) The selection and appointment of directors of the Company shall take into account the overall configuration of the Board of Directors. The composition of the board of directors considers diversity, and formulates an appropriate diversity policy based on its own operation, operation type and development needs, including but not limited to the following two major standards.
  - a. Basic conditions and values: gender, age, nationality and culture, etc.
  - b. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.
- (2) The members of board of directors are nominated via rigorous selection processes. It not only considers background diversity, professional competence and experience, but also attaches great importance to his/her personal reputation on ethics and leadership. All directors of AirTAC have an extensive professional background, talent, and comprehensive industry experience in their respective sectors. They fulfill their responsibility of thorough supervision and management of the Company improving operating systems and help protect the interests of investors. One of the non- executive directors, Mr. Chen, Jui-Lung, serves as the General Manager of Guang yang industrial works Company, which is a manufacturer specializing in fittings and valves. This company is related to the industry in which AirTAC operates. The following table summarizes the core competencies of the board members of the company:

Position	Name	Gender	Nationality	Core Competences							
				Operational judgements	Accounting and financial analysis	Management administration	Crisis Management	Knowledge of the industry	International market perspective	Policy decisions	Risk Management
Chairman	Wang, Shih-Chung	Male	ROC	✓	✓	✓	✓	✓	✓	✓	✓
Director	Lan, Shun-Cheng	Male	ROC	✓		✓	✓	✓		✓	
Director	Wang, Hai-Ming	Male	PRC	✓		✓	✓	✓		✓	
Director	Chen, Jui-Lung	Male	ROC			✓		✓			
Director	Li, Huai-Wen	Male	PRC	✓		✓	✓	✓		✓	✓
Director	Tsao, Yung-Hsiang	Male	ROC		✓	✓	✓		✓	✓	
Independent director	Renn, Jyh-Chyang	Male	ROC				✓	✓			
Independent director	Lin, Yu-Ya	Female	ROC		✓		✓				
Independent director	Lin, Ken Mao	Male	ROC			✓					✓
Independent director	Huang, Yi Wen	Female	ROC				✓			✓	

- (3) Directors are elected in accordance with the provisions of the Company Law and the articles of association of the company, and the term of office is three years. Among them, there are 1 directors aged 31-50, accounting for 10%, 6 directors aged 51-60, accounting for 60%, and 3 directors aged 61 and above, accounting for 30%.
- (4) The Company also attaches great importance to gender equality in the composition of the Board of Directors and aims to increase the number of female directors by 20%. The company has achieved its target in the 2022 re-election of directors, and the board of directors now consists of eight directors who are 80% male and two who are 20% women.
- (5) None of the existing Board members shall serve as independent directors for a continuous period of not more than nine years. The term of office of any existing Board members who serve as independent directors shall not exceed nine years.

#### 6. Independence of the Board

The Board of Directors consists of ten directors, including four independent directors, with the goal of increasing the number of independent directors to four in the future. There are 3 current directors also serves as the manager of the company, less than one-third of the number of directors seats. There is no marital or is within the second degree of kinship relationship between or among the Directors.

### 3.2.2 President, Vice Presidents, Assistant Vice Presidents, and Chiefs of Units and Branches

April 01, 2024 Unit: Shares, %

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shares held in the name of others		Experience ( Education )	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	ROC	Wang, Shih-Chung	Male	2016.5.27	—	—	5,103,700	2.55	29,313,307	14.66	▪ Chairman of AIRTAC INTERNATIONAL GROUP	Note 1	—	—	Note 5
Executive Vice GM of AIRTAC INTERNATIONAL GROUP/GM of Mainland China Business Group	PRC	Li, Huai-Wen	Male	2024.1.19	—	—	—	—	—	—	▪ GM of Mainland China Business Group	Note 2	—	—	—
Vice GM and Chief Financial Officer of AIRTAC INTERNATIONAL GROUP	ROC	Tsao, Yung-Hsiang	Male	2024.1.19	86,965	0.04	—	—	—	—	▪ Senior Finance VP of Paragon Technologies ▪ Auditing assistant manager of Deloitte Taiwan	Note 3	—	—	—
GM of AirTAC Taiwan	ROC	Hsiao, Yu-Chien	Male	2013.7.1	—	—	—	—	—	—	▪ Vice GM of the R&D Center ▪ Executive vice GM of AirTAC Taiwan	—	—	—	—
Executive vice GM of AirTAC China	PRC	Dai, Jia-Xing	Male	2019.5.15	—	—	—	—	—	—	▪ Vice Deputy Sales GM of AirTAC China	Note 4	—	—	—
Vice GM of Administrative Department of AirTAC Ningbo Vice GM of AirTAC Guangdong	PRC	Mao, Xiao-Yang	Male	2020.1.17	—	—	—	—	—	—	▪ Manager of AirTAC Ningbo ▪ Senior manager of AirTAC Guangdong	—	—	—	—
Vice GM of Manufacturing Department	PRC	Wu, Cheng-Jie	Male	2020.1.17	—	—	—	—	—	—	▪ Vice Deputy Sales GM of AirTAC China	—	—	—	—
Vice GM of Technology Department	PRC	Jiang, Yong	Male	2020.1.17	—	—	—	—	—	—	▪ Vice Deputy Sales GM of AirTAC China	—	—	—	—
Vice GM of Research and Development Department of AirTAC Ningbo	PRC	Chen, Zaoyang	Male	2023.7.1	—	—	—	—	—	—	▪ Senior manager of R&D Department of AirTAC Ningbo	—	—	—	—
Vice GM of Airtac Jiangsu	PRC	Xu, Jia	Male	2023.7.1	—	—	—	—	—	—	▪ Marketing Director of Airtac Jiangsu	—	—	—	—
Chief Audit Officer	ROC	Chiang, Hsin-Chih	Male	2017.11.3	—	—	—	—	—	—	▪ Audit Specialist of Catcher Technology Co., Ltd.	—	—	—	—

Note 1. Chairman and GM of AIRTAC INTERNATIONAL GROUP, Chairman of Ningbo Airtac Automatic Industrial Co., Ltd., Chairman of Guangdong Airtac Automatic Industrial Co., Ltd., Chairman of Airtac (China) Co., Ltd., Director of ATC (ITALIA) S.R.L., Chairman of Airtac Enterprise Co., Ltd., Chairman of AIRTAC INDUSTRIAL (HONG KONG) LIMITED, Chairman of AIRTAC TRADING (HONG KONG) LIMITED, Chairman of INSTANT REACH INTERNATIONAL LIMITED, Chairman of AIRTAC HOLDING (SINGAPORE) PTE. LTD., Chairman of AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD., Director of Airtac Co., Ltd., Chairman of AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD., Chairman of AIRTAC INDUSTRIAL CO., LTD., Chairman of Airtac (Jiangsu) Automatic Co., Ltd., Chairman of AIRTAC USA CORPORATION, Chairman of Guangdong Airtac Intelligent Equipment Co., Ltd. and Chairman of Airtac (Tianjin) Intelligent Technology Co., Ltd., 18 companies in total.

Note 2. Executive Vice GM of AIRTAC INTERNATIONAL GROUP/GM of Mainland China Business Group, Director and GM of Ningbo AirTAC Automatic Industrial Co. Ltd., Director and GM of Guangdong Airtac Automatic Industrial Co., Ltd., Director and GM of Airtac (China) Co., Ltd., Director of Airtac (Jiangsu) Automatic Co., Ltd., Chairman of Airtac (Fujian) Intelligent Equipment Co. Ltd. and Chairman of Airtac (Shandong) Automatic Co., 7 companies in total.

Note 3. Vice GM and CFO of AIRTAC INTERNATIONAL GROUP, Director of Ningbo Airtac Automatic Industrial Co., Ltd., Director of Guangdong Airtac Automatic Industrial Co., Ltd., Director of Airtac (China) Co., Ltd., Chairman of ATC (ITALIA) S.R.L., Director of Airtac Enterprise Co., Ltd., Director of INSTANT REACH INTERNATIONAL LIMITED, Representative Director of Airtac Co., Ltd., Director of AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD., Director of AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD., Director of AIRTAC INDUSTRIAL CO., LTD., Supervisor of Airtac (Jiangsu) Automatic Co., Ltd., Director of AIRTAC USA CORPORATION, Supervisor of Guangdong Airtac Intelligent Equipment Co. Ltd., Supervisor of Airtac (Fujian) Intelligent Equipment Co., Ltd., Supervisor of Airtac (Tianjin) Intelligent Technology Co., Ltd. and Supervisor of Airtac (Shandong) Automatic Co., Ltd., 17 companies in total.

Note 4. GM of Airtac (Jiangsu) Automatic Co., Ltd., GM of Airtac (Tianjin) Intelligent Technology Co., Ltd., GM of Guangdong Airtac Intelligent Equipment Co., Ltd. and GM of Airtac (Fujian) Intelligent Equipment Co. Ltd., 4 companies in total.

Note 5. The same person as the chairman and general manager can improve the operating efficiency and make the decision-making execution smoother. The company also set up an audit committee to supervise corporate governance and protect shareholders' rights, so that the board of directors operates sound. In order to enhance information transparency, the company cooperates with the implementation and disclosure of corporate governance evaluation indicators, so that external investors can obtain information from Market Observation Post System and company websites to achieve monitoring roles.

### 3.2.3 Remunerations of directors, supervisors, president, and vice presidents in recent years

#### 1. Remuneration of directors (including independent directors)

Unit: NT\$ thousands

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Directors Compensation(C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		The company	All companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
														Cash	Stock	Cash	Stock					
Chairman	Wang, Shih-Chung	1,685	1,685	-	-	-	-	37	37	1,722	1,722	15,315	30,855	-	-	22,717	-	34,811	-	48,354	75,988	-
Director	Lan, Shun-Cheng	1,685	1,685	-	-	-	-	37	37	1,722	1,722											
Director	Wang, Hai-Ming	1,685	1,685	-	-	-	-	32	32	1,717	1,717											
Director	Chen, Jui-Lung	1,685	1,685	-	-	-	-	37	37	1,722	1,722											
Director	Li, Huai-Wen	1,685	1,685	-	-	-	-	32	32	1,717	1,717											
Director	Tsao, Yung-Hsiang	1,685	1,685	-	-	-	-	37	37	1,722	1,722											
Independent Director	Renn, Jyh-Chyang	2,360	2,360	-	-	-	-	37	37	2,397	2,397	-	-	-	-	-	-	-	9,457	9,457	-	
Independent Director	Lin, Yu-Ya	2,360	2,360	-	-	-	-	37	37	2,397	2,397											
Independent Director	Lin, Ken Mao	2,298	2,298	-	-	-	-	30	30	2,398	2,398											
Independent Director	Huang, Yi Wen	2,298	2,298	-	-	-	-	37	37	2,335	2,335											



Remuneration Table

Bracket of remuneration to respective director	Name of Director			
	Total (A+B+C+D)		Total (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements I	The company	Companies in the consolidated financial statements J
< \$1,000,000	—	—	—	—
\$1,000,000 ~ <\$2,000,000	Shih-Chung Wang, Shun-Cheng Lan, Hai-Ming Wang, Jui-Lung Chen, Huai-Wen Li, Yung-Hsiang Tsao	Shih-Chung Wang, Shun-Cheng Lan, Hai-Ming Wang, Jui-Lung Chen, Huai-Wen Li, Yung-Hsiang Tsao	Hai-Ming Wang Jui-Lung Chen	Jui-Lung Chen
\$2,000,000 ~ <\$3,500,000	Jyh-Chyang Renn, Yu-Ya Lin, Ken-Mao Lin, Yi-Wen Huang	Jyh-Chyang Renn, Yu-Ya Lin, Ken-Mao Lin, Yi-Wen Huang	Shun-Cheng Lan, Jyh-Chyang Renn, Yu-Ya Lin, Ken-Mao Lin, Yi-Wen Huang	Shun-Cheng Lan, Hai-Ming Wang, Jyh-Chyang Renn, Yu-Ya Lin, Ken-Mao Lin, Yi-Wen Huang
\$3,500,000 ~ <\$5,000,000	—	—	—	—
\$5,000,000 ~ <\$10,000,000	—	—	Huai-Wen Li	—
\$10,000,000 ~ <\$15,000,000	—	—	Shih-Chung Wang	—
\$15,000,000 ~ <\$30,000,000	—	—	Yung-Hsiang Tsao	Shih-Chung Wang Huai-Wen Li Yung-Hsiang Tsao
\$30,000,000 ~ <\$50,000,000	—	—	—	—
\$50,000,000 ~ <\$100,000,000	—	—	—	—
\$100,000,000 or higher	—	—	—	—
Total	10 persons	10 persons	10 persons	10 persons

2. Remuneration of supervisors: Not applicable. Since the Company does not have supervisors.

3. Compensation of president and vice presidents

Unit: NT\$ thousands shares; %

Title	Name	Salary (A)		Severance Pay (B)		Bonus and allowance (C)		Profit Sharing- Employee Bonus (D)				Amount and Ratio of total compensation to net income (%) (A+B+C+D)				Compensation paid to the president and vice president from an invested company other than the company's subsidiary
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock					
GM of AIRTAC INTERNATIONAL GROUP	Wang, Shih-Chung	11,005	51,820	—	—	867	26,420	18,693	—	36,022	—	30,565	0.44%	114,262	1.64%	—
Executive Vice GM of AIRTAC INTERNATIONAL GROUP/ GM of Mainland China Business Group	Li, Huai-Wen															
GM of AirTAC Taiwan	Hsiao, Yu-Chien															
Executive Vice GM of AirTAC China	Dai, Jia-Xing															
Vice GM of Administrative Department of AirTAC Ningbo/ Vice GM of AirTAC Guangdong	Mao, Xiao-Yang															
Vice GM of Manufacturing Department	Wu, Cheng-Jie															
Vice GM of Technology Department	Jiang, Yong															
Vice GM of Research and Development Department of AirTAC Ningbo	Chen,Zaoyang															
Vice GM of Airtac Jiangsu	Xu, Jia															

### Compensation Table

Bracket of compensation to respective president or vice president	Name of president or vice president	
	The company	Companies in the consolidated financial statements
< \$ 1,000,000	Jia-Xing Dai, Xiao-Yang Mao, Cheng-Jie Wu, Yong Jiang, Zaoyang Chen, Jia Xu	—
\$1,000,000 ~ <\$ 2,000,000	—	—
\$2,000,000 ~ <\$ 3,500,000	—	—
\$3,500,000 ~ <\$ 5,000,000	—	—
\$5,000,000 ~ <\$ 10,000,000	Huai-Wen Li	Xiao-Yang Mao, Zaoyang Chen, Jia Xu
\$10,000,000 ~ <\$ 15,000,000	Shih-Chung Wang, Yu-Chien Hsiao	Yu-Chien Hsiao, Jia-Xing Dai, Cheng-Jie Wu, , Yong Jiang
\$15,000,000 ~ <\$ 30,000,000	—	Shih-Chung Wang, Huai-Wen Li
\$30,000,000 ~ <\$ 50,000,000	—	—
\$50,000,000 ~ <\$ 100,000,000	—	—
\$100,000,000 or higher	—	—
Total	9 persons	9 persons

#### 4. Executive Officers

Unit: NT\$ thousands

	Title	Name	Employee Bonus- in Stock	Employee Bonus- in Cash	Total	Ratio of total bonus to net income (%)
Manager	General Manager	Wang, Shih-Chung	—	45,758	45,758	0.66%
	Executive Vice GM of AIRTAC INTERNATIONAL GROUP GM of Mainland China Business Group	Li, Huai-Wen				
	Vice GM and CFO of AIRTAC INTERNATIONAL GROUP	Tsao, Yung-Hsiang				
	GM of AirTAC Taiwan	Hsiao, Yu-Chien				
	Executive Vice GM of AirTAC China	Dai, Jia-Xing				
	Vice GM of Administrative Department of AirTAC Ningbo Vice GM of AirTAC Guangdong	Mao, Xiao-Yang				
	Vice GM of Manufacturing Department	Wu, Cheng-Jie				
	Vice GM of Technology Department	Jiang, Yong				
	Vice GM of Research and Development Department of AirTAC Ningbo	Chen, Zaoyang				
	Vice GM of Airtac Jiangsu	Xu, Jia				
	Chief Audit Officer	Chiang, Hsin-Chih				
	Chief corporate governance officer	Hung, Mei-Lan				

### 3.2.4 Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents:

1. The ratio of total remuneration paid by the company and by all companies included in the consolidated financial statements for the most recent two fiscal years to directors, supervisors, presidents and vice presidents of the Company, to the net income:

Unit: NT\$ thousands

Item	2022		2023	
	Amount	%	Amount	%
Director	72,031	1.20%	85,445	1.23%
General Manager and Vice General Manager	82,808	1.38%	114,262	1.64%
Consolidated profit	6,012,658	100.00%	6,965,415	100.00%

Note: Remuneration to directors includes their pay as an employee. Thus total pays for president and vice presidents could be redundantly calculated.

2. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance and risks:
  - (1) The remuneration of directors shall be recommended by the compensation committee and submitted to the board of directors for decision in accordance with the company's articles of association, and shall be paid in consideration of the director's service scope and value to the company and the level of domestic and foreign peers. The company regularly evaluates the remuneration of directors in accordance with the performance evaluation method of the board of directors. The performance measurement standards of directors are based on the mastery of the company's goals and tasks, the directors' awareness of responsibilities, the degree of participation in the company's operations and the value of their contributions, directors' professionalism and continuous education, etc. The indicators are evaluated, and the relevant performance evaluation and rationality are reviewed by the Remuneration Committee and the Board of Directors. The company's remuneration for independent directors adopts a fixed-rate system, which is not related to the company's profit.
  - (2) The remuneration of the general manager and the deputy general manager is in accordance with the "Salary Calculation Management Regulations" and "M/T Level Standard Specifications", which clearly stipulate the salary and various job allowances for each position. In order to reward colleagues for their contribution to the company, and to motivate colleagues to be positive and to enhance their centripetal force towards the company, the company has also formulated the "Operational Measures for the Distribution of Performance Bonuses". Performance bonuses are issued according to the company's annual operation and profitability and work performance. The performance indicators for executives go beyond financial metrics (such as revenue and profit) and core competency indicators (such as leadership and decision making) to include sustainability aspects such as environmental protection (energy conservation, water conservation, waste reduction, pollution prevention), talent development, quality management, customer satisfaction, occupational health and safety, and regulatory compliance. The important decisions of the company's management are made after balancing various risk factors. The performance of the relevant decisions is reflected in the company's profitability, and the compensation of the management is related

to the performance of risk control. According to the Articles of Incorporation of the Company, the Company's Annual Net Income before tax and the distribution of the compensation of employees and directors, and offset its losses in previous years that have not been previously offset; the Company then shall set aside 1% to 3% of the profits proposed to be distributed, as compensation to employees of the Company, which may be distributed under an incentive program approved pursuant to Article 11.1 above. A Director who also serves as an executive officer of the Company may receive a compensation in his/her capacity as an employee of the Company.

### 3.3 Implementation of Corporate Governance

#### 3.3.1 Operation of the Board of Directors

A total of 6 meetings of the board of directors were held in 2023. Director attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remark
Chairman	Wang, Shih-Chung	6	0	100%	Renewal of office
Director	Lan, Shun-Cheng	6	0	100%	Renewal of office
Director	Wang, Hai-Ming	5	1	83%	Renewal of office
Director	Chen, Jui-Lung	6	0	100%	Renewal of office
Director	Li, Huai-Wen	5	1	83%	Renewal of office
Director	Tsao, Yung-Hsiang	6	0	100%	Renewal of office
Independent director	Renn, Jyh-Chyang	6	0	100%	Renewal of office
Independent director	Lin, Yu-Ya	6	0	100%	Renewal of office
Independent director	Lin, Ken-Mao	5	1	83%	New office assumed
Independent director	Huang, Yi-Wen	6	0	100%	New office assumed

Notes:

1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motions, all independent directors' opinion and the Company's response to independent directors' opinion should be specified:

(1) Matters referred to in Article 14-3 of the Securities and Exchange Act.

Not applicable. The Company has already established an audit committee.

(2) Other matters involving objections or expressed by independent directors that were recorded in writing that require a resolution by the board of directors: None.

2. If there is Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motions, causes for avoidance and voting should be specified:

The fourth meeting of the board of directors of the sixth term propose to submit the evaluation and discussion on the remuneration adjustment of directors (including independent directors). Directors (including independent directors) shall not exercise voting rights nor exercise voting rights on behalf of another director due to conflict of interest.

### 3. Implementation Status of Board Evaluations

The board of directors approved the "Rules for Performance Evaluation of the Board of Directors" of the Company on November 13, 2020. Performance evaluation shall be reviewed every year. The Company's board performance evaluation shall be conducted by an external independent professional institution or a panel of external experts and scholars at least once every three years. Internal and external board performance evaluations shall be reported before the end of the first quarter of the following year. The results will be a reference for review and improvement.

The performance evaluation of the internal board of directors and the performance evaluation of each functional committee in 2023 are as follows:

Evaluation cycle	Scope of evaluation	Evaluation method	Evaluation items	Results
Performed once a year	Board Performance Evaluation	Internal evaluation of the board	A.Participation in the operation of the company. B.Improvement of the quality of the board of directors' decision making. C.Composition and structure of the board of directors. D.Election and continuing education of the directors. E.Internal control.	The average score is 4.73 out of 5.
Performed once a year	The evaluation of individual directors	Self-evaluation by individual board members	A. Familiarity with the goals and missions of the company. B. Awareness of the duties of a director. C. Participation in the operation of the company. D. Management of internal relationship and communication. E. The director's professionalism and continuing education. F. Internal control.	The average score is 4.73 out of 5.
Performed once a year	Audit Committee	The internal evaluation of functional committees	A.Participation in the operation of the company. B.Awareness of the duties of the functional committee. C.Improvement of the quality of decision made by the functional committee. D.Makeup of the functional committee and election of its members.	The average score is 4.63 out of 5.

			E. Internal control.	
Performed once a year	Audit Committee	The internal evaluation of functional committees	A. Participation in the operation of the company. B. Awareness of the duties of the functional committee. C. Improvement of the quality of decision made by the functional committee. D. Makeup of the functional committee and election of its members. E. Internal control.	The average score is 4.70 out of 5.

- (1) The indexes of board and functional committees' performance evaluation are determined based on the operation and needs of the Company and suitable and appropriate for evaluations by the company, subject to reviews of the Compensation Committee.
  - (2) When electing or nominating members of the board of directors, the Company base its election on the evaluation results of the performance of the board and base its determination of an individual director's remuneration on the evaluation results of his or her performance.
  - (3) The results of the evaluation showed that the overall operation was good and were reported to the board meeting held on January 18, 2024. The results will be a reference for enhancing the professional competence of the Board of Directors and had been announced on the company website for investors' reference.
4. Measures taken to strengthen the functionality and performance assessment of the Board in the current year and the most recent year:
- (1) The Audit Committee and the Remuneration and Nomination Committee, composed entirely of independent directors, assist the Board of Directors in carrying out supervisory tasks. The chairperson of each committee reports on their committee's operations to the board on a regular basis.
  - (2) "Rules of Procedures for Board of Directors Meeting" are adopted pursuant to the regulations of "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" in the board of directors' meeting of the Company.
  - (3) The Company provides its directors and managers with annual liability insurance to cover risks as they carry out their duties, and reviews the insurance coverage on an annual basis to make sure the amount and scope are sufficient to the need.
  - (4) Committed to upholding operational transparency and protection shareholders' interests, the company's website has "Investor Zone", "Social Responsibility" and "Corporate Governance" to provide timely information regarding corporate governance, financial statements and investor conference in Chinese and English. Furthermore, important resolutions of the board of directors are announced after each board meeting is held. The Company also participate institutional investor conferences periodically.

### 3.3.2 Operation of Audit Committee

A. The main function of the Audit Committee is to supervise the following matters:

- (1) Fair presentation of the financial reports.
- (2) The hiring (and dismissal), independence, and performance of certificated public accountants.

- (3) The effective implementation of the internal control system.
- (4) Compliance with relevant laws and regulations by the Company.
- (5) Management of the existing or potential risks of the Company.
- B. The Audit Committee is responsible for reviewing the following:
- (1) The adoption of or amendments to the internal control system.
- (2) Assessment of the effectiveness of the internal control system.
- (3) The adoption or amendment, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.
- (4) Matters in which a director is an interested party.
- (5) Asset transactions or derivatives trading of a material nature.
- (6) Loans of funds, endorsements, or provision of guarantees of a material nature.
- (7) The offering, issuance, or private placement of equity-type securities.
- (8) The hiring or dismissal of a certified public accountant, or their compensation.
- (9) The appointment or discharge of a financial, accounting, or internal audit officer.
- (10) Annual financial reports which are signed or sealed by the chairperson, managerial officer, and accounting officer.
- (11) Other material matters as may be required by this Corporation or by the competent authority.
- C. A total of 6 meetings of the board of independent directors were held in 2023. The attendance of independent directors was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remark
Independent director	Lin, Yu-Ya	6	0	100%	Convener
Independent director	Renn, Jyh-Chyang	6	0	100%	-
Independent director	Lin, Ken-Mao	5	1	83%	-
Independent director	Huang, Yi-Wen	6	0	100%	-

Notes:

1. If any of the following circumstances occur, the dates of meetings of the board of independent directors, sessions, contents of motions, objections of independent directors, reservations or major proposal items, resolutions of the Audit Committee and the Company's response to Audit Committee's opinion should be specified:



(1) Matters referred to in Article 14-5 of the Securities and Exchange Act:

Audit Committee meeting date	Contents of motions	Objections of independent directors, reservations or major proposal items	All independent directors' opinion and the Company's response to independent directors' opinion
January 12, 2023 The fourth meeting of the audit committee of the fifth term	Approve the statement on internal control systems of the Company.	None	Approved by all members of audit committee in attendance.
March 8, 2023 The fifth meeting of the audit committee of the fifth term	Approve the business report and the consolidated financial statements of the Company and its subsidiaries for 2022.	None	Approved by all members of audit committee in attendance.
	Approve the Company's earning distribution for 2022.	None	
	Approve the amendments to the M&A of the Company.	None	
	Approve the evaluation of the independence and the competence of the Certified Public Accountant for the audit of the financial statement of the Company.	None	
May 3, 2023 The sixth meeting of the audit committee of the fifth term	Approve the capital increase of Ningbo Airtac Automatic Industrial Co., Ltd.	None	Approved by all members of audit committee in attendance.
August 14, 2023 The eighth meeting of the audit committee of the fifth term	Approve the consolidated financial statements of the Company and its subsidiaries for the second quarter of 2023.	None	Approved by all members of audit committee in attendance.
November 6, 2023 The ninth meeting of the audit committee of the fifth term	Approve the 2024 audit plan of the Company.	None	Approved by all members of audit committee in attendance.

(2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None

2. If there is Independent Directors' avoidance of motions in conflict of interest, the Independent Directors' names, contents of motions, causes for avoidance and voting should be specified: None.

3. Communications between the independent directors, the Company's Chief Internal Auditor and CPAs:

(1)The supervisor of internal audit of the company regularly communicates with the members of the audit committee on the results of the audit reports, and makes internal audit reports at quarterly meetings. If there are special circumstances, they will also report to the members of the audit committee immediately. There is no such special situation in 2023. The company's audit committee communicates well with the internal audit supervisor.

Date	Participants	Communication with internal auditing supervisor	Result
January 12, 2023	All independent directors Chief Audit Officer, Hsin-Chih Chiang	Review the internal audit report	No objection.
		Review the statement on internal control systems of the Company.	No objection and propose to approve in the board of directors.
March 8, 2023	All independent directors Chief Audit Officer, Hsin-Chih Chiang	Review the internal audit report	No objection.
May 3, 2023	All independent directors Chief Audit Officer, Hsin-Chih Chiang	Review internal audit report	No objection.
June 20, 2023	All independent directors Chief Audit Officer, Hsin-Chih Chiang	Review internal audit report	No objection.
August 14, 2023	All independent directors Chief Audit Officer, Hsin-Chih Chiang	Review internal audit report	No objection.
November 6, 2023	All independent directors Chief Audit Officer, Hsin-Chih Chiang	Review internal audit report	No objection.
		Review 2024 audit plan of the Company	No objection and propose to approve in the board of directors.

(2) CPA needs to attend the audit committee according to the content of each meeting. The content includes reporting the results of the audit or review of the quarterly financial report, the scope and time plan of the auditing or review, as well as the circumstances of major discoveries, providing that the personnel of the firm affiliated with the certified public accountant have complied with the statement on independence in the professional code of ethics for accountants, the key audit matters that must be communicated in the financial report, and the impact of the amendment of laws and regulations on the company. If there are special circumstances, it will immediately report to the audit committee members. There is no such special situation in 2023. The company's audit committee communicates well with the certified accountant.

Date	Participants	Communication with CPA	Result
March 8, 2023	All independent directors Independent Auditor, Bo-Ren Weng	Discuss any review problems in the financial report of 2022.	No objection.
		Review the independent and suitability of CPA.	
May 3, 2023	All independent directors Independent Auditor, Bo-Ren Weng	Discuss any review problems in the financial report of the first quarter in 2023.	No objection.
		Approve the “General principles for pre-approved list of non-assurance service” of the Company.	
August 14, 2023	All independent directors Independent Auditor, Bo-Ren Weng	Discuss any review problems in the financial report of the second quarter in 2023.	No objection.
November 6, 2023	All independent directors Independent Auditor, Jui-Chuan Chih	CPA explained the 2023 financial report review plan and the key audit matters of the review, and discuss the questions addressed by the participants in audit committee.	No objection.
		Discuss any review problems in the financial report of the third quarter in 2023.	

### 3.3.3 Corporate Governance Execution Status and Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary Description	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	✓		The Company has set and disclose corporate governance on Company’s website and the Market Observation Post System website in accordance with “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”.	None
2. Equity structure and shareholders’ equity (1) Does the company establish an internal operating procedure to deal with shareholders’	✓		(1) The company has dedicated personnel and e-mail mailboxes to handle shareholder suggestions, doubts, disputes and litigation matters, and	None

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary Description	
suggestions, doubts, disputes and litigations, and implement based on the procedure?			execute them in accordance with the procedures.	
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		(2) The company is able to track shareholding by principal shareholders who hold 5% or more of the company's shares. The company also files the information with the authority as required.	None
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		(3) A “Rules Governing Financial and Business Matters between the Corporation and its Affiliated Enterprises” has been established to clearly stipulate business and financial dealings with affiliates as a risk control mechanism. In 2023, there were no significant transactions between the Company and the affiliated enterprises that should be reported to the shareholders' meeting.	None
(4) Does the company establish internal rules against insiders trading with undisclosed information?	✓		(4) The Company has set “The Management Rules of Prevention of Insider Trading” prohibiting company insiders from trading securities using information not disclosed to the market.	None
3. Composition and responsibility of the board of directors				
(1) Has the Board of Directors established a diversity policy, set goals, and implemented them accordingly?	✓		(1) “Corporate Governance principles” of the Company has mentioned the composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs, including but not limited to gender, age, nationality, culture and professional knowledge and skills. Please refer to “3.2 Information on board directors, supervisors, president, vice presidents, assistant vice presidents, and chiefs of units and branches” of this annual report.	None
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		✓	(2) The Company has set up Remuneration Committee and Audit Committee, as for setting up other functional committees is otherwise authorized by the board of directors by demand.	None

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary Description	
(3) Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?	✓		<p>(3)The company has implemented “Rules for Performance Evaluation of the Board of Directors”, and has been performing board performance evaluation every year. The methods of evaluation include the internal evaluation of the board, self-evaluation by individual board members, and internal valuation of the functional committee. External professional institutions or teams of experts and scholars are hired to perform evaluation every three years.</p> <p>The performance evaluation results of Board of Directors and Functional Committees of the Company are used as a reference when electing or nominating members of the board of directors, and base its determination of an individual director's remuneration on the evaluation results of his or her performance. The Company reported the evaluation results of year 2023 in the first quarter board meeting held on January 18, 2024, the results will be a reference for enhancing the professional competence of the Board of Directors.</p>	None
(4) Does the company regularly evaluate the independence of CPAs?	✓		<p>(4) The company's board of directors regularly assesses the independence of CPAs at least once a year in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and submits the results to the audit committee and the board of directors on March 8, 2023, for review and approval. The engaged CPAs were Jui-Chuan Chih and Bo-Ren Weng of Deloitte Touche Tohmastu Limited. The Company obtained the declaration letter issued by CPAs that the audit team members have not violated their independence and AQIs. According to the CPA independence evaluation standard (Note 1) and AQIs, there is no violation of the independence regulations of the accountant law and other relevant regulations, and no uncomfortable situation is found. The Company will appoint Jui-Chuan Chih and Bo-Ren Weng of Deloitte Touche</p>	None

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary Description	
			Tohmastu Limited to continue to serve as the engaged CPAs.	
4. Does the company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?	✓		<p>The general manager office is in charge of the corporate governance matters. The main duties are as follow,</p> <p>(1) On June 20, 2023, the Company has been approved by the Board of Directors to appoint a Corporate Governance Officer to develop and plan appropriate corporate systems and organizational structures to promote the independence of the Board of Directors, the transparency and compliance of the Company, and the implementation of internal audit and control.</p> <p>(2) Plan and formulate the schedule and provide it to all directors 7 days before the meeting, so directors can know the contents of relative proposals; remind the directors who are interested parties shall avoid and complete the minutes of the board meeting within 20 days after the meeting; In addition, assist directors in complying with laws and regulations and provide information on continuing education of related courses.</p> <p>(3) The stock affairs department registers the date of the shareholders' meeting in accordance with the legal deadline every year. The meeting notice, handbook for the meeting, and the minutes will be declared before the deadline. After amending articles or reelecting directors, changes to company registration will be filed.</p> <p>(4) The financial department of the Company is in charge of the registered certificate of the Company.</p> <p>(5) Please refer to Note 2 for the 2023 continuing education of the Chief governance officer.</p> <p>All the above-mentioned corporate governance personnel have more than three years' experience in legal, financial and stock affairs of listed companies.</p>	None

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary Description	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		Staff is assigned and an e-mail box is set up to handle public relations and the affairs of stakeholders. The Company’s website has also set up a designated section for stakeholders, and through the distribution of stakeholder questionnaires, the opinions of stakeholders are collected, and through multiple communication channels, they can understand the sustainability issues of the stakeholder’s attention, so as to draw up relevant management policies and implementation plans and respond to the concerns and expectations of stakeholders effectively.	None
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company appoints the agent department of China Trust Commercial Bank to handle the affairs of the shareholders' meeting.	None
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		(1) The Company has disclosed financial and corporate governance information on the Company’s website.	None
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		(2) The Company has set up a website in Chinese and foreign languages and update the information regularly. The Company also has a spokesperson system in place and observed applicable regulations and the established system. The Company holds or participates investor’s conference from time to time and posts the contents of investors’ conferences on Market Observation Post System and Company’s website.	None
(3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?		✓	(3)The Company has reported annual financial statements within two months after the end of each fiscal year, announced and reported its financial statements for Q1, Q2, and Q3 and filed monthly operating status in advance of the prescribed deadline.	None
8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to	✓		(1) The Company's human resources management system planning conforms to the "Labor Standard Law" and other relevant laws and regulations.	None

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary Description	
employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?			<p>(2) In order to facilitate communication with employees, the company provides a variety of communication channels (internal email announcements, employee suggestion boxes, regular meetings and labor-management meetings, etc.) to ensure the messages are transparency and instantly delivered.</p> <p>(3) The company immediately announces financial, business and major information on the Company's website and Market Observation Post System, so that investors can fully understand the Company's development direction and strategic trends to maximize the interests of shareholders. In 2023, the Company issued 16 announcements, 78 material information both in Chinese and English, and attended 25 investor conferences.</p> <p>(4) The Company has a procurement management program to effectively manage the procurement process to ensure that the raw materials required for operation are provided under the principles of reasonableness, timeliness, quantity and quality. The Company also carries out supplier evaluations and field evaluations, with delivery status, quality and coordination as the evaluation rating.</p> <p>(5) In order to protect the rights and interests of interested parties, the company establishes various good and smooth communication channels, upholds the principle of good faith and handles properly, and fulfills its corporate social responsibilities.</p> <p>(6) All of the board of directors and independent directors of the Company have professional background and practical experience of the industry. The Company will provide related information of the regulations depending on the needs. Except for special circumstances, all directors and independent directors would attend board meetings. If a director has any damaging relationship with the board of directors, he shall avoid discussion and voting and shall not act on behalf of other directors to exercise his voting</p>	



Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary Description	
			rights. (7) The Company provides its directors and managers with annual liability insurance.	
<p>9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.</p> <p>(1) Improvements</p> <p>a. The Company’s website sets up a sustainability section. The company compiles and uploads sustainability reports on the Market Observation Post System and the company’s website in accordance with internationally accepted reporting standards or guidelines.</p> <p>b. The company will appoint a person with overall responsibility for the promotion of information security policies and the deployment of related resources to serve on a concurrent basis as chief information security officer, and establish a dedicated information security unit. That unit shall be staffed by a dedicated departmental chief officer and at least two dedicated personnel who are specifically responsible for information security-related work or duties.</p> <p>c. The company has appointed a corporate governance officer who is responsible for corporate governance-related affairs.</p> <p>(2) Priority enhancement measures</p> <p>a. All directors of the company complete the training according to the hours specified in "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies".</p>				

Note 1 : Assessment table of independence of Certified Public Accountant

Item	Description	Result	Independence? Y/N
1	Whether Certified Public Accountant has direct or significant indirect financial interests with the Company.	No	Y
2	Whether or not Certified Public Accountant has any financing or guarantees of conduct with the Company or the directors of the Company.	No	Y
3	Whether Certified Public Accountant has a close business relationship and potential employment relationship with the Company.	No	Y
4	Whether Certified Public Accountant or members of their audit team had any positions in the Company as directors, managers of significant influence on the audit during the audit period.	No	Y
5	Whether Certified Public Accountant has any non-audit services to the Company which may directly affect the audit work.	No	Y
6	Whether Certified Public Accountant has an intermediary to issue shares or other securities of the Company.	No	Y
7	Whether Certified Public Accountant has acted as the Company's defender or on behalf of the Company to coordinate conflicts with other third parties.	No	Y
8	Whether Certified Public Accountant has a kinship with the directors, managers of the Company or persons who have a significant influence on the audit work.	No	Y

Note 2: The training status of Chief Governance Officer

Position	Name	Date	Training Course	Hours
Chief Governance Officer	Hung, Mei-Lan	2023.9.20	Analysis of common violations of the Securities and Exchange Act	3
		2023.9.20	Protection of trade secrets	3
		2023.10.26-2023.10.27	Carbon Governance and Sustainable Ecosystem	9
		2023.12.14	Challenges and opportunities of sustainable development pathways and introduction to greenhouse gas examine	3

Note 3: The training status of Chief Financial Officer

Position	Name	Date	Training Course	Hours
Vice GM and CFO of AIRTAC INTERNATIONAL GROUP	Tsao, Yung-Hsiang	2023.4.13	Lecture on Corporate Governance	3
		2023.10.16-2023.10.17	Continuing Education Course for Accounting Supervisors of Issuers, Securities Dealers, Stock Exchanges	12
		2023.11.15	Briefing on the legal compliance of insider equity transactions	3

Note 4: The training status of Chief Audit Officer

Position	Name	Date	Training Course	Hours
Chief Audit Officer	Chiang, Hsin-Chih	2023.6.15	Digital Transformation of Internal Audit and Application of Emerging Technologies	6
		2023.10.25	War and Protection of Invisible Assets - Trade Secrets and Non-Competition	6

### 3.3.4 If the Company has a remuneration committee in place, the composition, duties, and operation of the remuneration committee:

#### 1. Members of the Remuneration Committee

Title	Criteria	Professional Qualification Requirements and Work Experience	Independence criteria	Number of other public companies in which the individual is concurrently serving as a remuneration committee
	Name			
Independent director (convener)	Renn, Jyh-Chyang	Professor of Department of Mechanical Engineering, National Yunlin University (2003 to present) and Consultant of Taiwan Fluid Power Association (1993 to present), with industry knowledge and crisis management skills	Please refer to page 7 "Directors' Professional Qualifications and Independent Directors' Independence Status"	0
Independent director	Lin, Yu-Ya	Partner Accountant of Pey-Sheng CPAs Firm (1996 to present), with accounting and financial analysis and crisis management skills		2
Independent director	Lin, Ken-Mao	Chairman of Welldar Industrial Co., Ltd. (1990 to present), with management and decision-making ability.		0
Independent director	Huang, Yi-Wen	Attorney-at-law of H.Y. Law Firm (2022 to present), with crisis management skills and leadership skills.		0

#### 2. Operation of the Remuneration Committee

- (1) The remuneration committee of the Company consists of 4 members.
- (2) Term of the committee members: June 16, 2022 ~ June 15, 2025. A total of 2 meetings of the remuneration committee were held in the most recent years. Director attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remark
Convener	Renn, Jyh-Chyang	2	0	100%	-
Committee Member	Lin, Yu-Ya	2	0	100%	-
Committee Member	Lin, Ken-Mao	2	0	100%	-
Committee Member	Huang, Yi-Wen	2	0	100%	-

#### Notes:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the remuneration committee objected to by members or expressed reservations

and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

### 3. Operation of the Remuneration Committee

The Remuneration Committee Date	Proposal Contents and Follow-up Processing	Results	Company's respond to the opinions of the remuneration committee
January 12, 2023 The second meeting of the remuneration committee of the fifth term	Approve the "Rules for the Remuneration of Senior Managers" of the Company.	All members agree.	No objection.
	Propose to adjust the remuneration of the Manager of Ningbo AirTAC Automation Industrial Co. Ltd., and the Vice General Manager of Guangdong AirTAC Automatic Industrial Co., Ltd.	All members agree.	No objection.
	Propose to submit the evaluation and discussion on the remuneration adjustment of directors (including independent directors).	All members agree.	No objection.
June 20, 2023 The third meeting of the remuneration committee of the fifth term	Approve the Company's profit distributable to the employees as compensation for 2022	All members agree.	No objection.

### 4. Main duties of remuneration committee

- (1) Formulate and regularly review the Company's directors and managers' annual and long-term performance goals and policies, systems, standards and structure of salary and remuneration
- (2) Regularly evaluate the achievement of performance goals of the Company's directors and managers, and set the content and amount of their individual remuneration.

### 3.3.5 Implementation of “Sustainable Development” and Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons

Promoted Item	Implementation Status			Differences with Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Yes	No	Summary Description	
1. Does the Company establish a governance framework for the promotion of sustainable developments, and set up a full- (or part-) time unit for the promotion of sustainable developments and have the Board authorizing senior management to be in charge, and how does the Board supervise the operation?	✓		<p>1. The company's general manager's office also serves as the governance unit to promote sustainable development, and is directly managed by the chairman of the board. It reviews the company's core operating capabilities with a number of senior executives in different fields, and formulates medium and long-term sustainable development plans. Combined with human resources and production units to jointly promote relevant business.</p> <p>2. Through the resolutions of the regular meetings held by the Group's general manager and senior executives, task groups are set up across departments according to various objectives to identify sustainability issues of concern to the company's operations and stakeholders, formulate work strategies and guidelines, plan and implement various programs, and track the implementation results to ensure that the sustainability strategy is implemented in daily operations.</p> <p>3. The results of the implementation of sustainable development will be reported to the Board of Directors once a year. The most recent submission to the Board was on November 6, 2023.</p>	In compliance with the Best Practice Principles.
2. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	✓		<p>1. The principle of data coverage scope considers the materiality of the disclosed information and the actual management needs, and covers the company's main sales bases, main production bases and operating headquarters.</p> <p>2. The company conducts analysis based on the principle of materiality, communicates with internal and external stakeholders, and reviews relevant reports and assessment data. Based on the</p>	In compliance with the Best Practice Principles.

Promoted Item	Implementation Status			Differences with Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Yes	No	Summary Description	
			<p>assessment of material issues, it formulates relevant risk management policies and takes action plans to reduce the impact of relevant risks.</p> <p>3. According to the risk after assessment, formulate the relevant risk management policy with detailed notes in the form.</p>	
<p>3. Environmental issues</p> <p>(1) Does the company establish proper environmental management systems based on the characteristics of their industries?</p>	✓		<p>(1) The company establishes an appropriate environmental management system in accordance with the Air Pollution Control Law, the Water Pollution Control Law, the Waste Disposal Law and the Greenhouse Gas Reduction and Management Law, and with reference to the characteristics of the industry. The system includes the following items:</p> <ol style="list-style-type: none"> <li>a. Collect sufficient and timely information and evaluate the impact on the natural environment posed by operating activities.</li> <li>b. Establish measurable environmental sustainability goals and regularly review the sustainability and relevance of their development.</li> <li>c. Establish execution measures including specific plans or action programs and regularly review the effectiveness of the implementations.</li> </ol> <p>Establish specialized units or personnel for environmental management to formulate, promote and maintain relevant environmental management systems and specific action plans, and regularly hold environmental education courses for management and employees.</p> <p>The Company's main factories, AirTAC Ningbo and AirTAC Taiwan, have established environmental management</p>	In compliance with the Best Practice Principles.

Promoted Item	Implementation Status			Differences with Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Yes	No	Summary Description	
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		<p>systems in accordance with the ISO14001 and verified by the third-party, conducted greenhouse gas inventories, and tracked emission reduction results, all of which are disclosed in the Company's sustainability report.</p> <p>(2) To effectively use resources and reach the goal of energy conservation and carbon reduction and prevent the use of ineffective or waste power and air conditioning consumption, the Company has formulated the "Lighting Energy Conservation Regulations." We adhere to the principle of "who consumes, who calculates, quota management, reasonable use of energy" and include energy conservation evaluation into the performance appraisal of each department and employee. In accordance with the "Energy Meter Configuration Specifications," the Company allocates the corresponding meters for water, electricity, and gas in the plant. Statistical analysis is conducted to facilitate the detection of abnormalities and make improvements accordingly. Corresponding usage regulations have been formulated for public facilities such as air-conditioning and fans to avoid energy waste. At the same time, we will also conduct technical modifications on equipment. Outdated motors will be replaced, and solar power introduced.</p> <p>On the other hand, the Company invested in building air-cooled air-conditioning and energy-efficient lights to improve equipment efficiency and reduce energy consumption.</p> <p>In addition to regular inspection and maintenance of electrical equipment and key energy-using</p>	In compliance with the Best Practice Principles.

Promoted Item	Implementation Status			Differences with Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Yes	No	Summary Description	
(3) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	✓		<p>equipment, and regular tracking of resource utilization efficiency, and reduce the impact of environmental load. AirTAC attaches great importance to the utilization of renewable energy. According to the solar installation area of the plant, the installation area of AirTAC Taiwan is 16,900 square meters, and the solar power generation is 2.98 MW. The installation area of AirTAC Ningbo is 34,300 square meters, and the solar power generation is 11.78 MW. At the same time, with the construction progress of the new plants, the solar power generation will account for about 8% to 10% of the power consumption of the whole plant after full implementation.</p> <p>(3) We perform risk assessment targeting the internal and external environments of the plant as well as previous disaster situations. We assume possible disaster categories (extreme high temperatures, heavy rainfall, drought and water shortage, strong winds, and lightning strike) for identifying potential risks and opportunity items (assets, manufacturing processes, personnel, supply chain, and finances) that affect the organization. After the assumption, risk analysis and rankings are performed to further develop a response plan to confirm, report, handle, repair, and eliminate abnormal conditions.</p> <p>Through energy saving, carbon reduction, greenhouse gas reduction and water consumption, the risk of increasing operating costs caused by greenhouse gas emissions and water waste is reduced. On the other hand, the establishment of</p>	In compliance with the Best Practice Principles.



Promoted Item	Implementation Status			Differences with Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Yes	No	Summary Description	
(4) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?	✓		<p>emergency response teams and installation of water gates, etc., to respond to the risk of operational interruption caused by extreme weather events. As consumers gradually prefer green and energy-saving products, the R&amp;D department actively develops low-carbon products, selects environmentally friendly and recyclable materials, and develops lightweight, space-saving, and energy-saving products to enhance the competitiveness of the company and the value of the industry chain.</p> <p>The company discloses the corporate governance, strategies, risk management, indicators and objectives of climate-related risks and opportunities in the sustainability report according to the framework of the Climate-related Financial Disclosure Recommendation (TCFD).</p> <p>(4) In the sustainability report, the company discloses the amount of greenhouse gas emissions, water consumption and total weight of waste in the past two years and explains the measures to achieve the goals such as greenhouse gas reduction, water reduction or other waste management policies and the status of achievement. The company has also set energy-saving goals for the next year. The three production plants have set medium and long-term targets, with Airtac Ningbo, Airtac Guangdong and Airtac Taiwan setting energy consumption per sales value by 15%, 10% and 8% respectively by 2025 compared to 2021. The Company also stipulates specific measures to actively promote</p>	In compliance with the Best Practice Principles.

Promoted Item	Implementation Status			Differences with Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Yes	No	Summary Description	
			<p>energy saving, carbon saving, and greenhouse gas reduction include improving energy measurement statistics, installing solar power generation equipment, replacing energy-saving lamps, eliminating low-efficiency air compressors, and actively developing low-efficiency air compressors and low-carbon products, avoid over-packaging of products and optimize logistics routes.</p> <p>In terms of water resources reduction, the establishment of sewage treatment systems and rainwater recovery and storage systems, and the installation of water-saving faucets, etc., to save and effectively use water resources. The plant area has set a water-saving goal, inspects and analyzes workshops where the actual water consumption exceeds the standard consumption every month, and conducts water-saving rewards and punishments management to encourage employees to save water. The total water saving of water saving projects is 196,317 M<sup>3</sup>.</p> <p>On the other hand, the company is committed to waste reduction and effective classification and implements the spirit of waste-free manufacturing by continuously increasing the ratio of operating wastewater (recycled 54,017 tons) and waste recycling (recycled 19,492 tons). The Company has set a medium-to long-term goal of increasing the Group's overall waste recycling and recycling rate to 95%. The company has different recycling methods for different types of waste. Purchased additional recycling and reuse equipment to reduce waste</p>	

Promoted Item	Implementation Status			Differences with Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies and Reasons				
	Yes	No	Summary Description					
			output. For waste that cannot be recycled and reused on its own, the company appoints an external legal removal company to remove it.					
<p>4. Social issues</p> <p>(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p>	✓		<p>(1) The Company recognizes and voluntarily abides by internationally recognized human rights standards such as the United Nations Universal Declaration of Human Rights, the United Nations Global Compact, and the United Nations International Labor Organization, and respects the protections stipulated in human rights conventions through the "AirTAC Guest Rights Declaration", which is published on the company's website. The Company regularly identifies risks by paying attention to major social issues and reviewing its own operations and activities every year. The Company's human rights management policy and specific plans are summarized below.</p> <table border="1"> <thead> <tr> <th>Human Rights Management Policy</th> <th>Plans</th> </tr> </thead> <tbody> <tr> <td>Comply with local labor laws and regulations</td> <td>The Company complies with internationally recognized labor rights and local labor laws and regulations, such as freedom of association, the right to collective bargaining, care for vulnerable groups, the prohibition of child labor, the elimination of all forms of forced labor, the elimination of employment and employment discrimination, etc., and recognizes that there is no discrimination in the use of human resources such as gender, race, socio-</td> </tr> </tbody> </table>	Human Rights Management Policy	Plans	Comply with local labor laws and regulations	The Company complies with internationally recognized labor rights and local labor laws and regulations, such as freedom of association, the right to collective bargaining, care for vulnerable groups, the prohibition of child labor, the elimination of all forms of forced labor, the elimination of employment and employment discrimination, etc., and recognizes that there is no discrimination in the use of human resources such as gender, race, socio-	In compliance with the Best Practice Principles.
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Promoted Item	Implementation Status			Differences with Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies and Reasons								
	Yes	No	Summary Description									
			<table border="1"> <tr> <td></td> <td>economic class, age, marital and family status, etc., and implements equality and fairness in employment, employment conditions, salary, benefits, training, evaluation and promotion opportunities.</td> </tr> <tr> <td>Provide a safe and healthy working environment</td> <td>Refer to page 31 of Labor Relations: "Providing a Safe and Healthy Working Environment for Employees"</td> </tr> <tr> <td>Implement reasonable employee welfare measures</td> <td>Refer to page 31 of "Determination and Implementation of Reasonable Employee Benefits in Labor Relations"</td> </tr> <tr> <td>Establish a channel for communication with employees</td> <td>AirTAC respects the right of employee representatives to negotiate working conditions and provides employees with the necessary information and hardware facilities to promote negotiation and cooperation between employers, employees and employee representatives. Provide an effective and appropriate grievance mechanism for cases that endanger workers' rights and interests to ensure that the grievance process is equal and transparent. The grievance channels are concise, convenient and smooth, and the complaints of employees are appropriately responded.</td> </tr> </table> <p>AirTAC Taiwan advocates human rights education and training in the staff meeting, and in 2023, a total of 1 course will be held, with 995 trainees.</p>		economic class, age, marital and family status, etc., and implements equality and fairness in employment, employment conditions, salary, benefits, training, evaluation and promotion opportunities.	Provide a safe and healthy working environment	Refer to page 31 of Labor Relations: "Providing a Safe and Healthy Working Environment for Employees"	Implement reasonable employee welfare measures	Refer to page 31 of "Determination and Implementation of Reasonable Employee Benefits in Labor Relations"	Establish a channel for communication with employees	AirTAC respects the right of employee representatives to negotiate working conditions and provides employees with the necessary information and hardware facilities to promote negotiation and cooperation between employers, employees and employee representatives. Provide an effective and appropriate grievance mechanism for cases that endanger workers' rights and interests to ensure that the grievance process is equal and transparent. The grievance channels are concise, convenient and smooth, and the complaints of employees are appropriately responded.	
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Promoted Item	Implementation Status			Differences with Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Yes	No	Summary Description	
(2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	✓		(2) AirTAC has established a complete employee promotion and salary system, such as the "M/T level standard specification", which provides salary that is better than the middle and upper level in the industry, and the salary package is higher than the local basic salary. Salary standards for new recruits are based on job requirements, education and experience. After employment, salary adjustments and promotions will be made year by year depending on job performance. In terms of pensions, we have a sound financial system and provide stable pensions in accordance with the Labor Standards Act and Labor Pension Regulations of the locations where we operate. For employees who retire or terminate their employment relationship, AirTAC provides severance pay that is superior to the law to help employees through the job transition period. Give out holiday gifts or cash on specific holidays every year (such as Dragon Boat Festival, International Labor's Day and Mid-Autumn Festival, etc.). Overtime pay and welfare special leave system superior to the Labor Standards Act. In addition, the company has also formulated the "Performance Bonus Management Operational Measures" to issue quarterly performance bonuses to eligible employees every quarter based on operational conditions. The company provides all employees with a free health check every two years. In order to implement maternal health protection, there is a nursing room and a guaranteed parking	In compliance with the Best Practice Principles.

Promoted Item	Implementation Status			Differences with Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Yes	No	Summary Description	
(3) Whether the Company has provided safe and healthy work environments for its employees, and organizes training on safety and health for its employees on a regular basis?	✓		<p>space for pregnant female colleagues, and a rest time better than the law is provided, and the work and environment of pregnant colleagues are adjusted in a timely manner. There is also a staff restaurant, a staff leisure area, and special personnel hold staff leisure activities.</p> <p>(3) <u>Occupational Health and Safety Policy</u>  The Company adheres to the Occupational Safety and Health Act and the regulations of customers and related organizations to formulate policies. The company respects the requirements of relevant stakeholders for occupational safety and health in order to build a healthy and happy workplace.  With disaster prevention and disaster prevention as the core concept, the company uses appropriate management tools, mature technology and available resources to integrate occupational safety and health problems in the factory area, put forward effective countermeasures, continuously promote occupational safety culture, strengthen the protection and management of workers, and invest resources to strengthen the prevention of occupational diseases to create a zero-disaster environment. In addition, the Company has established quantitative indicators to expand its OSH activities to products and related services to improve overall OSH performance and effectively control risks.  In 2023, a total of 10 occupational disasters occurred in AirTAC Taiwan, and 10 people were injured, accounting for about 0.96% of the total</p>	In compliance with the Best Practice Principles.

Promoted Item	Implementation Status			Differences with Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies and Reasons						
	Yes	No	Summary Description							
			<p>number. In addition, there was no fires in AirTAC Taiwan in 2023.</p> <p>After the review, the company formulated countermeasures, immediately strengthened safety education and publicity, increased protective equipment and improved the safety environment to ensure the safety of employees during work.</p> <p><u>Monitoring of the working environment of labor</u></p> <p>In order to protect workers from the hazards of harmful substances in the workplace and provide a healthy and comfortable working environment for workers, we carry out working environment monitoring twice a year to gradually understand the actual exposure of workers.</p> <p><u>Work safety checks</u></p> <p>In accordance with the spirit of ISO45001, the company implements industrial safety audits in its daily work, in addition to regularly reporting audit reports to the safety and health committee every quarter, and assessing, proposing and preventing improvements for abnormal deficiencies, and continuously tracking, reporting and closing cases in the safety and health committee.</p> <table border="1"> <tr> <td colspan="2">Work safety check operation</td> </tr> <tr> <td>Work Safety Audit Team</td> <td>More than four times a month</td> </tr> <tr> <td>On-site safety inspection</td> <td>According to the contractor management norms</td> </tr> </table> <p><u>Device security management</u></p> <p>The company classifies the equipment, and AirTAC Taiwan does not have hazardous machinery, and the equipment is managed according to the law, and detailed inspections are done to ensure that the equipment can</p>	Work safety check operation		Work Safety Audit Team	More than four times a month	On-site safety inspection	According to the contractor management norms	
Work safety check operation										
Work Safety Audit Team	More than four times a month									
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Promoted Item	Implementation Status			Differences with Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies and Reasons								
	Yes	No	Summary Description									
(4) Whether the Company has established an effective capacity development of career training program for employees?	✓		<p>be operated safely and safely. The company's industrial safety education, training and promotion in the past three years:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Education and training hours</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>75,484</td> </tr> <tr> <td>2022</td> <td>58,185</td> </tr> <tr> <td>2023</td> <td>78,778</td> </tr> </tbody> </table> <p><u>Company Verification Situation</u> AirTAC Taiwan has been certified ISO45001 occupational health and safety management system to enable the company to effectively identify and prevent risks, protect and provide a safe and secure workplace for employees, and reduce the likelihood of accidents and illnesses for employees. In addition, doctors are regularly stationed to provide health promotion and medical consultation to strengthen employees' health awareness. (Certificate valid from 2024.1.4~2027.1.3)</p> <p>(4) We are dedicated to fostering talents in the automated machinery industry through a comprehensive training program covering new and on-the-job training, internal and external training, and basic and supervisor development, providing multi learning channels. At the same time, we assess the effectiveness of employee learning development alongside education and training, while continuing to observe whether the employees under training has made progress in an effort to generate talent values necessary for sustainable development.</p>	Year	Education and training hours	2021	75,484	2022	58,185	2023	78,778	In compliance with the Best Practice Principles.
Year	Education and training hours											
2021	75,484											
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Promoted Item	Implementation Status			Differences with Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Yes	No	Summary Description	
(5) Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?	✓		<p>(5) The Company manages customer service via the CRM system. CRM system has several big data analysis and linkage including data analysis, error warning, warranty service to increase customer service efficiency, and data analysis basis. We enhance customer service, and customer satisfaction to increase customer delivery value and build a long-term, stable, trusting relationship with customers to further attract new customers so as to maintain existing ones, increase efficiency, and competitive advantage.</p> <p>AirTAC adheres to the principle of confidentiality regarding customer privacy data protection. We do not disclose customer names and project information to irrelevant third parties. We continue to protect customers' privacy with the aim of zero data breach.</p> <p>At AirTAC, we attach great importance to product manufacturing responsibility. We ensure that there is no violation of health and safety laws and regulations during the life cycle of products and services. In an effort to fulfill corporate social responsibility such as protecting the health, the safety of customers and end users while enforcing environmental protection, our raw materials are all tested by a third-party unit. Our raw materials all meet health and safety requirements, such as RoHS 2.0.</p>	In compliance with the Best Practice Principles.
(6) Does the company implement supplier management policies, requiring suppliers to observe relevant	✓		(6) The company has formulated the "Supplier Management Measures", which attaches great importance to the sustainable development of the industrial	In compliance with the Best Practice Principles.

Promoted Item	Implementation Status			Differences with Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Yes	No	Summary Description	
regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.			<p>chain, and continuously promotes the sustainable supply chain management system. For example, in the contract with suppliers, environmental and social factors are considered, and suppliers are required to strictly abide by the local regulations. AIRTAC fully implements green procurement, and the procurement department is responsible for promoting AirTAC's "Green Procurement Statement" to suppliers, requiring all suppliers to comply with RoHS2.0 requirements and obtain supplier inspection reports on a regular basis. In the form of preferential procurement incentives, suppliers are encouraged to obtain IATF 16949 automotive industry standards and ISO 14000 environmental management related certificates. It also plans to gradually promote the supplier ESG selection system, establish a supplier grading and classification system, conduct on-site supplier audits, promote supplier sustainable risk assessment and guidance, and further implement the spirit of sustainable procurement.</p> <p>AirTAC is well aware that raw materials and components may have an impact on the environment during transportation, so it adheres to the principle of local supply and actively develops local suppliers in order to achieve timely and appropriate procurement, thereby reducing carbon emissions caused by remote transportation, and creating local jobs and economic prosperity. In 2023, AirTAC Taiwan local procurement (Taiwan) was account for 62%, while AirTAC Ningbo's and AirTAC</p>	

Promoted Item	Implementation Status			Differences with Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Yes	No	Summary Description	
			Guangdong's local procurement (Mainland China) were account for 73% and 94%, respectively.	
5. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?		✓	5. The Company issued the sustainability report which is based on the core options of the GRI Standards of the Global Reporting Initiative (Global Reporting Initiative, GRI), TCFD and SASB standards as the disclosure principles. The report was written with reference to the Taiwan Stock Exchange's "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies" and "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and exposes AirTAC's sustainable development related actions and results to stakeholders. The Company has also set up a sustainable development area on its website, revealing the actual operation on the Company's website.	In compliance with the Best Practice Principles.
6. If the Company has established its corporate social responsibility guidelines in accordance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, describe the operational status and differences with the CSR Best Practice Principles:  In order to practice sustainable development, the company has formulated the "Sustainable Development Best Practice Principles", which will continue to be implemented and implemented with all colleagues of the company in accordance with the norms and spirit of the "Sustainable Development Best Practice Principles".				
7. Other important information to facilitate better understanding of the Company's promoted sustainable development implementation:  The Company takes "Sunshine Action" and "Blue Student Aid Project" as its two main axes, continuously and actively organizes various charitable activities and promotes social public welfare undertakings.  (1) "Sunshine Action" aims at the people's lives in areas where long-term relationship resources are scarce. Its projects include charitable activities, long-term care for poor families, condolences for donations, emergency relief and blood donations.  a. Long-term care households of poor families: Funding poor families on a regular basis, about 1,588				

Promoted Item	Implementation Status			Differences with Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Yes	No	Summary Description	
			<p>families are cared for each month</p> <p>b. Condolences and donations: Regular donations to fund charities and disadvantaged groups; help improve the lives and solve the traffic problems of the rural residents and the students; rural hospital construction project to improve the medical level in poor areas and reduce the burden of patients on medical treatment; donated 5 rehabilitation buses and 4 transportation buses for people with disabilities to provide appropriate transportation services to improve the access to medical treatment for the physically and mentally handicapped, safeguard their right to travel, enable them to use day service resources smoothly, and solve economic difficulties; donate to real (food) banks to provide poor and disadvantaged families basic daily necessities. A total of 1,483 bags of blood were donated by Taiya employees (a total of 370,750cc of blood was donated).</p> <p>c. Emergency relief: In response to sudden changes in the family or individual, assistance such as cash or materials is urgently needed, as well as funeral expenses subsidies for families with financial difficulties.</p> <p>(2) “The Blue Student Aid Project” aims to help poor students grow up healthily and complete their studies smoothly. It also promotes various charitable activities in primary and secondary schools and colleges. The main projects include: Student Aid Fund, Airtac Youmei Grants, Campus Teaching Equipment and Living Facilities Renovation, etc.</p> <p>a. Student Aid Fund: Sustained funding for single mothers, unemployed women, poor students and severely ill children</p> <p>b. Airtac Youmei Grants: About 1,300 poor students from 11 universities have been financed for a long time to complete their studies, and some students have been financed to carry out social practice public welfare activities during the winter and summer vacations.</p>	

Note: Based on the principle of materiality of sustainable development, the company conducts relevant risk assessments on important issues, and formulates relevant risk management policies or strategies as follows based on the assessed risks.

Major issues	Risk Assessment	Risk Management Policy
Environment	Environmental Impact and Management	<ol style="list-style-type: none"> <li>1. Establish a sewage treatment system to reuse industrial washing wastewater after treatment for industrial washing operations; add a rainwater recovery and storage system for sewage treatment.</li> <li>2. Develop low carbon products Develop lightweight, space-saving, energy-saving products, reduce energy efficiency losses, and use environmentally friendly, recyclable materials and environmentally friendly packaging with ink-free printing.</li> <li>3. Perform energy anomaly analysis According to the configuration specification of energy measuring instruments, configure corresponding meters for water, electricity and gas in the plant area. Statistical analysis is carried out every week to facilitate timely detection and processing of abnormalities.</li> <li>4. The Company combined its internal risk management framework and TCFD framework to construct the Company's climate risk identification process, and identified a total of 4 opportunities and 4 risks after discussion at the management meeting. The following measures are established according to the climate risk identification process: Establish a notification mechanism for major incidents, set up an emergency response team to strengthen the timeliness of recovery of key systems, and quickly resume business operations to cope with possible disruptions caused by extreme weather. The contents are disclosed in the Sustainability Report.</li> <li>5. The main factories of AirTAC Ningbo and AirTAC Taiwan have obtained the certification of "ISO14001 Environmental Safety Management System". (The validity period of the AirTAC Ningbo certificate is from 2023.7.15~2026.7.14; the validity period of the AirTAC Taiwan certificate is from 2023.12.16~2026.12.15.)</li> </ol>
Society	Occupational safety	<ol style="list-style-type: none"> <li>1. Completed "ISO 45001 Occupational Health and Safety Management System" verification. Certificate period is from 2024.1.4~2027.1.3.</li> <li>2. Fire drills and industrial safety education and training are held regularly every year to cultivate employees' ability to respond to emergencies and self-safety management.</li> </ol>
	Product Safety	<p>The company attaches great importance to the responsibility of product manufacturing, and ensures that there is no violation of health and safety regulations during the life cycle of products and services, in order to protect the health and safety of customers and end users, and to implement corporate social responsibilities such as environmental protection. All raw materials of AirTAC have been inspected by a third notary public, and their materials and contents meet relevant health and safety requirements, such as EU RoHS 2.0. There will be no major penalties for violating health and safety regulations in 2023.</p>

Major issues	Risk Assessment	Risk Management Policy
Corporate Governance	Socioeconomic and Legal Compliance	<p>1. By establishing a governance organization and implementing an internal control mechanism, we ensure that all personnel and operations of the company truly comply with relevant laws and regulations.</p> <p>2. The products developed by the company are subject to patent applications to protect the company's rights and interests.</p> <p>3. AirTAC is not subject to any major penalties for violating the law in 2023.</p>
	Strengthen the functions of directors	<p>1. The board of directors is convened in accordance with the regulations, and in order to effectively exert the functions of the board of directors, the audit committee and the remuneration committee are divided under the board of directors according to their powers and functions. The functional committees are composed of independent directors, which effectively implement the independent supervision and check and balance mechanism to ensure the resolutions and actions of the board of directors.</p> <p>2. Insuring directors' liability insurance for directors to protect them from lawsuits or claims.</p>
	Stakeholder Communication	<p>1. In order to prevent stakeholders from differing from the company's position, resulting in misunderstandings and risks of business operations or lawsuits, the company analyzes important stakeholders and important issues of concern every year.</p> <p>2. Establish various communication channels, actively communicate, and reduce confrontation and misunderstanding. Set up an investor mailbox, which will be handled and responded by a dedicated person.</p>

### 3.3.6 Fulfillment of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation criteria	Implementation Status		Summary Description	Differences with Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Ye	No		
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?</p>	✓		<p>(1) The Board of Directors passed the Company's "Ethical Corporate Management Best-Practice Principles". Each operation center is supposed to implement the related policy. The internal audit department is responsible for supervision annually. All directors and senior managers of the Company have signed the "Statement of Compliance with Integrity Management Policy" in order to actively implement the commitment of the Integrity Management Policy.</p>	<p>In compliance with the Ethical Corporate Management Best Practice Principles.</p>

Evaluation criteria	Implementation Status			Differences with Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Ye	No	Summary Description	
(2) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?	✓		(2) The Company's Ethical Corporate Management Best-Practice Principles have specified in detail that the company's directors, managers and all employees are prohibited from engaging in high level of dishonesty behavioral risk business activities in Article 7, paragraph 2 or other business scope of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies".	In compliance with the Ethical Corporate Management Best Practice Principles.
(3) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?	✓		(3) The Company's "Ethical Corporate Management Best-Practice Principles" and Employee's Handbook has clearly specified the punishments against law breaking, offering and accepting bribes, offering or accepting unreasonable gifts or hospitality, or other inappropriate benefits with clear channels of appeal, and trainings of related principles are carried out for employees.	In compliance with the Ethical Corporate Management Best Practice Principles.
2. Implementation of ethical corporate management (1) Whether the Company has assessed the integrity of the record of counterparties, and entered into contracts with counterparties with the terms of integrity act provisions.	✓		(1) The Company has set Supplier Management Measures, if there are any doubts about the credibility of the supplier, cannot make purchases. The Company's Supplier Agreement states that all suppliers shall not offer bribes to the employees of the Company. The Company will pursue responsibilities and terminate the business relationship with the bribing supplier.	In compliance with the Ethical Corporate Management Best Practice Principles.

Evaluation criteria	Implementation Status			Differences with Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Ye	No	Summary Description	
(2) Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?	✓		(2) The company's general manager's office plans to promote the integrity management policy and the formulation of the plan for preventing dishonest behavior based on the work responsibilities and scope of each unit. The general manager office of the Group also assists the board of directors and management in formulating and supervising the implementation of integrity management policies and prevention plans, ensuring the implementation of the integrity management code. Report its implementation and results to the board of directors once a year, and the latest date for reporting to the board of directors is November 6, 2023.	In compliance with the Ethical Corporate Management Best Practice Principles.
(3) Whether the Company has set up and implement policies to prevent conflict of interests and providing channels to report such conflict.	✓		(3) The Company's Employee Handbook requires relevant personnel not to benefit themselves, prevent conflicts of interest. Use various meetings to communicate and convey the entrepreneurial spirit of integrity management.	In compliance with the Ethical Corporate Management Best Practice Principles.
(4) Whether the Company has built an effective accounting system and internal control system to carry out ethical corporate management, with internal auditors auditing the process or to engage a certified public accountant to carry out the audit.	✓		(4) The Company has established an effective accounting system and internal control system. In addition, internal auditors schedule regular audits according the level of risks. The internal audit unit has periodically examined the Company's compliance with the accounting systems and internal control systems, and has engaged a certified public accountant to carry out the audit.	In compliance with the Ethical Corporate Management Best Practice Principles.
(5) Whether the Company has periodically organized internal and external training for integrity management.	✓		(5) The company has developed an Employee Handbook that requires employee integrity, and is listed as employee induction and on-the-job training content. AirTAC Taiwan hold a total of 1 employee meetings in 2023, with a total of 995 people, to publicize important regulations such as the integrity	In compliance with the Ethical Corporate Management Best Practice Principles.



Evaluation criteria	Implementation Status			Differences with Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Ye	No	Summary Description	
			management code.	
<p>3. Operating situation of whistle-blowing system</p> <p>(1) Whether the Company has adopted a concrete whistle-blowing system, established a convenient whistle-blowing channel and dedicated appropriated personnel appointed to handle the objects.</p>	✓		<p>(1) In order to actively prevent dishonest behavior and encourage internal and external personnel to report dishonest behavior or misconduct, the company has set up employee suggestion boxes, internal communication software and mailboxes in the general manager's office (e.g. general managers and general managers of subsidiaries) to appeal against dishonest behavior. The stakeholder area of the company website also provides effective communication methods for employees, shareholders, stakeholders and external personnel. There is a whistleblower mailbox for violating professional ethics and the general manager's office of the group is the special unit for reporting and accepting reports. Those who are dishonest will be punished in order to implement the integrity policy.</p>	In compliance with the Ethical Corporate Management Best Practice Principles.
<p>(2) Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?</p>	✓		<p>(2) The company has formulated the "Measures for Handling Cases of Reporting Illegal and Immoral or Dishonest Behaviors", specifying the relevant procedures, and keeping the identity and content of the whistleblower strictly confidential. In 2023, there are no cases involving dishonesty.</p>	In compliance with the Ethical Corporate Management Best Practice Principles.
<p>(3) Does the company provide proper whistleblower protection?</p>	✓		<p>(3) The Company has adopted measures for protecting whistleblowers from inappropriate disciplinary actions due to their whistle-blowing.</p>	In compliance with the Ethical Corporate Management Best Practice Principles.
<p>4. Strengthening information disclosure</p> <p>(1) Whether the Company has disclosed related information on ethical corporate management on the Company's website</p>	✓		<p>(1) The Company's business culture, operating policies are posted on the Company's website and are duly updated; Disclosing related information on ethical corporate management on the Company's</p>	In compliance with the Ethical Corporate Management Best Practice Principles.

Evaluation criteria	Implementation Status			Differences with Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Ye	No	Summary Description	
and Market Observation Post System.			website.	
<p>5. Should the Company promulgate its own ethical corporate management principles in accordance with the “Ethical Corporate Management for TWSE/GTSM-listed Companies”, describe differences between real practices and the principles established: None.</p> <p>6. Other important information to facilitate understanding of the Company’s implementation of ethical corporate management practices:</p> <p>(1) The Handbook for the Meeting of Board of Directors of the Company states if any director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter.</p> <p>(2) The Company’s “Rules of Business Integrity” has been implemented after the Board of Directors through the implementation, any amendments thereto in the same fashion.</p> <p>(3) The company conducts risk assessments on corruption-related matters for the operating activities of its main operating bases. Through the local management units will conduct annual self-inspection and self-assessment of compliance with laws and regulations, to achieve effective control and implementation. It is regularly audited independently by the audit unit to ensure the operation of the overall mechanism, and to jointly manage and prevent the occurrence of dishonest behavior. In 2022, there was no corruption and anti-competitive behavior. There were no cases of corruption or anti-competitive conduct in 2023.</p>				

**3.3.7 Ways to inquire the Company’s corporate governance best-practice principles or related rules:**

The Company has set the Code of Corporate Governance and the relevant rules which are approved by board of directors. The related content has been uploaded to the Company website to facilitate the investing public inquiry.

**3.3.8 Other significant information that will provide a better understanding of the state of the Company’s implementation of corporate governance:**

1. Succession planning for board members

The Company has established a comprehensive director selection system, carefully considered the allocation and diversity standards of the board of directors, and the selection process of all directors is fair, open and just, in line with the company’s "Articles of Association", "Director Election Method" and "Code of Practice on Corporate Governance". According to the regulations, the company selects persons with the knowledge, skills and accomplishments necessary to perform the duties as directors based on the industry professional background, work field and practical experience, etc.

The succession planning of the company's directors shall not only meet the requirements of laws and regulations, but also consider the professional knowledge, skills, experience, gender, and other diversified backgrounds and independence standards required by the board members based on the company's development direction and medium and long-term strategic goals. In addition to diversified professional knowledge and skills (such as law, accounting, industry, finance, marketing or technology) and industry experience, director successors should have overall capabilities including operational judgment, accounting and financial analysis capabilities, and management capabilities (Including the operation and management of subsidiaries), crisis management capabilities, industry knowledge, international market outlook, leadership, decision-making capabilities, and should be able to interact with the company's business main axis, medium and long-term steady growth and development strategies, and continue to improve corporate governance and risk management knowledge.

The Company evaluate the performance of directors every year, which serves as a reference for the subsequent selection of directors' successors.

## 2. Succession planning for important management

Successors of important management levels must have high execution ability, correct values and personality traits such as integrity and integrity, and embrace the corporate philosophy of "pursuing excellence, sustainable management, integrity first, and service-oriented" as the standard, and strive to achieve the goal of employee satisfaction, customer satisfaction and shareholder satisfaction.

In the training plan for important management levels, we usually develop management knowledge, management skills, management leadership and other three skills by performing different project tasks, and discover their gaps in the development process. So that the successor candidates can improve their management ability and thinking, and complete the succession preparation before the scheduled time of succession.

3. The company prepared the sustainability report in accordance with the Sustainability Reporting Standards (GRI STANDARDS) of the Global Reporting Initiative (GRI), the Task Force on Climate-related Financial Disclosures (TCFD), and the Sustainability Accounting Standards Board (SASB) guidelines as disclosure principles. Additionally, it takes into consideration the "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies" issued by the Taiwan Stock Exchange (TWSE) " and the " Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies " provided by the Taiwan Stock Exchange. The company will let stakeholders know more about AirTAC through information disclosure in the sustainability report. We promise to continue to compile and issue reports every year in the future, respond to the concerns of relevant stakeholders, and honestly and transparently disclose the three major aspects of economy, environment and society. Sustainable business results.

### 3.3.9 Status of the execution of Internal Control Systems

#### 1. Statement of Internal Controls

##### AIRTAC INTERNATIONAL GROUP

##### Statement of Internal Controls

January 18, 2024

The Company states the following with regard to its internal control systems for 2023 based on the results of self-evaluation:

1. The Company is fully aware that the establishment, implementation, and maintenance of the internal control systems are the responsibility of the board of directors and management. The purpose is to make sure the target achieved and reasonable assurance on business operation effects/efficiency (profits, performance and asset security), reliable, timely, transparent reports in accordance with the related statements & laws.
2. An internal control system has its inherent limitations. No matter how perfect is its design, an effective internal control system can only provide reasonable assurance for the attainment of the three goals described above. Moreover, the effectiveness of internal control systems could change along with the changes in environment and circumstances. However the Company's internal control system is equipped with the function of self-monitoring, that the Company will take immediate action once a deficiency is identified.
3. The Company determines whether the design and implementation of its internal control systems are effective based on the criteria provided in the *Regulations Governing Establishment of Internal Control Systems by Public Companies* (referred to as the "Governing Regulations" hereunder). Said criteria divide internal control into five elements based on the process of management control: 1. Control Environment, 2. Risk Assessment and Response, 3. Control Operation, 4. Information and Communication, and 5. Supervision. Each element contains several items. Please refer to the Governing Regulations.
4. The Company has evaluated the validity of the design and implementation of its internal control systems based on the aforesaid criteria.
5. Based on the results of aforementioned evaluation, it is found that the internal control systems of the Company for the year ended December 31, 2023 (including the supervision and management of subsidiaries) was effective in design and implementation, that it reasonably assures the accomplishment of aforesaid goals. The understanding of the achieved results of the internal control system design and execution works that business operation effects/efficiency, reliable, timely, transparent reports in accordance with the related statements & laws and reasonably ensure the above targets to meet.
6. This Statement shall become a major part of the Company's annual report and be made public. Any false representation or concealment in this Statement shall be subjected to legal consequences as stipulated in Articles 20, 32, 171 and 174 of the *Securities and Exchange Act*.
7. This statement has been passed by the Company's board of directors in a meeting held on January 18, 2024, where all of the ten attending directors have agreed to the contents of this statement.

AIRTAC INTERNATIONAL GROUP

Chairman: Wang, Shih-Chung

General Manager: Wang, Shih-Chung

2.If a CPA was engaged to examine the internal control systems, disclose the CPA examination report: None.

**3.3.10 Any legal sanctions against the Company or its internal personnel, or any disciplinary action taken by the Company against its own personnel for violation of internal controls, during the most recent fiscal year and up to the date of annual report, major deficiencies associated with the sanction and status of improvement actions taken: None.**

**3.3.11 Major resolutions and execution of the shareholders' meetings in the most recent year and as the date of the publication of the annual report:**

Date	Major resolutions of the shareholders' meetings	Status of the execution
June 20, 2023	1.2022 remuneration to directors and employees.	The amount of profit distributable is RMB 17,880,000, to be paid in cash. There is no distribution of directors' remuneration.
	2.2022 cash dividends of the Company's earnings distribution.	The Company proposes to distribute cash dividends of RMB 3.05 per share, and the total cash dividend is RMB 609,999,994 The date of payment is October 30, 2023.
	3.Adoption of the Company's Operation and Business Report and Consolidated Financial Statements for the year 2022.	Approved.
	4.Adoption of the Company's earnings distribution for year 2022	Approved.
	5.Approve the amendments to the M&A of the Company.	Approved and disclosed on the Company's website.

**3.3.12 Important resolutions adopted in board of directors meetings in the most recent year and the current year up to the date of annual report:**

Date	Important resolutions adopted in board of directors meetings
January 12, 2023	<ol style="list-style-type: none"> <li>1. Approve the 2023 consolidated financial budget and the business report of the Company and its subsidiaries.</li> <li>2. Approve the Company's ratio of profit distributable to the employees as compensation for the year 2023.</li> <li>3. Approve the statement on internal control systems of the Company.</li> <li>4. Approve the purchase of directors' liability insurance.</li> </ol>
March 8, 2023	<ol style="list-style-type: none"> <li>1. Approve the business report and the consolidated financial statements of the Company and its subsidiaries for 2022.</li> <li>2. Approve the Company's profit distributable to the employees as compensation for 2022.</li> <li>3. Approve the cash dividends and earning distribution of the Company for 2022.</li> <li>4. Approve the amendments to the M&amp;A of the Company.</li> <li>5. Approve the date, venue, convening method, record date for book-closed period, and meeting agenda of the 2023 annual general meeting of the shareholders of the Company.</li> <li>6. Approve the evaluation of the independence and the competence of the Certified Public Accountant for the audit of the financial statement of the</li> </ol>

Date	Important resolutions adopted in board of directors meetings
	Company.
May 3, 2023	<ol style="list-style-type: none"> <li>1. Approve the consolidated financial statements of the Company and its subsidiaries for the first quarter of 2023.</li> <li>2. Approve the capital increase of Ningbo Airtac Automatic Industrial Co., Ltd.</li> <li>3. Approve the “General principles for pre-approved list of non-assurance service” of the Company.</li> </ol>
June 20, 2023	<ol style="list-style-type: none"> <li>1. Approve the record date for the 2022 Earnings Distribution Plan and relevant matters of the Company.</li> <li>2. Appoint the chief corporate governance officer.</li> <li>3. Approve the Company’s profit distributable to the employees as compensation for 2022.</li> </ol>
August 14, 2023	Approve the consolidated financial statements of the Company and its subsidiaries for the second quarter of 2023.
November 6, 2023	<ol style="list-style-type: none"> <li>1. Approve the consolidated financial statements of the Company and its subsidiaries for the third quarter of 2023.</li> <li>2. Approve the 2024 audit plan of the Company.</li> </ol>
January 18, 2024	<ol style="list-style-type: none"> <li>1. Approve the 2024 consolidated financial budget and the business report of the Company and its subsidiaries.</li> <li>2. Approve the Company’s ratio of profit distributable to the employees as compensation for the year 2024.</li> <li>3. Approve the statement on internal control systems of the Company.</li> <li>4. Approve the purchase of directors’ liability insurance.</li> </ol>
March 11, 2024	<ol style="list-style-type: none"> <li>1. Approve the business report and the consolidated financial statements of the Company and its subsidiaries for 2023.</li> <li>2. Approve the Company’s profit distributable to the employees as compensation for 2023.</li> <li>3. Approve the earning distribution of the Company for 2023.</li> <li>4. Approve the amendments to the M&amp;A of the Company.</li> <li>5. Approve the date, venue, convening method, record date for book-closed period, and meeting agenda of the 2024 annual general meeting of the shareholders of the Company.</li> <li>6. Approve the change of Certified Public Accountant of Deloitte &amp; Touche.</li> <li>7. Approve the evaluation of the independence and the competence of the Certified Public Accountant for the audit of the financial statement of the Company.</li> </ol>

**3.3.13 Different opinions of directors or supervisors on record or in written statement on major resolutions approved by the board of directors in the recent year and as of the date of the publication of the annual report:** None.

**3.3.14 Information on persons in connection with the Company**

1. Statement of resignations/dismissals (including chairman, president, accounting chief, financial chief, internal chief auditing and R&D chief ) in the recent year and as of the date of the publication of the annual report: None

2. Certifications obtained by the persons in connection with the disclosure of financial information

Certificate	Number of people	
	Internal audit	Financial
CPA	0	5
CICPA	0	1
CIA	0	0

### 3.3.15 Protection of Intellectual Property and Patent

In order to build and sustain an environment of innovation, technology leadership, and sustainable profitable growth, the Ethics Code requires that AirTAC promotes business relationships founded upon an unwavering respect for the intellectual property rights, proprietary information and trade secrets of AirTAC, our customers, and others.

In an effort to protect AirTAC’s current patented technologies and related intellectual properties, the Company has formulated the “Patent Management Rules.” A patent management team has been set up to supervise and implement the Company’s patent-related matters. We cooperate with a professional law firm and entrust fixed professional teams to carry out related matters, from the research of patents at the first stage of new product development to the subsequent patent application, licensing, protection, and utilization of patents. Please refer to “5.1.3 Technology and R&D overview” of this report.

## 3.4 Information on CPA Fees

### 3.4.1 CPA fees information

Name of accounting firm	Name of CPA	Audit period	Audit fees	Non-audit fees	Total	Note
Deloitte & Touche	Chih, Jui-Chuan	2023.1.1-2023.12.31	10,254	1,711	11,965	-
	Weng, Bo-Ren					

Note: The aforesaid CPA fees include fees of RMB \$2,048 thousand which included RMB 200 thousand of fees for transfer pricing analysis (equivalent to NTD \$8,861 thousand according to the exchange rate of 4.327 at the end of 2023) paid to Deloitte Touche Tohmatsu in China in 2023. Other non-audit fees refer to the fees to provide transfer pricing reports and capital increase.

**3.4.2 Mandatory disclosure of the auditing and non-auditing fees and the contents of non-auditing service of CPAs, their accounting firms, and affiliates whose non-auditing fee exceeds one fourth of the auditing fee:** None.

**3.4.3 Replacement of accounting firm and the auditing fee for the replacement year decreases from the previous year which requires mandatory disclosure of the auditing fees of the two years and provision of reasons:** None.

**3.4.4 Auditing fee decrease over 15% from the previous year:** None.

**3.5 Information on Replacement of CPA: None.**

**3.6 Chairman, Presidents, and Financial or Accountant Managers Who Served at the Accounting Firm of the CPAs or Its Affiliates in the Most Recent Year: None.**

**3.7 Changes in Shareholding Transfer or Shareholding Pledge by Directors, Supervisors, or Managers, and Major Shareholders in the Most Recent Year and as of the Date of the Publication of the Annual Report:**

**3.7.1 Changes in shareholding transfer by directors, supervisors, or managers, and major shareholders (the Company does not have supervisors)**

Unit: shares

Title	Name	2023		As of April 1, 2024	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
Chairman & GM	Wang, Shih-Chung	—	—	—	—
Director	Lan, Shun-Cheng	(200,000)	—	(50,000)	—
Director	Wang, Hai-Ming	—	—	—	—
Director	Chen, Jui-Lung	(90,000)	—	—	—
Director Executive Vice GM of the Group GM of Mainland China Business Group	Li, Huai-Wen	—	—	—	—
Director Vice GM of the Group CFO	Tsao, Yung-Hsiang	—	—	—	—
Independent Director	Renn, Jyh-Chyang	—	—	—	—
Independent Director	Lin, Yu-Ya	—	—	—	—
Independent Director	Lin, Ken-Mao	—	—	—	—
Independent Director	Huang, Yi-Wen	—	—	—	—
GM of AirTAC Taiwan	Hsiao, Yu-Chien	—	—	—	—
Executive vice GM of AirTAC China	Dai, Jia-Xing	—	—	—	—
Vice GM of Administrative Department of AirTAC Ningbo Vice GM of AirTAC Guangdong	Mao, Xiao-Yang	—	—	—	—
Vice GM of Manufacturing Department of AirTAC China	Wu, Cheng-Jie	—	—	—	—
Vice GM of Technology Department of AirTAC Ningbo	Jiang, Yong	—	—	—	—
Vice GM of R&D Department of AirTAC Ningbo	Chen, Zaoyang	—	—	—	—
Vice GM of AirTAC Jiangsu	Xu, Jia	—	—	—	—
Chief Audit Officer	Chiang, Hsin-Chih	—	—	—	—
Chief Corporate Governance Officer	Hung, Mei-Lan	—	—	—	—
10% shareholder	Ding Kan Investment Ltd.	(736,000)	(400,000)	(142,000)	—

**3.7.2 The counterparty of share transfer is a related party: None.**



**3.7.3 The counterparty of share pledge is a related party: None.**

**3.8 Information Disclosing the Relationship of the Top Ten Shareholders Who Are Related Parties According to Financial Accounting Criteria No.6:**

Unit: shares; April 1, 2024

Name	Own shareholding		Shareholding of spouse and Shares held by spouse and minor children		Shares held in other's name		The title or name and relationship of top ten shareholders if they are a related party as defined in the Statement of Financial Accounting Standards No. 6, or the spouse or a relative within the second degree of kinship to another		Remark
	Shares	%	Shares	%	Shares	%	Title (name)	Relationship	
Ding Kan Investment Ltd. Chairman: Wang, Shih-Chung	26,856,227	13.43%	—	—	—	—	Lin, Shu-Mei	Spouse of the Director	Note
	—	—	5,103,700	2.55%	29,313,307	14.66%	Ding Kan Investment Ltd./Lin, Shu-Mei	Director/ Spouse of the Director	None
YHZ Ltd. Chairman: Wang, Hai-Ming	10,858,142	5.43%	—	—	—	—	—	—	Note
	—	—	491,397	0.25%	10,858,142	5.43%	YHZ Ltd.	Director	None
Express Brilliant Ltd. Chairman: Lan, Shun-Cheng	10,350,000	5.18%	—	—	—	—	Lan, Shun-Cheng	Director	Note
	2,955,152	1.48%	—	—	10,350,000	5.18%	Express Brilliant Ltd.	Director	None
Fubon Life Insurance Co., Ltd. Chairman: Lin, Fu-Xing	7,638,377	3.82%	—	—	—	—	—	—	None
	—	—	Not Available						
HSBC in Custody for The Overlook Partners Fund L.P.	5,323,000	2.66%	—	—	—	—	—	—	None
Lin, Shu-Mei	5,103,700	2.55%	—	—	—	—	Ding Kan Investment Ltd.	Spouse of the Director	None
Chen, Jui-Lung	4,716,081	2.36%	—	—	—	—	—	—	None
Cathay Life Insurance Co., Ltd. Chairman: Xiong, Ming-He	4,471,000	2.24%	—	—	—	—	—	—	None
	—	—	Not Available						
HSBC in Custody for Sumitomo	3,450,324	1.73%	—	—	—	—	—	—	None

Name	Own shareholding		Shareholding of spouse and Shares held by spouse and minor children		Shares held in other's name		The title or name and relationship of top ten shareholders if they are a related party as defined in the Statement of Financial Accounting Standards No. 6, or the spouse or a relative within the second degree of kinship to another		Remark
	Shares	%	Shares	%	Shares	%	Title (name)	Relationship	
Global Robot Fund of Funds									
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Saudi Arabian Monetary Authority	3,287,612	1.64%	—	—	—	—	—	—	None

Note: All are trust accounts.

### 3.9 The Amount of Shares and Total Share of Stake in the Same Invested Company Owned by the Company, Directors, Supervisors, Managers of the Company, and the Enterprises Directly or Indirectly Controlled by the Company.

Unit: shares; %

Investment	Investment by the Company		Investment by directors, supervisors, managers and companies controlled directly or indirectly by the Company		Total investment	
	Shares	%	Shares	%	Shares	%
AIRTAC INDUSTRIAL (HONG KONG) LIMITED	167,426,238	100%	—	—	167,426,238	100%
AIRTAC TRADING (HONG KONG) LIMITED	7,000,000	100%	—	—	7,000,000	100%
INSTANT REACH INTERNATIONAL LIMITED	1	100%	—	—	1	100%
AIRTAC HOLDING (SINGAPORE) PTE. LTD.	17,000,000	100%	—	—	17,000,000	100%
Ningbo AirTAC Automatic Industrial Co.	Note	100%	—	—	Note	100%
Guangdong AirTAC Automatic Industrial Co.	Note	100%	—	—	Note	100%
Airtac (China) Co., Ltd.	Note	100%	—	—	Note	100%
Airtac (Jiangsu) Automatic Co., Ltd.	Note	100%	—	—	Note	100%
Airtac Enterprise Co., Ltd.	69,435	69.435%	—	—	69,435	69.435%
ATC(ITALIA)S.R.L	4,000,000	100%	—	—	4,000,000	100%
AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	12,500,000	100%	—	—	12,500,000	100%
Airtac Co., Ltd.	2,000	100%	—	—	2,000	100%
AIRTAC USA CORPORATION	3,000	100%	—	—	3,000	100%
AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	1,000,000	100%	—	—	1,000,000	100%
Airtac Industrial Co., Ltd. (Thailand)	1,000,000	100%	—	—	1,000,000	100%
Guangdong Airtac Intelligent Equipment Co., Ltd.	Note	100%	—	—	Note	100%
Airtac (Tianjin) Intelligent Technology Co., Ltd.	Note	100%	—	—	Note	100%
Airtac (Fujian) Intelligent Equipment Co. Ltd.	Note	100%	—	—	Note	100%
Airtac (Shandong) Automatic Co., Ltd.	Note	100%	—	—	Note	100%

Note: The subsidiaries in China are limited companies that do not issue shares.

### 3.10 Dealing with Internal Key Information and Guarding Inside Trading

In accordance with Article 8 of the “Regulations Governing Establishment of Internal Control Systems by Public Companies”, the Company settled “The management procedure of dealing with internal key information and guarding inside trading”, which prohibit insiders of the Company from trading securities using information not disclosed to the market. It is advisable that the rules include stock trading control measures from the date directors of the Company become aware of the contents of the company's financial reports or relevant results. Measures include, without limitation, those prohibiting a director from

trading its shares during the closed period of 30 days prior to the publication of the annual financial reports and 15 days prior to the publication of the quarterly financial reports.

At least once a year, the Company handles the education and advocacy of "The management procedure of guarding inside trading" and "The management procedure of dealing with internal key information" and related laws and regulations for the current directors, managers and employees, and arranges the education advocacy for the new directors and managers after taking office. New employees are educated and promoted by personnel during pre-employment training.

In the quarterly email advocating the prohibition of insider trading, the company reminds insiders not to trade their shares during the closed period of 30 days prior to the publication of the annual financial reports and 15 days prior to the publication of the quarterly financial reports. The Company notified the insiders of the closure period prior to the publication of the quarterly financial reports to avoid misunderstanding of the Regulation on January 31, 2023, April 11, 2023, 21 July, 2023 and 6 October, 2023, respectively.

## 4. Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 Sources of capital

##### 1. Types of shares

April 1, 2024; Unit: shares

Type of shares	Registered capital			Remark
	Outstanding shares	Unissued shares	Total	
Registered common shares	199,999,998	2	200,000,000	Listed stocks

##### 2. Capital formation

Unit: \$/ Share

Year/ Month	Issuing Price	Authorized capital		Paid-in capital		Remark		
		Shares	Amount	Shares	Amount	Sources of capital	Capital Increased by Assets other than Cash	Others
2009.09	US\$ 1	20,000,000	US\$ 20,000,000	1	US \$ 1	Capitalization by cash	—	—
2009.10	US\$ 1	20,000,000	US\$ 20,000,000	2	US \$ 2	—	Long-term Investment	—
2009.12	US\$ 1	20,000,000	US\$ 20,000,000	3	US \$ 3	—	Long-term Investment	—
2009.12	US\$ 1	20,000,000	US\$ 20,000,000	19,999,996	US \$ 19,999,996	Capitalization of capital surplus	—	—
2010.04	NTD 10	200,000,000	2,000,000,000	64,699,999	NTD 646,999,990	(1) The originally authorized capital of US\$20,000,000 is changed to NTD 2,000,000,000. (2) Originally issued USD\$20,000,000 capital is converted to NTD 647,000,000.	—	Note 1
2010.06	NTD 10	200,000,000	2,000,000,000	132,999,998	NTD 1,329,999,980	Capitalization of capital surplus in the amount of NTD 683,000,000.	—	Note 2
2010.12	NTD 10	200,000,000	2,000,000,000	149,999,998	NTD 1,499,999,980	Issuance of new shares in the amount of NTD170,000,000 for capitalization.	—	Note 3
2013.06	NTD 10	200,000,000	2,000,000,000	160,499,998	NTD 1,604,999,980	Capitalization of earnings in the amount of NTD 105,000,000.	—	Note 4
2013.11	NTD 10	200,000,000	2,000,000,000	170,499,998	NTD 1,704,999,980	Issuance of new shares in the amount of NTD100,000,000 for Capitalization in cash.	—	Note 5
2015.06	NTD 10	200,000,000	2,000,000,000	179,024,998	NTD 1,790,249,980	Capitalization of earnings in the amount of NTD 85,250,000.	—	Note 6
2017.08	NTD 10	200,000,000	2,000,000,000	189,024,998	NTD 1,890,249,980	Issuance of new shares in the amount of NTD100,000,000 for Capitalization in cash.	—	Note 7
2021.11	NTD 10	200,000,000	2,000,000,000	199,999,998	NTD 1,999,999,980	Issuance of new shares in the amount of NTD109,750,000 for Capitalization in cash.	—	Note 8

Note 1: Passed in shareholders' meeting held on 2010.04.17.

Note 2: Capitalization of capital surplus had been approved in shareholders' meeting held on 2010.06.29.

Note 3: Capitalization of issuing new shares for cash had been approved in shareholders' meeting held on 2010.06.29.

Note 4: Capitalization of earnings had been approved in shareholders' meeting held on 2013.05.22.

Note 5: Capitalization of issuing new shares for cash had been approved in shareholders' meeting held on 2013.05.22.

Note 6: Capitalization of earnings had been approved in shareholders' meeting held on 2015.05.28.

Note 7: Capitalization of issuing new shares for cash had been approved by board of directors' meeting held on 2017.03.29.

Note 8: Capitalization of issuing new shares for cash had been approved by board of directors' meeting held on 2021.05.28

3. Information of Shelf Registration: None.

#### 4.1.2 Shareholder structure

April 1, 2024; Unit: Shares

Amount	Makeup of shareholders					
	Government institutions	Financial institutions	Other institutions	Individuals	Foreign institutions and foreigners	Total
Number of Shareholders	-	20	77	3,048	965	4,110
Shareholding	-	13,644,684	8,038,726	21,233,226	157,083,362	199,999,998
Shareholding ratio (%)	-	6.82%	4.02%	10.62%	78.54%	100.00%

Note 1: Calculated based on capital after issue of new shares for cash capital increase approved in the board of directors held on 2021.05.28.

Note 2: China investors own 5.67% of stocks.

#### 4.1.3 Distribution of shareholding

##### 1. Common Shares

April 1, 2024; unit: shares

Classification of shareholding	Number of shareholders	Shareholding	Shareholding ratio (%)
1 ~ 999	2,419	168,595	0.08%
1,000~ 5,000	849	1,522,042	0.76%
5,001~ 10,000	173	1,294,895	0.65%
10,001~ 15,000	89	1,112,207	0.56%
15,001~ 20,000	65	1,138,952	0.57%
20,001~ 30,000	89	2,238,747	1.12%
30,001~ 40,000	43	1,467,523	0.73%
40,001~ 50,000	31	1,380,469	0.69%
50,001~ 100,000	120	8,832,153	4.42%
100,001~ 200,000	92	13,051,675	6.53%
200,001~ 400,000	62	17,479,567	8.74%
400,001~ 600,000	25	12,613,636	6.31%
600,001~ 800,000	12	8,528,884	4.26%
800,001~ 1,000,000	9	7,680,215	3.84%
>1,000,001	32	121,490,438	60.74%
Total	4,110	199,999,998	100.00%

2. Preferred Shares: No preferred share being issued by the Company.

**4.1.4 List of major shareholders: Names, shares and percentage of shareholding of shareholders with more than 5% or top ten of Company's shares:**

April 1, 2024; Unit: shares

Shareholding Name of major shareholder	Total shares held	Percentage of ownership
Ding Kan Investment Ltd.	26,856,227	13.43%
YHZ Ltd.	10,858,142	5.43%
Express Brilliant Ltd.	10,350,000	5.18%
Fubon Life Insurance Co., Ltd.	7,638,377	3.82%
HSBC in Custody for The Overlook Partners Fund L.P.	5,323,000	2.66%
Lin, Shu-Mei	5,103,700	2.55%
Chen, Jui-Lung	4,716,081	2.36%
Cathay Life Insurance Co., Ltd.	4,471,000	2.24%
HSBC in Custody for Sumitomo Global Robot Fund of Funds	3,450,324	1.73%
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Saudi Arabian Monetary Authority	3,287,612	1.64%

**4.1.5 Information on market price, net worth per share, earnings, dividends and related matters in the most recent fiscal two years:**

Unit: NTD; 1,000 shares

Item	Year		2022	2023
	Market price per share	High		1,080.00
Low			642.00	860.00
Average			876.81	1,031.41
Net worth per share	Basic		194.63	212.95
	Diluted		181.19	195.57(Note 1)
Earnings per share	Weighted average shares		200,000	200,000
	Earnings per share		30.07	34.83
Dividends per share	Cash dividend		13.43905496	17.3727 (Note 1)
	Stock dividend	—	—	—
		—	—	—
	Accumulated unpaid dividend (Note 2)		—	—
Analysis for return on investment	Price-earnings ratio (Note 3)		29.16	29.61
	Price-dividend ratio (Note 4)		65.24	59.37
	Cash dividend yield (Note 5)		1.53%	1.68%

Note 1: The actual amount of 2023 earnings distribution will be subject to the amount of NTD cash dividends received by the shareholder agency.

Note 2: If the term of the equity securities released is to guard the current year retained dividends accumulated to the year dated with earning profits shall be revealed in accumulated current year due unpaid dividends.

Note 3: Price-earnings ratio = Year's average per share closing price / earnings per share.



Note 4: Price-dividend ratio = Year's average per share closing price / cash dividend per share.

Note 5: Cash dividend yield = Cash dividend per share / year's average per share closing price.

#### **4.1.6 Dividend policy and the status of implement:**

##### **1. Dividend policy set out in the Company's Articles of Association**

According to the Company's amended Articles of Association passed in general shareholders' meeting held on June 20, 2023, the Company's Annual Net Income before tax and the distribution of the compensation of employees and directors, and offset its losses in previous years that have not been previously offset; the Company then shall set aside 1% to 3% of the profits proposed to be distributed, as compensation to employees of the Company, which may be distributed under an incentive program. A Director who also serves as an executive officer of the Company may receive a compensation in his/her capacity as an employee of the Company. The percentage of the distribution of compensation to employees and to Directors, and whether the distribution to employees shall be made by shares or cash, shall be approved by a majority of the Directors at a meeting attended by two-thirds or more of the total number of the Directors and the decision of the Directors shall be reported to the Members at the general meeting. The employees that are entitled to receive the shares or cash may include qualified employees of any Subsidiary of the Company. If there is any Annual Net Income (after tax) of the current fiscal year after final account, it shall first be used to offset its losses in previous years which have not been previously offset (include the adjusted amount of undistributed earnings); then a special capital reserve shall be set aside in accordance with the Applicable Public Company Rules or as requested by the authorities in charge. The board shall prepare and propose a profit distribution proposal to the shareholders' meeting for a dividend distribution of any surplus, plus the undistributed earnings (include the adjusted amount of undistributed earnings) to be resolved and adopted by the shareholders' meeting. Any balance left over may be distributed as Dividends in accordance with the Statute and the Applicable Public Company Rules, and after taking into consideration of the profits of the current year, current and future development plan, investment environment, funding requirements, the competition condition of domestic and foreign companies, as well as the shareholders' interest and the capital structure of the Company. Unless otherwise resolved by the Directors at the board meeting and the Members at the general meeting by an Ordinary Resolution, the amount of profits distributed to Members shall not be lower than 30% of the distributable surplus earnings generated from the current fiscal year and the amount of cash dividends distributed shall not be less than 10% of the profits proposed to be distributed of the current fiscal year.

##### **2. Proposed dividend distribution for the year**

According to the 2023 dividend distribution plan passed by the board of directors in meetings held on March 11, 2024, the Company will distribute cash dividends in the amount of RMB\$ 3.98 per share, equivalent to approximately NTDS\$ 17.3727 per share.

#### **4.1.7 The effects of stock dividends proposed by shareholders' meeting, on the operational performance and earning per share: None.**

#### **4.1.8 Employees' compensation and remuneration for directors and supervisors (the Company does not have supervisors):**

1. Percentages and scope of employee compensation and remuneration for directors and supervisors provided in Company's Articles of Association:

The Company's Annual Net Income before tax and the distribution of the compensation of employees and directors, and offset its losses in previous years that have not been previously offset; the Company then shall set aside 1% to 3% of the profits proposed to be distributed, as compensation to employees of the Company, which may be distributed under an incentive program. A Director who also serves as an executive officer of the Company may receive a compensation in his/her capacity as an employee of the Company. The percentage of the distribution of compensation to employees and to Directors, and whether the distribution to employees shall be made by shares or cash, shall be approved by a majority of the Directors at a meeting attended by two-thirds or more of the total number of the Directors and the decision of the Directors shall be reported to the Members at the general meeting.

2. Accounting treatment for the difference between accrual and actual payment for employee compensation and remuneration for directors and supervisors:

- (1) The Company's directors do not receive distribution of earnings.
- (2) At the end of a fiscal year, significant changes in the amounts of employee bonus and remuneration to directors as decided by the board of directors will be recorded under the year's expense. If the amounts change on the date earnings the earnings distribution plan is adopted in a shareholders' meeting, the difference will be treated as changes in accounting estimates and recorded in the year the shareholders adopt the resolution.
- (3) If it is resolved in shareholders' meeting that employee compensation will be distributed in shares, the number of the employees' compensation will be determined by dividing the amount of the employees' compensation resolved by the closing price per share on the day immediately preceding the meeting of the Company's shareholders.

3. Information on proposal of the board of directors to issue employee bonus:

- (1) Remuneration amount of employees and directors: Cash compensation for employees amounted to RMB 20,453,000.
- (2) Earnings per share after the proposed payout of employee bonus and compensations for board directors and supervisors: Employee bonus expense has been provided in the 2023 financial statements, and earnings per share for the year are NTD 34.83 on such basis.
- (3) The ratio of the proposed distribution of employee stock dividend payments to the total amount of the net income and employee bonus on the proprietary or individual financial statements : No employee stock dividend was paid in 2023.

4. Actual dividends for employee compensations and remuneration for board directors and supervisors of previous year: The earnings of 2022 were approved by the board of directors' meeting and shareholders' meeting held in 2023, and the employee compensations was RMB 17,880,000.

- 4.1.9 Repurchase of the bank's shares: None.**
- 4.2 Issuance of Corporate Bonds: None.**
- 4.3 Issuance of Preferred Shares: None.**
- 4.4 Issuance of Global Depositary Receipts (GDR): None.**
- 4.5 Employee Stock Options: None.**
- 4.6 Restricted Right Shares for Employees : None.**
- 4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.**
- 4.8 Financing Plans and Implementation : No plans outstanding to valued securities or private equities released or plans finished but the effects not appeared yet during the recent three years.**

## 5. Operational Highlights

### 5.1 Business Activities

#### 5.1.1 Business Scope

1. Main areas of business operations

The Group engages in the manufacture and sale of pneumatic control components, pneumatic actuator, air preparation units and pneumatic accessories.

2. Revenue breakdown by product

Unit: NT\$ thousands; %

Product	2022		2023	
	Amount	% of revenue	Amount	% of revenue
Actuator	12,589,813	48.29%	14,206,400	47.63%
Control components	5,636,230	21.62%	6,279,055	21.05%
Air preparation units	1,564,571	6.00%	1,721,239	5.77%
Others	6,282,260	24.09%	7,620,658	25.55%
Total	26,072,874	100.00%	29,827,352	100.00%

3. Main products (services)

Actuator (cylinder)	Standard cylinder, miniature cylinder, compact/ultra-compact cylinder, multi-mounting cylinder, twin rod and tri-rod cylinder, slide table cylinder, rodless cylinder, rotary table cylinder, air gripper, twist clamp cylinder, clamp cylinder, unclamping cylinder, stopper cylinder, accessories
Control components (valve)	Solenoid valve, air valve, manual control valve, mechanical control valve and other valve, fluid control valve
Air preparation unit	F.R.L. combination, FR.L. combination, filter & regulator, filter, regulator, lubricator, soft star-up valve, safe on-off valve, air distribution block, drain, pressure gauge
Sensor	Electronic pressure sensor, electronic sensor, spring sensor
Transmission element	LRM series miniature linear guide, LCG series crossed roller way, LSH standard linear guide, LSD low installation linear guide
Accessories	Shock absorber, speed controller, Piping system and its supporting product

#### 4. New products (services) development

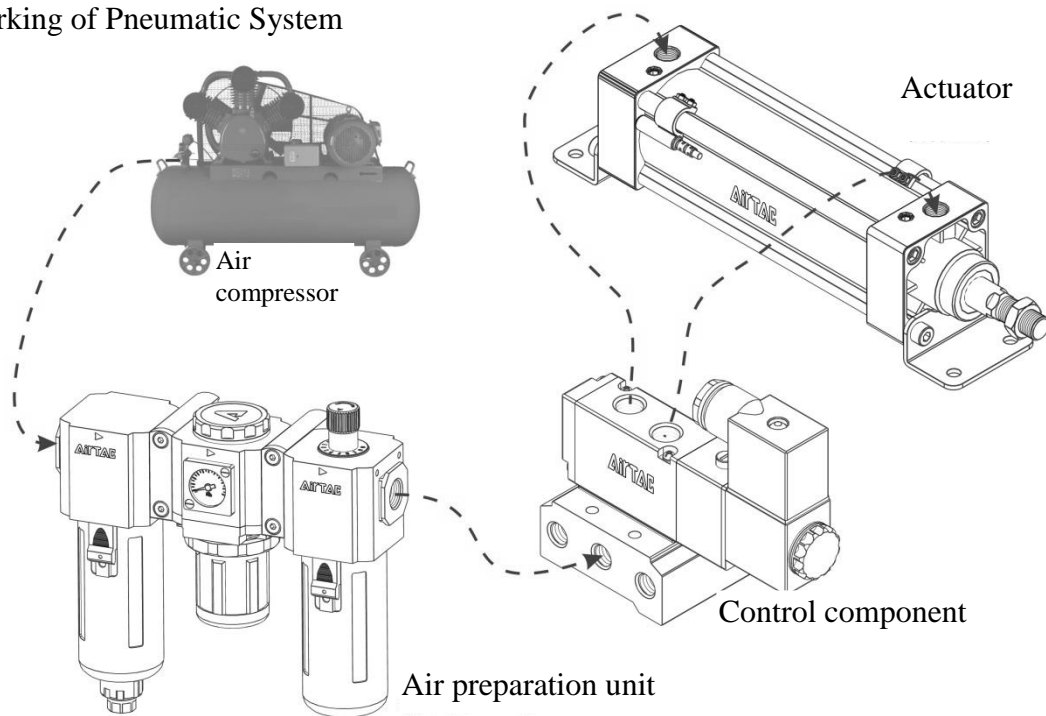
- (1) Actuator(cylinder): ACQ cylinder upgrade and improvement, SDA cylinder upgrade and improvement, ACE/TACE cylinder upgrades, ACK corner cylinder upgrade and improvement, TW series blocking cylinder upgrade and improvement.
- (2) Control components (valve): CPMV15 pilot valve, 6SD series valve group, 6SV series valve group, 6FD series valve group, AZK vacuum generator, 3V2/3V3 solenoid valve upgrade and improvement.
- (3) Preparation unit: GAHZ shut-off Valve, GAV slow Open Valve, A/B series upgrades, G/GA series upgrades.
- (4) Sensor component: DIST inductive proximity sensor (for JCK cylinders), DMHS anti-magnetic sensor, photoelectric fork sensor, DISG inductive proximity sensor (cylindrical), DPL analog pressure digital display sensor.
- (5) Transmission Unit: Ryder Slider Track, Ryder Slider Track, Ryker Static Track, Ryder Static Track, Rolling Column Track, Rolling Spiral.
- (6) Electric actuator: KEBP Belt driven linear slider, screw slider, linear module.
- (7) Others: Hydraulic shock absorber for manipulator industry, push-in coupling check valve, mini cylinder metal banding belt.

#### 5.1.2 Industry overview

##### 1. Description of pneumatic components

“Pneumatic” is an abbreviation for “pneumatic technology” or “pneumatic transmission and control”. Pneumatic technology is a modern-day and practical technology that uses compressor as power source. The compressed air generated after it is treated by an air preparation unit is used as a working medium, where a control component (directional control valve) is used to change the inflow/outflow frequency, speed, and direction of the compressed air, and an actuator (cylinder) is used to convert the energy of compressed air into kinetic energy to drive a predetermined movement.

## The Working of Pneumatic System



Pneumatic technology is an important means to achieve production control and automatic control. It offers the advantages of energy saving, pollution free, high efficiency, low cost, safety, reliability, and structural simplicity. Pneumatic components are used extensively in machinery and production lines, mainly as key components in mechanical automation system. The extensive applications of pneumatic technology today symbolize the advances the pneumatic industry has gained. It is also the must-tread path to industrial upgrade.

In the past, pneumatic technology was used simply in low-cost automation process to save labor. In recent years, its applications broaden along with the advancement of the pneumatic technology itself and its support technologies. A few representations of pneumatic technology are discussed as follows:

- (1) A classic example of electro-mechanical integration is a control system composed of “computer remote control + programmable controller + sensor + pneumatic component.” In the example of automotive industry, such systems are used in welding production line, fixtures, robot, conveyor, assembly line, painting line, generator, and tire manufacturing.
- (2) Composite integration that helps reduce the use of cables (e.g. serial transmission), piping and components to save space, simplify assembly/disassembly process and improve work efficiency.
- (3) Production automation and parts processing and assembly on mechanical processing line, such as the handling, inversion, positioning, clamping, feeding, unloading, assembly, cleaning and testing of workpieces.
- (4) Automated metering and packaging of powder, granulated and lump materials in fertilizer, chemical, food, pharmaceutical and bioengineering industries, automated cigarette rolling

and packaging in tobacco industry, and automated metering and filling of viscous liquids (e. g. paint, ink, cosmetic and toothpaste) and toxic gas (e.g. gas).

## 2. International pneumatic component technology

The union of fluid, microelectronics and computer technologies charts a new horizon for pneumatic technology. According to reported data, 95% production machinery, 90% numerically controlled machining center, and 95% automated production lines around the world now adopt pneumatic technology. Pneumatic technology is applied in many fields of the national economy. The level of pneumatic applications has become an important yardstick of a country's industrial level.

## 3. Market demand analysis

In China today, agriculture, hydraulic engineering, transportation, Medicare, electric information, energy saving/environment protection, new energy...etc. industries are experiencing faster growth, that also jack up the demands for mechanical equipment. In most cases, mechanical equipment calls for large quantities of high-performance and highly reliable pneumatic components.

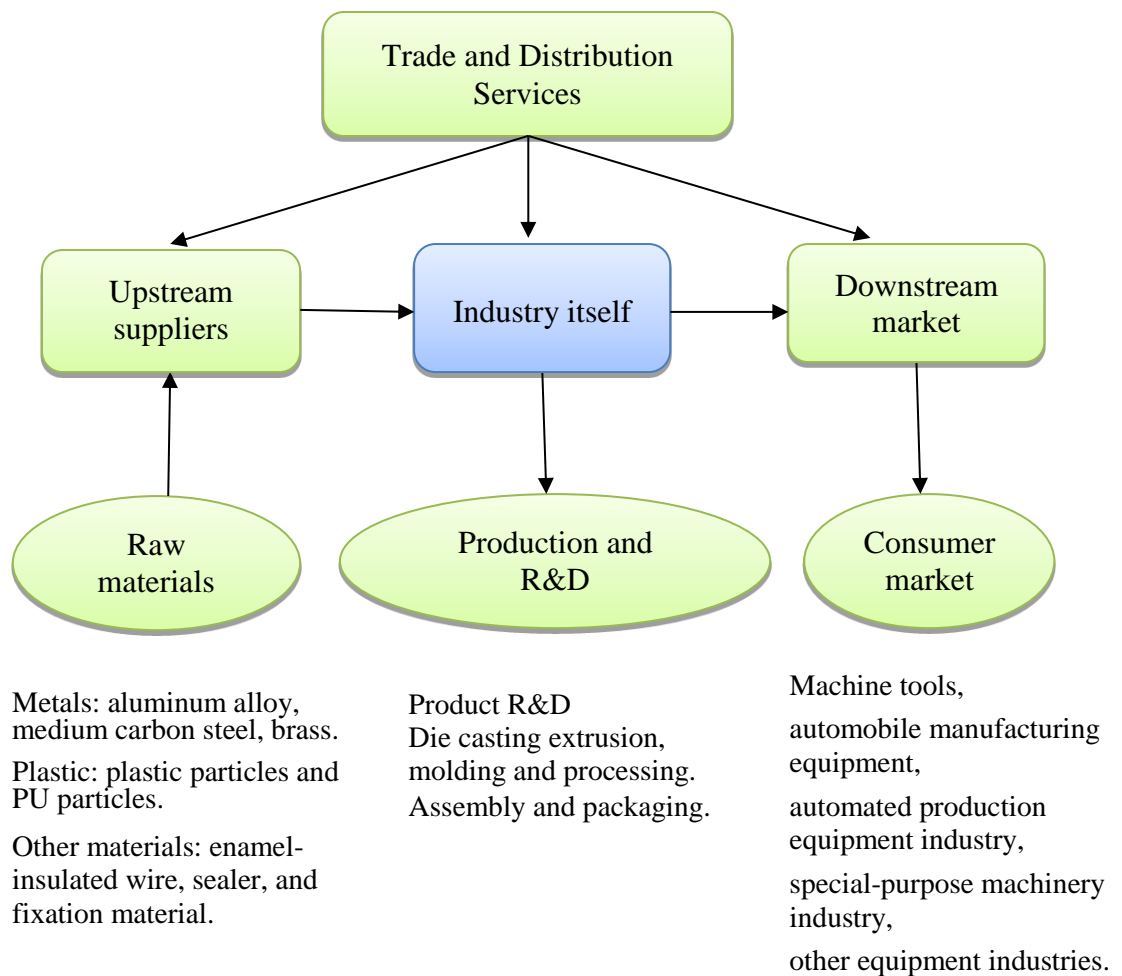
Along with changes in the macro environment of the mechanical industry, specifically agricultural machinery, electronic products manufacturing, automotive manufacturing, Medicare instruments, environment protection machinery, CNC machine. In addition, pneumatic products will have promising outlook in printing packaging, plastic machinery, instrument production equipment, woodwork machinery, rubber machinery and gaming machine equipment.

As the China population bonus got weaker further and the raise of product quality requests, labor intensive manufacturing modes are speeding up to the automation manufacturing. "Manpower replaced by machines" had been already the trendy wind direction to China enterprises in next.

## 4. Pneumatic component industry chain

The Company is specialized in the R&D, manufacture and sale of pneumatic components that are used extensively in machine tools, automated production equipment, automobile manufacturing equipment, and special-purpose machinery. As the Company continues to develop new products, the fields of application for the Company's products also continue to expand.

The Company is in the mid-stream (the industry itself) in the pneumatic component industry chain. Its upstream comprises suppliers of aluminum, steel, cooper and plastic materials. The midstream manufacturers produce pneumatic components, using die casting, extrusion, injection molding and punching technologies. The downstream are users in machinery, equipment and related application fields.



#### (1) Upstream material supplies

Raw materials used for the production of pneumatic products are classified as follows:

Metal: aluminum alloy, zinc alloy, steel materials, copper materials.

Plastic: PU particles, color master batch, POM, PBT.

Others: enamel-insulated wire, sealer, lubricating material and magnetic materials.

#### (2) Downstream industries

The downstream industries are consumer markets of pneumatic products, primarily machine tool, automobile manufacturing equipment, automated production equipment, special-purpose equipment and other equipment industries.

### 5. Market competition

Different industries need different kinds of pneumatic products. The costs of R&D, equipment, brand establishment, and marketing arising thereof also differ significantly. Pneumatic component manufacturers with brand recognition have great sales advantages. Although there are many manufacturers in the pneumatic component market, brand manufacturers that can be called competitors are quite limited. In China's market, the top three manufacturers are SMC (Japan), AirTAC (Taiwan), and FESTO (Germany) followed by global brands such as CKD in Japan, Norgren in the United Kingdom and the



U.S. Parker, etc. Some domestic brands in mainland China have developed through market segmentation to find the correct positioning and gradually become bigger.

## 6. Various development trends of products

In recent years, with the development orientation of intelligent, digital, energy-saving and environmental protection in the automation industry advocated by "Industrial 4.0" in Germany and "Made in China 2025", the Company has successively planned to devote to the research and development of a series of new products, such as energy-saving pneumatic actuators, intelligent pneumatic control components, linear guides, ball screw, cylinders, etc., in response to the development trend of products in the automation industry proposed by the Government. In 2018, the company successfully launched the linear guide products, featuring "rolling", with the functions of high efficiency, energy saving, precise positioning, precise guidance, fast response to CNC instructions and high speed, synchronization and reversibility of transmission. It is an irreplaceable key accessory of CNC machine tools and mechatronics products, and an important basic component in line with the ecological and environmental protection concepts of the 21st century. In addition, bus valve terminal, cartridge regulator which will be planned for market in 2022, are also developing in the direction of combination, integration and intellectualization. This series of product R&D investment will contribute to our company's vision of becoming a long-term strategic partner of automation machinery and equipment manufacturers.

### 5.1.3 Technology and R&D overview

#### 1. Technical levels of Company products and R&D

The Company has been keen on nurturing R&D personnel, investing in R&D and creating a corporate environment conducive to innovation. Since 2007, 85 new products developed by the Company, including Regulator, Slide Table, Magnetic Coupled Rodless Cylinder have been included in the Ningbo City New Product R&D Initiative. The Company's R&D Center was also rated as a provincial level R&D Center and provincial level technology center and provincial level enterprise institute. The company currently has 30 invention patents including "Pneumatic Finger", "Integrated Valve", "Precision Pressure Regulating Valve", "Oil Mist Separator", "Linear guideway" and "Belt type linear slide", and 123 utility model patents such as "Sensor" and "Angle Cylinder"; 32 appearance patents such as "air source treatment element (GL300 oil feeder)". In 2023, 3 invention patents and 10 utility model patents such as self-lubricator type line guideway, explosion-proof coil, mini cylinder metal banding developed have been accepted by the State Intellectual Property Office.

AirTAC is currently developing new products in line with market needs and outpacing customer needs to set a solid foundation for the Company in market competition. In 2017, AirTAC prepared to build the second construction in Tainan plant and the new factory in Ningbo, 170,000 square feet. These two plants will be used to produce high-end pneumatics and electromotive components. AirTAC has invested a lot of capital to hire professional personnel in linear guide area and to design and produce the linear guide products with high quality and fair price. The linear guide will be utilized in the new products of AirTAC and make the products of AirTAC more diverse.

In the near future, the Company will focus on upgrading the level and precision of existing products and developing pneumatic products for application in high-tech industries in the efforts to develop more advanced products in terms of materials, technology and quality.

2. R&D personnel and education background

Unit: persons

Year	2022	2023	April 1, 2024
Education			
Master and higher	17	16	16
College	434	610	582
High school	337	286	231
Total	788	912	829

3. R&D expenditure in the last five years

Unit: NT\$ thousands

Item	2019	2020	2021	2022	2023
R&D expense	513,801	477,047	595,112	735,832	895,969
Net income	15,896,317	19,103,001	25,399,895	26,072,874	29,827,352
% of net income	3.23%	2.50%	2.34%	2.82%	3.00%

4. Successfully developed technologies or products in the past five years

Year	Product
2019	HFD Compact air gripper
	HFKL Air gripper(Parallel with guide/longer stroke/ball bearing style)
	HFCQ Air gripper (Parallel open/close hollow style)
	HGS Slide table cylinder
	TMI/TMIC With guide frame cylinder
	TSAI With guide frame cylinder
	SAIL With locker type cylinder
	SCL With locker type cylinder
	SAI cylinder
	CPV10S Integrated solenoid valve
	6V300/7V300 solenoid valve
	6TA solenoid valve
	6TV solenoid valve
	6HV solenoid valve
	GA500 air preparation unit
	GVF vacuum filter
	G-tooth quick connector
NPT gauge quick-plug connector of American Specification	
2020	LSH Standard linear slide

Year	Product
	LSD Low installation type linear rail
	ACF/TACF cylinder
	B10/B11 series clean product
	DMS (A05 anti-flex curve material, A06 oil-resistant anti-flex curve material) sensor
	EMS(including A05 anti-flex curve material, A06 oil-resistant anti-flex curve material) sensor
2021	6D series integrated solenoid valve
	GA100 triple
	2WA series two-way valve
	PBK mini cylinder (rod does not rotate)
	HFKP dustproof pneumatic finger
2022	JSK 50/63 Welding Clamping Cylinder
	HRS Ultra-thin Rotary Cylinder
	JSI Standard Cylinder
	SC sensor mount
	2SA two-way valve
	JSDR Pressure regulating valve
	PEV Quick exhaust valve
	POV Shuttle valve
	PAV Double pressure valve
	Pneumatic indicator
	PPA Pipe plug muffler
	DPH Electronic digital pressure sensor
	DPSD Electronic digital pressure sensor (downward type)
	DPS Electronic digital pressure sensor (M8 connector)
2023	LSH Black chrome series linear rail
	LSD Black chrome series linear rail
	LRM Black chrome series linear rail
	LRW Wide miniature linear slide
	LSH series high dustproof type line guideway
	LSD series high dustproof type line guideway
	LSH45 standard type linear guideway
	6DW series integrated valve and communication module
	6DEtherCAT/IO-Link communication module
	6D Series Integrated Valve (Inch Tube)
	2LA/2KLA two-way valve
	2SA/2KSA320/400/500 two-way valve
	JSK40 infinitely adjustable strong welding clamping cylinder

Year	Product
	JSCK fixed-angle strong welded clamping cylinder
	JSCKH manual type strong welding clamping cylinder
	Mini cylinder metal straps
	SC cylinder upgraded
2024	B52-LSH/LSD lithium battery industry line rail
	B53-LSH/LSD lithium battery industry line rail
	LSH heavy preloaded linear guideway
	6DM series integrated valve
	6D Derivative solenoid valve
	CFB092 Explosion-proof solenoid valve
	JSK80 Powerful welded clamping cylinders
	ACT series standard cylinders

#### 5.1.4 Short and long-term development strategies and business plans

##### 1. Short-term development strategy and plan

###### (1) R&D strategy and plan

- A. Upgrade the performance of existing product series by improving various functions tailored to client's use habit and feedback.
- B. Develop more products for industries that have demands for pneumatic products.

###### (2) Marketing strategy and plan

- A. Proactively offer professional assistance to clients to help them improve the efficiency of their production equipment, and help them in production line planning and cost saving to win client appreciation.
- B. Salespersons assist the client to increase the efficiency of producing machine by offering professional techniques.
- C. Vie for bigger market share with outstanding products and professional salespersons and create a win-win situation with clients, while achieving certain profit margin.

###### (3) Production strategy and plan

- A. Search for qualified and steady suppliers. As pneumatic components are constantly exposed to acidic or dirty gases when they work in an industrial environment and tend to break down easily, it is necessary to implement rigorous control at the source of production, i.e. selection of raw materials, to maintain the quality of components.
- B. Have a firm grip on costs and production efficiency and conduct onsite check regularly to ensure production optimization.

###### (4) Operating and financial strategy and plan

Improve management performance, stimulate employee potentials, and shore up the internal organization.

##### 2. Long-term development strategy and plan

###### (1) R&D strategy and plan

- A. Gear R&D towards the development of products for application in high-tech industries, and that are more compact, stable, and precise and have more complex mechanism.

Upgrade from the current mid-end applications to applications in high-tech machinery and biotech machinery.

- B. Build up system integration capability to provide customers with software/hardware design, whole-plant design and consulting services.

(2) Marketing strategy and plan

- A. Cultivate international marketing personnel, build rapport with local customers, readily grasp market movement and discern the directions of product development.
- B. Establish a worldwide sales network and set up sales centers to extend and reach the brand awareness and recognition worldwide.

(3) Production strategy and plan

- A. Continue to search for qualified suppliers and build a long-term relationship with important suppliers to obtain reasonable prices and lower the costs of production.
- B. Pick a suitable location to build up industry cluster so as expand capacity.

(4) Operating and financial strategy and plan

- A. Promote the concept of internationalization and build the management capability of a multinational enterprise within the organization, and actively cultivate an internationalized workforce to strive towards the goal of becoming a multinational enterprise.
- B. Diversify the capital raising channels, strengthen the financial structure and group constitution.
- C. Step up risk management and operate with the tenets of stability, high efficiency and agility.

**5.2 Market, Production and Sales Overview**

**5.2.1 Market analysis**

1. Revenue breakdown by region

Unit: NT\$ thousands

Region	2022		2023	
	Amount	%	Amount	%
Greater China (Note)	25,007,122	95.91%	28,611,721	95.92%
Others	1,065,752	4.09%	1,215,631	4.08%
Total	26,072,874	100.00%	29,827,352	100.00%

Note: Including Revenue in Mainland China and Taiwan

2. Market share

According to the statistic of the China Hydraulics Pneumatics & Seals Association, the revenue of pneumatic components of main brands was about RMB 22~24 billion in Mainland China in 2023. As the economy enters a period of economic growth after the epidemic has

recovered and competition in the industry is increasing, the company continues to exert its core competitiveness by strengthening channel construction, improving service capabilities, and implementing more competitive marketing strategies. In 2023, the sales in the mainland China exceed RMB 6.4 billion, a year-on-year increase of about 15%, and the estimated market share is close to 25~27%. It is believed that the company will continue to expand its market share and maintain its leading position in the industry after continuously launching key new products and intensively deploying key industries and projects in 2024.

With the continuous expansion of 3C, 5G, medical, battery and machine tool industries, the demand for linear slides will also grow rapidly, and the linear guide industry has huge development potential in the future. Airtac is also constantly striving to extend its product chain and get involved in emerging industries. In the first half of 2018, it plans to enter the linear rail sector with considerable market potential. The domestic sales value of the main competitive linear slide brands in mainland China is about RMB 15 billion. In the past 2023, the demand for linear guide in the market is still growing steadily. The company will strive to base itself on the advantages of the integration of research, production and sales. Through product research and development, quality assurance, product delivery and other core competitiveness, while continuing to strengthen the network layout and improve service standards. AirTAC build brand awareness in the field of linear slides to gain recognition and recommendation from many customers. It is believed that under the continuous marketing and promotion in 2024, the company can make rapid breakthroughs, rapid development, set a new benchmark in the linear rail industry and strengthen AirTAC's positioning as the leading brand in transmission.

### 3. Supply in pneumatic component market in the future

As China's pneumatic market plays an increasingly significant role in the world market, the labor charge in Mainland China increases substantially and customer demands for improvement of product quality have led to automated and semi-automated production situation turning more and more obvious. On the other hand, due to increased competition among enterprises, it will be more industry concentration and further similar situation upstream and downstream industry chain integration. To achieve scale, controllable costs and the quality of the business model, reconstruction and additional demand of automation will increase further. The Company's main products "pneumatic components" and "linear guide" are the integral part of the critical components of various types of automated production equipment. In addition, the Chinese government proposed in May 2015 the "Made in China 2025" is more clearly put forward the brand's quality improvement and intelligent manufacturing (automation equipment is a prerequisite), which forecasts the tremendous demands for pneumatic components. Meanwhile, the "Standardized equipment manufacturing industry and plan of quality rising", the Chinese government proposed in April 2016, pointed out the growing quality of brands and wise manufacturing (automatic machinery is required). Therefore, the demand of pneumatic components, which are used to transfer and upgrade industry, increased in the market. In 2017, the Chinese government also proposed "Investment guide of transforming and upgrading business technology" to guide the business to use new technology, new technics, new materials and new equipment to upgrade traditional industries.

Besides, the Chinese government promotes industrial technology standards and the proportion of advanced production capacity continues to increase, so that in the next few years, there will also be a steady market growth in the field of automated equipment manufacturing. In 2018, the State Council issued the "guidance on deepening" Internet + advanced manufacturing industry "developing the industrial Internet", which is a major move to implement the requirements of "accelerating the development of advanced manufacturing industry and promoting the deep integration of Internet, big data, artificial intelligence and real economy." Then the Ministry of Industry and Information Technology issued the "Implementation Opinions on Promoting the Quality Improvement of Manufacturing Products and Services" in 2019. It is required to accelerate the promotion of smart manufacturing and green manufacturing, improve the automation and intelligence level of the production process, and focus on solving weak links in the fields of basic components, electronic components, and industrial software, and making up for quality shortcomings. Then six departments including the Ministry of Industry and Information Technology and the Ministry of Finance jointly issued the "Guiding Opinions on Accelerating the Cultivation and Development of High-quality Manufacturing Enterprises" in 2021. Guide high-end, intelligent and green development of high-quality enterprises, accelerate the integrated development of new generation information technology and manufacturing, implement smart manufacturing projects and digital transformation of manufacturing, and help promote the high-quality development of manufacturing. Manufacturing is the main body of the real economy. China's manufacturing industry has the foundation and conditions to achieve a higher level and more efficient development. The next 5 to 15 years will be a strategic decisive period for the manufacturing industry to cross the threshold and cultivate advantages. In 2021 and 2022, provinces and cities (districts) were successively introduce the "14th Five-Year Plan" for the high-quality development of the manufacturing industry, scientifically plan and formulate special plans for the manufacturing industry, and provide support and guarantee for promoting the high-quality development of the manufacturing industry.

The International Monetary Fund (IMF) released its 2023 Article IV Consultation Report with China on February 2, 2024, in which the IMF welcomed the strong post-pandemic recovery of China's economy, which is expected to grow by 4.6% in 2024.

Future economic growth mode is determined by the export to the domestic oriented market. But the Chinese domestic market is without sales channel due to the vast territory and difficult to access the market. Moreover, the current industry of mechanical equipment requires shorter delivery time, which results in the supplier of pneumatic components having to establish sufficient and effective service network and sophistic supplying capacity with quick response for maintain the leading position in the industry.

Above all, the demand for pneumatics in Chinese market will increase rapidly, and suppliers with good sales network, high performance products, or high R&D capacity will domain the market.

In terms of overseas markets, according to the World Bank's Global Economic Prospects

report released on January 9, 2024, global economic growth will slow to 2.4% in 2024 from 2.6% in 2023, and in addition, the economies of developing economies are expected to grow by only 3.9% in 2024. Low-income countries are expected to grow by 5.5%, weaker than previously expected.

#### 4. Competitive edge

##### (1) Brand name and customer recognition

The brand name “AirTAC” is composed of a few elements; “Air” means air-driven products; “T” means the Company’s products are “technological” that are key components for use in mechanical industry, meaning the Company is in “Technology Industry”; “A” denotes “Automatic”, meaning pneumatic components are an indispensable part of automation industry and machine production; “C” means “Components.” This brand name clearly embodies the features of the Company products, the industries that use the products and their applications. “亞德客 AirTAC” is now accredited as a well-known trademark of China, which can protect the AirTAC brand from infringement nationwide. In addition, because of the brand awareness and product breadth AirTAC enjoys in China, its products are now the industry standards in the local markets.

By sales, the “AirTAC” is now the second brand in China’s pneumatic component market. This is quite an achievement for an industrial product and a manufacturer. Now AirTAC is ready to move on into the world market to introduce the brand AirTAC to worldwide customers of pneumatic components.

##### (2) Vertical product integration to meet the one-stop shopping needs of customers

The Company now offers vertical integration services from R&D, design, metal forming, injection molding, processing of other metal parts, assembly, and installation, coupled with complete and elaborate lab testing to ensure the stability of product quality and expand production to achieve economy of scale, thereby reducing the unit cost of production. The vertical integration capabilities also enable the Company to effectively address the needs of different industries and clients, have fast reaction and greater flexibility in product design to let clients feel that their needs are fully understood, expand the application markets, and meet the one-stop shopping needs of downstream customers.

##### (3) Global logistics capability

The overall pneumatic component industry is expected to grow at a steady pace in the future, but the sheer number of players on the market has intensified the price competition. As the downstream application markets continue to expand, the Company has established four production bases in Taiwan and China with the aims to achieve product diversification, mass production, lower costs and meet customer needs. The Company has also set up sales headquarters in China, Europe, United States, Southeast Asia, and Japan to use the production resources more effectively and extend the sales network. The Company’s global logistics capability and sound ERP system (Enterprise Resource Planning) make the best allocation of enterprise resources, effectively reduce costs, shorten the delivery time, and provide important reference data in strategy setting. The ERP system has become an



important advantage for the Company in global market competition.

#### (4) Strong and market-sensitive R&D capability

The Company has advanced manufacturing technology. Invest heavily in introducing precision automatic die-casting machines, precision extrusion machines, turning and milling machines, four-axis horizontal machining centers, six-axis automatic machining machines, high-frequency heat treatment, carburizing heat treatment, wire rail grinding and other automation equipment from Germany, Japan and other places. In recent years, it has also continuously upgraded the production line, and with modern first-class production equipment and manufacturing technology, it has achieved a high degree of vertical integration of the industrial chain, realized mass production in a short cycle, and effectively reduced costs.

The Company has a complete product line. With respect to pneumatic control components, the Company offers electronic control valves, pneumatic control valves, manual valves, mechanical valve and other valves, fluid control valves, etc. With respect to air preparation units, the Company offers many kinds of F.R.L. combination, F.R. combination, regulating filter, filter, regulator, oil feeder, slow-start valve, stop valve, air block, drainer, pressure gauge, etc. With respect to actuator, the Company offers standard cylinders, miniature cylinders, compact cylinders, multi-mount cylinders, twin-rod and tri-rod cylinders, slide table cylinders, rodless cylinders, rotary cylinders, pneumatic grippers, clamping cylinders, rotary clamp cylinders, stopper cylinders, and cylinder accessories including oil buffers, speed controllers, products for piping and related systems, which are all developed for different industries and tailored to different customer needs. The Company also develops products based on customer feedback and research on future industry trends to expand the product lines to high-end applications, such as semiconductor equipment, medical equipment, and biotech equipment, and onto whole-plant design to become a total solution provider.

In the linear slide system products, AirTAC has successively launched miniature linear slides and standard linear slides. In response to the diversified development and conditions of different industries and to continuously meet the diverse needs of customers, the company can also provide a variety of customized size and function series products.

#### (5) Complete sales network

The Company has a complete sales network in China. Led by the subsidiary Airtac (China) Co., Ltd., the Company has branch offices, representative offices and distributors throughout the urban and rural areas of China. The Company has 100 direct selling office and more than 500 distributors by the end of December 2023. Airtac will continue to optimize and integrate marketing channels in mainland China in 2023. Because the Company's clients are spread in different industries and areas, an extensive sales network gives customers quick access to AirTAC products. The Company also has more than 300 distributors in Europe, USA and Asia that allow AirTAC products to make headway into the world markets.

#### (6) Comprehensive after-sale service system

The Company provides not just products, but also a complete set of services. Starting from

first approaching a client, the Company helps the client make the most of their existing production resources and establish improvement plan to help them save costs. Technical supports and services available to clients include production line upgrade, implementation of automation items, maintenance and repair, as well as installation, testing, planning and project design to create maximum value beyond the pneumatic products. In terms of after-sales service, the company implements a joint guarantee system. If you purchase the company's products from any regular sales channel in China, you can obtain technical services from every branch in China. The Company also guarantees that a customer will receive service in 24 hours after making a request for service. This way, customers are ensured quality services and the Company will gain customer trust in the long run.

## 5. Favorable and unfavorable factors for long-term growth and response strategy

### (1) Favorable factors

#### A. Industrial upgrades and smart production models in the China market bring business opportunities

The Chinese government mentions in the "13th Five-Year Plan" that begins in 2016 that will support new information technics, new energy motors, biotechnology, green low-carbon, high-end equipment and materials, figure originality, etc. China will vigorously promote advanced semiconductors, robots, additive manufacturing, smart systems, next-generation aviation equipment, space technology integrated service systems, smart transportation, precision medicine, efficient energy storage and decentralized energy systems, smart materials, efficient energy conservation and environmental protection, virtual reality Innovate and industrialize with emerging frontier fields such as interactive film and television to form a number of new growth points.

In mainland China's "14th Five-Year Plan" starting in 2021, China focus on artificial intelligence, quantum information, integrated circuits, life and health, brain science, biological breeding, aerospace science and technology, deep sea and other cutting-edge fields, and implement a number of Forward-looking and strategic national major scientific and technological projects. At the same time, develop strategic emerging industries and accelerate the growth of a new generation of information technology, biotechnology, new energy, new materials, high-end equipment, new energy vehicles, green environmental protection, aerospace, marine equipment and other industries. China promote the deep integration of various industries such as the Internet, big data, and artificial intelligence, promote the development of advanced manufacturing clusters, build a number of strategic emerging industry growth engines with distinctive features, complementary advantages, and reasonable structure, and cultivate new technologies, new products, new business formats, and new model.

At the same time, 24 provinces and cities in the "new infrastructure" station have recently launched nearly 50 trillion investment projects, and large-scale infrastructure projects have been launched everywhere. Under the new situation, investment will be tilted towards the new infrastructure, and various sub-sectors of the new infrastructure are expected to usher in an opportunity period. It must increase investment in public health services and emergency supplies, speed up the construction of new infrastructure such as 5G networks

and data centers, and create a modern infrastructure system that is intensive, efficient, economical, smart, green, safe, and reliable. The increase in the proportion of new infrastructure not only supports the steady growth of infrastructure investment, but also has a positive significance for manufacturing investment.

China will build a batch of advanced manufacturing bases with international competitiveness. In order to strengthen the technological transformation of the enterprise, it will formulate policies to support the technological transformation of the enterprise, accelerate the application of new technologies, new processes, and new equipment to upgrade traditional industries, support enterprises to improve the level of equipment, accelerate the elimination of backward technology and equipment, and improve the comprehensive usage level of energy resources. The “2025 Made in China” published by the State Council of China in 2015 specified the guiding concept and concrete requirement of the industrial restructuring and upgrading and highlighted the development of advanced equipment manufacturing, the improvement of the R&D and integration level of basic components, the acceleration of the upgrading of key equipment, and the development of high-end equipment manufacturing, which forecasted the tremendous demands for pneumatic components.

**B. Extensive applications of product render the Company business less vulnerable to economic cycle**

Pneumatic components are extensively applied in a variety of industries, from machine tools, semiconductor, automotive, daily necessities to construction and textile as key components in automated processes. Due to the dispersion of industrial applications, except for the systemic risk of economic recession, pneumatic component industry is less likely to expose to the risk where multiple industries hit bottom at the same time. As such, pneumatic components could always find buyers and the industry as a whole does not experience distinct high or low season, or face the risk of industry concentration risk. Moreover, as the China markets grow, all kinds of industries grow along which will boost the demands for pneumatic products.

**C. The emergence of green industry boosts demands for pneumatic components**

Countries around the world are paying more and more attention on environment protection amidst the increasingly serious phenomenon of global warming. While governments put more control on waste and pollution generated in production, manufacturers are looking for more environmental friendly and efficient production mode. Pneumatic components are all air-driven, unlike hydraulic systems that are oil driven, consume considerable energy and generate pollution. Hence pneumatic components are the best choice in industrial settings in the wake of heightened environmental awareness.

**D. Increased wages in mainland China, increased proportion of automation**

Businesses in China experienced sharply rising wages, and some manufacturers move plant

facilities to the western part of China or transfer business to Southeast Asian countries. But more companies decide to stay where they are and at the same time upgrade to automated process to replace labor-intensive plant operations in order to reduce manpower requirement and improve product quality stability. Automated process equipment needs many pneumatic components. The trend of automation becomes the force driving the Company's business growth.

E. The slowdown of global economy leads to reasonable demands from manufacturers

Murky economic situation coupled with dragging on long-term aging population in developed and emerging market country and low labor force participation rate influence future economic growth. Therefore, some manufacturers continue to make rationalized procurement selection on automation components demand, namely the tendency to select good quality and reasonably priced pneumatic products. In this way, more conducive to company to expand product sales advantage.

(2) Unfavorable factors and response strategy

A. Great volatility of material prices on the international market and supply-demand imbalance pose greater challenges to raw material inventory management and cost control

Aluminum, copper, plastic and steel are the main raw materials for Company's products. As revenues grow, the consumption of raw materials would also increase sharply. In recent years, the fluctuation of raw material prices are big and the volatility in raw material prices makes it difficult for manufacturers to grasp their costs and delivery date. Thus raw materials and cost control are big challenges to the Company at the present time.

Response strategy

- a. Externally forge long-term rapport with upstream suppliers to mitigate the impact of price volatility in raw materials; internally designate the material management and procurement unit of the parent company to carry out price management for the Group's procurement operation to get a better grip of the material price trends and make immediate response in times of steep price volatility.
  - b. Strengthen cost control capability and use vertically integrated production operation to better control the product cost and enhance competitiveness, and keep the impact of material price volatility on cost instability to the minimum.
- B. Although China's economy continues to grow and the markets expand, many small manufacturers would imitate the products or even the logo of large and well-known manufacturers and sell their copycats in the market at a much lower price, while giving buyers the impression that they were purchasing the brand name products. But the poor or unstable quality of those copyrights often leads to product breakdown or consumer dispute, which at times causes problem for brand manufacturers. Because such phenomenon is rather common in the China markets, it poses certain obstacle to brand manufacturers in operations.

Response strategy

- a. The Company has registered the brand “亞德客 AirTAC” in the local markets in China and has been accredited as a well-known trademark of China on April 27, 2012. Nobody else may register the “亞德客 AirTAC” trademark. The Company also adopts a defensive trademark strategy by registering similar trademarks in advance to prevent rivals from using similar trademark to confuse or mislead consumers.
- b. The Company engages local attorneys and own distribution system to crack down counterfeits. The Company would collect evidence against individuals and stores that sell counterfeits and forward the evidence to local law enforcement for further actions. The actions of the Company are to let merchants realize that selling counterfeit products are subject to penalty and to derail the distribution of counterfeits, thereby achieving the purpose of reducing the sources of counterfeited products.

#### C. Wage hike in China boosts the production costs

With the acceleration of population aging, rising labor costs is inevitable. Working-age population has already begun to reduce from few years ago. The number of migrant workers has been declining, and most of the young migrant workers have been transferred to the city. Rising wages are an inevitable consequence. In addition, the government is also actively improving residents' welfare through social security reform, continuously increasing the social security base and payment ratio, and increasing the payment by individuals and enterprises simultaneously. The above information shows that enterprises will continue to increase labor costs in mainland China.

##### Response strategy

The Company's R&D department and production line work together to improve the process technology and cut down the waste of raw materials and improve the process so as to reduce the man hours, improve production efficiency and lower costs. The Company also increases the automation ratio, using automated machinery in place of manual labor to render product quality more stable and reduce labor cost.

#### D. Changes in RMB exchange rate fluctuations

In 2023, the RMB exchange rate will remain basically stable at a reasonable and balanced level, and its performance will be relatively stable among the world's major currencies, playing the role of an automatic stabilizer of the macroeconomy and the balance of payments.

##### Response strategy

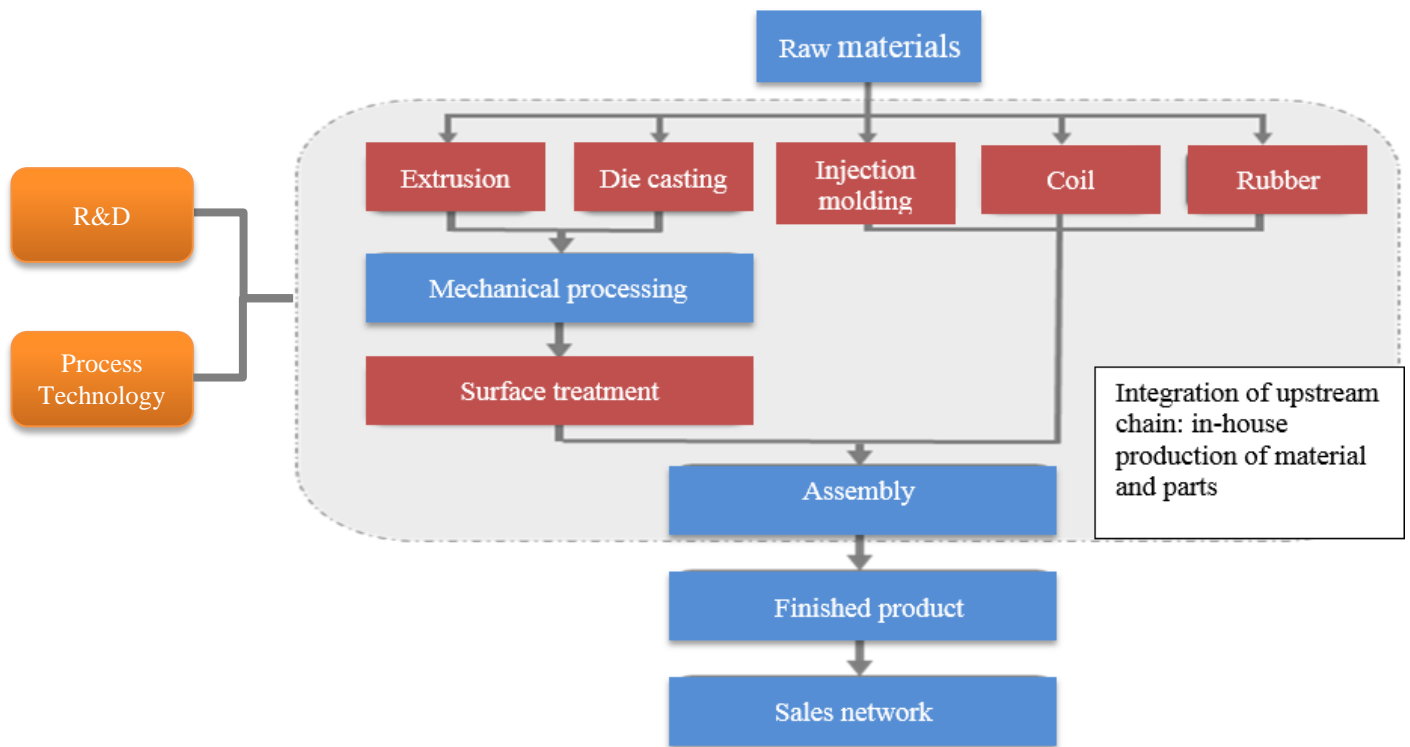
Nearly 90% of the Company purchase and sale take place in China. The Group also uses RMB as functional currency and accounting currency, and thereby has limited exposure to Renminbi exchange rate fluctuation. The Company will watch the exchange rate variation closely and hedge the risk if necessary.

## 5.2.2 Usage and manufacturing processes of main products

### 1. Usage of main products

- (1) Actuator (cylinder): Cylinder is an actuator component of a pneumatic system. An air cylinder typically comprises a cylinder body, top and bottom lid, piston, piston rod, sealing and fastening pieces. Through the push of compressed air, the piston rod in the cylinder is extended or pulled back, which, in coordination with the mechanical design, can operate a mechanical arm, platform lift or brake, and can be applied in staple gun, drill, stamping machine and other tools.
- (2) Control component (valve): In the pneumatic system, valves are airflow control components and the basic components in the operation of pneumatic system. This component blocks the flow of fluid to achieve pressure, direction or flow control. By function, there are pressure control valve, directional control valve and flow control valve. Valve control could be driven manually, electrically, or by fluid or air. Valves would act under pressure, temperature or other forms of sensing signals in a predetermined fashion or to carry out the simple action “switch on” and “switch off”, thereby changing the area of flow channel and achieving the purpose of control. Valves are used to form the switches for a pneumatic loop to control the speed of movement and control multiple sets of pneumatic systems.
- (3) Air preparation unit: Before air is transmitted to the equipment, it must pass through an air filter to remove moisture and impurities in it. A pressure regulator is then used to adjust the pressure in the pipeline. Finally a lubricator sprays oil mist into the pipe to mix with the air for lubrication purpose. The filtering, regulating and lubricating parts combined are called an air preparation unit that can increase the accuracy of air pressure and the service life of pipelines.
- (4) Sensing elements: Factory automation practice, often need to real-time monitor and feedback of position of pneumatic actuators such as cylinder and pressure values of pneumatic circuit, in order to achieve the purpose of open or closed loop control. Such sensing element comprises a pressure sensor sensing and feedback the switch or analog signal of digital pressure switch, and the use of magnetic induction to sense cylinder position and feedback the switch or analog signal of magnetic sensing switch.
- (5) Linear Guide: Linear guide is composed of cam block and slippery track. It has more load capacity than the linear bearing. It has a mechanism to bear more load and to guide their linear movement simultaneously.

### 2. The Production Procedures of Main Products



### 5.2.3 Supply Status of Main Materials

Main material	Supplier	Status of supply
Aluminum	China	Good
Medium carbon steel	ROC, China	Good
Brass	China	Good

### 5.2.4 Major Suppliers

- Suppliers who accounted for more than 10% of the purchase by the Company in the last two years, the amount of purchase to total purchase, and reasons for changes in purchase percentage.

Unit: NT\$ thousands

Rank	2022				2023			
	Name of supplier	Amount	% of net purchase	Relationship with AirTAC	Name of supplier	Amount	% of net purchase	Relationship with AirTAC
1	Supplier A	871,834	8.49%	None	Supplier A	1,262,319	13.32%	None
2	Supplier B	517,260	5.04%	None	Supplier B	456,789	4.82%	None
3	Supplier K	464,438	4.52%	None	Supplier C	233,174	2.46%	None
4	Supplier G	337,858	3.29%	None	Supplier D	231,703	2.45%	None
5	Supplier L	303,600	2.96%	None	Supplier E	219,255	2.31%	None
6	Supplier F	264,393	2.58%	None	Supplier F	216,632	2.29%	None
7	Supplier I	263,185	2.56%	None	Supplier G	212,059	2.24%	None
8	Supplier M	261,367	2.55%	None	Supplier H	211,660	2.23%	None
9	Supplier E	246,050	2.40%	None	Supplier I	195,737	2.07%	None
10	Supplier N	225,025	2.19%	None	Supplier J	195,609	2.06%	None
	Others	6,510,101	63.42%		Others	6,039,403	63.75%	
	Net sales	10,265,111	100.00%		Net sales	9,474,340	100.00%	

In the past two years, the price of raw materials has fluctuated greatly, so the supply ratio of

supplier A has been increased to obtain a price advantage. As a result, the proportion of purchases from suppliers C decreased.

2. Customers who accounted for more than 10% of the sales in the last two years, and the amount of sales to total sales and reason for changes in sales percentage.

Unit: NT\$ thousands

Rank	2022				2023			
	Name of supplier	Amount	% of net purchase	Relationship with AirTAC	Name of supplier	Amount	% of net purchase	Relationship with AirTAC
1	Customer E	264,375	1.01%	None	Customer A	407,854	1.37%	None
2	Customer B	212,624	0.82%	None	Customer B	403,240	1.35%	None
3	Customer G	202,312	0.78%	None	Customer C	309,704	1.04%	None
4	Customer H	184,416	0.71%	None	Customer D	308,296	1.03%	None
5	Customer F	183,805	0.70%	None	Customer E	247,501	0.83%	None
6	Customer D	183,355	0.70%	None	Customer F	237,731	0.80%	None
7	Customer K	167,585	0.64%	None	Customer G	225,692	0.76%	None
8	Customer L	154,347	0.59%	None	Customer H	225,562	0.76%	None
9	Customer J	153,850	0.59%	None	Customer I	177,194	0.59%	None
10	Customer I	149,052	0.57%	None	Customer J	174,929	0.59%	None
	Others	24,217,153	92.89%		Others	27,109,649	90.88%	
	Net sales	26,072,874	100.00%		Net sales	29,827,352	100.00%	

Company did not have customers who accounted for more than 10% of the sales in the last two years.

### 5.2.5 Production quantity and value in the last two years

Unit: NT\$ thousands; 1,000 units

Production \ Year	2022			2023		
	Capacity	Output quantity	Output value	Capacity	Output quantity	Output value
Main products						
Pneumatic control component	36,251	31,440	3,421,885	32,985	35,014	3,767,831
Pneumatic actuator	27,530	20,718	5,939,136	24,753	24,581	7,020,429
Air preparation unit	7,385	5,883	1,080,296	7,568	6,700	1,162,347
Others	Note	Note	5,566,328	Note	Note	4,534,397
Total			16,007,645			16,485,004

Note: The other products are miscellaneous items that have different units for inventory purpose and hence cannot be compared.



## 5.2.6 Sales volume/ revenue in the last two years

Unit: NT\$ thousands; 1,000 units

Sales Main product	Year	2022				2023			
		Domestic sale		Export sale		Domestic sale		Export sale	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Pneumatic control component		24,454	5,350,896	1,070	637,359	28,239	5,980,716	958	298,339
Pneumatic actuator		21,191	12,168,185	656	188,755	24,434	13,738,801	620	467,599
Air preparation unit		5,093	1,460,932	329	103,639	5,843	1,610,015	333	111,224
Others		160,189	6,027,109	6,179	255,151	164,183	7,282,189	9,982	338,469
Total		210,927	25,007,122	8,234	1,065,752	222,699	28,611,721	11,893	1,215,631

Note: Export sale means sales to areas outside Greater China.

## 5.3 Employee Information in the Recent Two Years and as of the Date of the Publication of the Annual Report

Unit: persons; %

Year		2022	2023	Up to the date of annual report
Number of employees	Manager and higher	149	168	167
	Staff	3,126	3,356	3,368
	Production line worker	5,366	5,308	5,333
	Total	8,641	8,832	8,868
Average age		32.80	33.28	33.30
Average years of service		6.11	6.63	6.77
Education background (%)	Ph.D.	-	-	-
	Master	0.73	0.75	0.68
	University/College	40.89	44.07	44.11
	High school	50.58	46.15	45.71
	Below high school	7.80	9.03	9.50

## 5.4 Environmental Expenditures

Total losses (including damage awards) and fines for environmental pollution for the two most recent fiscal years, and during the current fiscal year up to the date of annual report, response strategies (including corrective measures) and possible disbursements to be made in the future (including an estimate of losses, fines, and compensation resulting from any failure to adopt responsive measures, or if it is not possible to provide such an estimate, an explanation of the reason why it is not possible): None.

## 5.5 Labor Relations

### 5.5.1 Employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests.

#### 1. Employee benefit plans

The Company pays its employees higher than industry average salary, as well as year-end bonus, quarterly performance bonus and all kinds of allowances and subsidies.

The Company also arranges free physical examination at designated institutions and purchases insurances for employees, including basic pension, medical, work injury, maternity and unemployment, and provide them with subsidies for wedding gifts, funeral flower basket, condolence money for accidental casualties, employee dinner activity and group travel. The Company also holds cultural, art and sports activities to foster a sense of affinity among employees and enhance work efficiency.

## 2. Continuing education and training

Education and training aids the Company to grow and develop. Systematic, scientific and reasonable training hone the professional skills of employees and help develop their intelligence, potential and vigor to the maximum that will benefit the sustained operation of the Group. The Company provides a series of training courses tailored to the needs of employees, including recruitment training, on-the-job training and professional skill training.

## 3. Retirement system and state of implementation

The Company's subsidiary registered in the Republic of China has established employee retirement plan in accordance with the Labor Standards Act of the ROC. Under the old system, the Company sets aside 2% of total salary paid as pension reserve and deposits it into a Labor Pension Fund Supervisory Committee account every month. Starting July 1, 2005 along with the implementation of a new pension system under the Labor Pension Act (referred to as the "new system" or "defined contribution plan" hereunder), employees who were subject to the Basic Standards Act may choose to switch to the new system and employees who report to work after the implementation of the new system will be subject to the defined contribution plan. Under the plan, the Company will contribute 6% of an employee's monthly wages into his or her personal labor pension fund account.

Company's subsidiaries in China will pay for the pension insurance of employees in accordance with the local regulations. Pension insurance in China is part of the social insurance, which cover medical, maternity, pension, work injury, and unemployment benefits. Once the Company enrolls a new employee in the social insurance program, the Company starts to make pension contribution on his or her behalf.

## 4. Agreements between labor and management and various employee rights protection measures

- a. The company has an employee welfare committee that regularly reviews the allocation and use of welfare funds, and employees can enjoy various welfare projects planned by the welfare committee.
- b. The company has a safety committee that regularly discusses the company's safety and health plans and strengthens the establishment of employees' environmental safety and health habits through education and training.
- c. The company values labor relations. The company holds labor-management meetings, communicates opinions with each other, negotiates issues, and sets up employee suggestion boxes so that employees' opinions can be fully reflected.

**5.5.2 Loss sustained as a result of labor disputes in the two most recent fiscal years, and during the current fiscal year up to the date of annual report, an estimate of losses incurred to date or likely to be incurred in the future, and mitigation measures being or to be taken; if the loss cannot be reasonably estimated, a statement to that effect.**

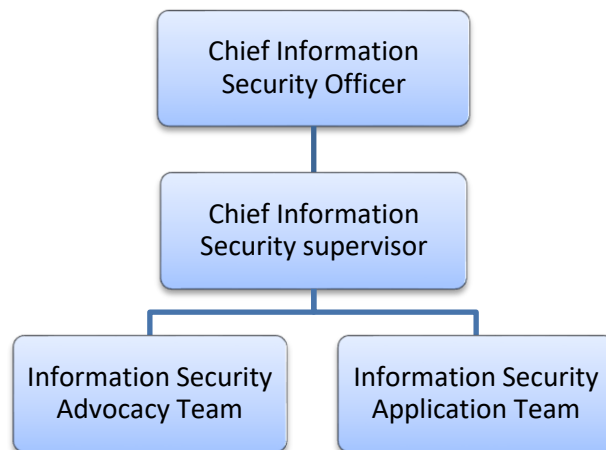
The Company has been maintaining a harmonious relationship with its employees and did not sustain any loss resulting from labor dispute. Moreover, the Company does not expect to sustain loss resulting from labor dispute in the coming year.

**5.6 Information Security Risk Management**

AirTAC attaches great importance to information security management. In order to prevent computer viruses, network attacks, data leakage, legal compliance and risk control, AirTAC has formulated information security management and control standards, introduced information tools and analysis framework systems, and effectively ensured AirTAC information security and customer privacy.

The company has established a Chief Information Security Officer and a dedicated information unit responsible for implementing information operations security management planning. They are tasked with establishing and maintaining an information security management system, coordinating the formulation and execution of information security and protection policies, and conducting risk management and compliance audits.

**5.6.1 Information Security Risk Management Framework**



**5.6.2 Information Security Policy**

1. Adhere to information security regulations, comply with relevant laws:  
Establish various information security management procedures, and regularly assess and adjust according to actual circumstances.
2. Enhance personnel's awareness of information security:  
Employees should participate in relevant information security education and training to raise the overall awareness of information security throughout the company.
3. Prevent the leakage of confidential information:  
Safeguard company confidential information, prevent unauthorized access and tampering of information, and avoid any leakage of sensitive data.

4. Implement internal information security audits:

Regularly conduct internal audits of various information security measures to ensure the effective implementation of operations.

5.6.3 The specific management plan for information security typically includes the following elements:

Item		Solutions
Information Security Protection	Document Management	Establish a document management platform and implement document classification.
		Establish processes for confidential document retrieval and document destruction, including tracking and management.
		Implement encryption controls and effective tracking for documents and data.
		Control and monitor outgoing emails
	Risk Management	Conduct risk assessments for the information data center, regularly perform vulnerability scans, and carry out periodic disaster recovery drills for core information and communication systems.
	Information Operations Security	Enforce password setting rules and establish remote and on-site backup/redundancy services.
		Employees are required to apply for a VPN account to access the company's internal information systems from external locations.
		Information system accounts must be applied for according to company regulations. When employees resign, they are required to coordinate with the information unit for account deletion.
	Device Network Security	Implement security mechanisms on devices, monitor network and information access security.
		Establish endpoint antivirus measures based on computer types, enhance detection of malicious software behavior.
		Strengthen firewall and network control to prevent the spread of computer viruses across machines and plant areas.
	Plant area Security	Implement control measures for computers used by incoming guests/visitors.
Establish access control for office areas and computer rooms, monitoring for any abnormal incidents.		
Review and Continuous Improvement	Education, Training and Promotion	Enhance employee awareness of email attacks, regularly conduct phishing email defense detection.
		Regularly implement information security education and training to enhance employee awareness of information security.

#### 5.6.4 Allocation of resources to information and communication security:

The information security unit has three employees, who are responsible for the company's information security planning, technology introduction and other related matters to maintain and continuously strengthen information security.

##### 1. Network Hardware Equipment:

Firewall, backup server, data center temperature (humidity) detection system, uninterruptible power supply (UPS) system, automatic fire suppression system for the data center, surveillance cameras in the data center, offsite backup facility.

##### 2. Software Systems:

File encryption management software, backup management software, antivirus software, Endpoint Detection and Response (EDR) software, spam email filtering.

##### 3. Education and Drills:

Regular cybersecurity awareness campaigns, disaster recovery drills, permissions review.

##### 4. Education and training

Conducted two online information security education training and assessments, and conducted a total of one social engineering phishing email test in 2023.

##### 5. Customer satisfaction

There were no major information security incidents, and there were no complaints about the loss of customer information.

## 5.7 Important Contracts

### 5.7.1 AIRTAC INTERNATIONAL GROUP

Nature of contract	Party	Date of contract	Content	Covenant
Funds Lending	ATC Italia	2023.07.17~2024.07.16	The Company loans EUR 3 million to ATC (ITALIA) S.r.l.	None
Funds Lending	ATC Italia	2024.02.15~2025.02.14	The Company loans EUR 1.4 million to ATC (ITALIA) S.r.l.	None
Funds Lending	Airtac Co., Ltd.	2023.10.04~2024.10.03	The Company loans USD 3 million to AirTAC Co., Ltd.	None
Funds Lending	Airtac Co., Ltd.	2024.01.15~2025.01.14	The Company loans USD 2.22 million to AirTAC Co., Ltd.	None
Funds Lending	AirTAC Malaysia	2023.12.20~2024.08.09	The Company loans USD 1.18 million to AirTAC Malaysia.	None
Funds Lending	AirTAC Malaysia	2023.12.20~2024.12.19	The Company loans USD 820,000 to AirTAC Malaysia.	None
Funds Lending	AirTAC USA	2023.08.10~2024.08.09	The Company loans USD 3 million to AirTAC USA.	None
Funds Lending	AirTAC USA	2024.01.15~2025.01.14	The Company loans USD 6 million to AirTAC USA.	None
Funds Lending	AirTAC USA	2024.03.21~2025.03.20	The Company loans USD 250,000 million to AirTAC USA.	None

### 5.7.2 AirTAC Ningbo

Nature of contract	Counterparty	Term of contract	Content	Covenant
Construction	Yuansheng Construction Co.	2023.01.01~2023.12.31	The total price is RMB 79.23 million.	None
Construction	Yuandao Construction Co., Ltd.	2023.01.01~2023.12.31	The total price is RMB 25.17 million.	None

### 5.7.3 AirTAC Co., Ltd.

Nature of contract	Counterparty	Term of contract	Content	Covenant
Loan	The Company	2023.10.04~2024.10.03	The Company loans USD 3 million to AirTAC Co., Ltd.	None
Loan	The Company	2024.01.15~2025.01.14	The Company loans USD 2.22 million to AirTAC Co., Ltd.	None
Land lease	IMAS Co., Ltd.	2023.04.01~2025.03.31	Office lease agreement in Osaka	None

### 5.7.4 ATC (ITALIA) S.r.l.

Nature of contract	Counterparty	Term of contract	Content	Covenant
Loan	The Company	2023.07.17~2024.07.16	The Company loans EUR 3 million to ATC (ITALIA) S.r.l.	None
Loan	The Company	2024.02.15~2025.02.14	The Company loans EUR 1.4 million to ATC (ITALIA) S.r.l.	None
Lease	DELTA S.R.L.	2020.11.01~2026.10.31	Plant lease agreement	None
Lease	DELTA S.R.L.	2020.06.01~2026.05.31	Plant lease agreement	None
Lease	TORGIM SNC	2019.04.01~2025.03.31	Plant lease agreement	None

### 5.7.5 AirTAC Malaysia

Nature of contract	Counterparty	Term of contract	Content	Covenant
Loan	The Company	2023.12.20~2024.08.09	The Company loans USD 1.18 million to AirTAC Malaysia.	None
Loan	The Company	2023.12.20~2024.12.19	The Company loans USD 820,000 to AirTAC Malaysia.	None
Lease	Lim Teck Sheng	2023.05.01~2026.04.30	Office lease agreement in Johor	None
Lease	Chun Yip Realty Sdn. Bhd.	2022.06.01~2024.05.31	Office lease agreement in Kuala Lumpur	None
Lease	Pertubuhan Peladang Kawasan penaga	2023.06.01~2026.05.31	Office lease agreement in Penang	None

### 5.7.6 AirTAC Thailand

Nature of contract	Counterparty	Term of contract	Content	Covenant
Lease	Thriven Asset Co., Ltd.	2023.06.01~2026.05.31	Office lease agreement	None

### 5.7.7 AIRTAC USA CORPORATION

Nature of contract	Counterparty	Term of contract	Content	Covenant
Loan	The Company	2023.08.10~2024.08.09	The Company loans USD 3 million to AirTAC USA.	None
Loan	The Company	2024.01.15~2025.01.14	The Company loans USD 6 million to AirTAC USA.	None
Loan	The Company	2024.03.21~2025.03.20	The Company loans USD 250,000 to AirTAC USA.	None
Lease	Coleman Logistics Assets LLC	2019.04.15~2026.07.31	Office lease agreement	None

### 5.7.8 Airtac (Tianjin) Intelligent Technology Co., Ltd.

Nature of contract	Counterparty	Term of contract	Content	Covenant
Lease	Tianjin Academy Huigu Machinery R&D Co., Ltd	2017.08.01~2023.07.31	Total amount is RMB 2,071,500.	None

### 5.7.9 Airtac (Shandong) Automatic Co., Ltd.

Nature of contract	Counterparty	Term of contract	Content	Covenant
Lease	Jinan Tysen Industrial Park Development Co., Ltd.	2023.07.01~2024.06.30	Total amount is RMB 5,216,000.	None

## 5.8 Intellectual Property Rights and Patent Protection

In order to safeguard AirTAC's existing patented technologies and related intellectual property, an 'Intellectual Property Management Policy' has been established, along with the formation of a patent management team, responsible for overseeing and executing the company's patent-related operations. Additionally, collaborations with professional firms have been established, where a dedicated team of experts handles patent-related tasks ranging from initial patent inquiries during new product development to subsequent patent application, authorization, protection, and utilization. To encourage innovation and research and development efforts among the company's R&D personnel and enhance the technical content of products while accumulating the company's intellectual property assets, the 'Patent Incentive Measures' have been formulated, offering patent incentive rewards based on three types of patents: invention, utility model, and design.

A. The risks of intellectual property rights and the responses are as follows:

Categories	Risk Identification	Responses
Trademark	Misappropriation or misappropriation causes the goodwill of the company	<ul style="list-style-type: none"> <li>• Staff education and training</li> <li>• External Professional institutional consultant</li> </ul>
Patent	The infringement of rights results in a reduction in profits or compensation for losses to others	<ul style="list-style-type: none"> <li>• Operation process control management</li> <li>• Staff education and training</li> <li>• External Professional institutional consultant</li> </ul>
Trade Secrets	Claims and compensation caused by leakage	<ul style="list-style-type: none"> <li>• Control through software and hardware devices</li> <li>• Internal and external contract review</li> <li>• Sign a confidentiality agreement</li> <li>• Staff education and training</li> <li>• Legal counsel consulting</li> </ul>

## B. Implementation

The company regularly report the state of the company's implementation status of intellectual property rights to the board of directors once a year. The latest date of submission to the board of directors is November 6, 2023. As of December 2023, 27 patents have been approved in Taiwan, 178 domestic patents and 1 international patent have approved in China. A total of 145 trademark rights have been approved worldwide (in 33 countries), and there are no cases of infringement of patent, trademark, or copyright laws and regulations. The main implementation situations in recent years are as follows:

### 1. Trademark management

- (1) A risk search is conducted in advance when a new trademark is registered.
- (2) Instant application for domestic and foreign trademark registration.
- (3) The responsible unit shall keep and compile relevant documents

### 2. Patent management

- (1) Conduct patent searches and file patent registration applications instantly
- (2) The special unit shall carry out patent rights protection, patent document preservation and record-keeping.
- (3) There is a "Patent Incentive Operation Method" to encourage innovation and R&D among colleagues.

### 3. Trade secret

- (1) Document control procedures are in place to set up control points for confidential file operation processes.
- (2) The responsible unit shall keep and record the documents related to rights.

C. The Company's existing patent situation please refer to 5.1.3 Technology and R&D overview.



## 6. Financial Information

### 6.1 Five-Year Financial Summary

#### 6.1.1 Condensed balance sheet and statements of income - International Financial Reporting Standards (IFRS)

##### 1. Condensed balance sheet - IFRS

Unite: NT\$ thousands

Year Item		Financial Summary for The Last Five Years				
		2019	2020	2021	2022	2023
Current assets		16,741,951	16,648,911	19,314,204	23,254,115	26,813,504
Fixed assets, plants and facilities		20,260,061	22,202,832	24,466,511	28,829,175	28,559,818
Intangible assets		60,332	60,420	51,519	40,793	35,411
Other assets		2,892,848	2,518,818	3,846,422	2,475,464	2,640,032
Total assets		39,955,192	41,430,981	47,678,656	54,599,547	58,048,765
Current liabilities	Before Distribution	16,435,873	14,739,043	9,219,440	14,933,554	14,812,407
	After Distribution	17,349,006	16,451,059	11,895,332	17,621,364	(Note 2)
Non-current liabilities		5,329,215	4,200,810	3,307,545	732,903	639,979
Total liabilities	Before Distribution	21,765,088	18,939,853	12,526,985	15,666,457	15,452,386
	After Distribution	22,678,221	20,651,869	15,202,877	18,354,267	(Note 2)
Profit attributed to the owner of the parent company		18,180,620	22,482,759	35,143,923	38,925,829	42,589,493
Capital stock		1,890,250	1,890,250	2,000,000	2,000,000	2,000,000
Capital surplus		6,870,172	6,870,172	14,846,145	14,846,145	14,846,145
Retained earnings	Before Distribution	10,867,760	14,799,924	19,529,933	22,867,172	27,14,170
	After Distribution	9,954,627	13,087,908	16,854,041	20,179,362	(Note 2)
Other equities		(1,447,562)	(1,077,587)	(1,232,155)	(787,488)	(1,401,822)
Treasury stock		—	—	—	—	—
Non-controlling interests		9,484	8,369	7,748	7,261	6,886
Total stockholders' equity	Before Distribution	18,190,104	22,491,128	35,151,671	38,933,090	42,596,379
	After Distribution	17,276,971	20,779,112	32,457,779	36,245,280	(Note 2)

Note 1: The 2019~ 2023 consolidated financial statements have been audited and certified by CPA.

Note 2: The amount of cash dividends distributed in 2023 is RMB 795,999,993. The exchange rate is tentatively calculated based on the average exchange rate of the Bank of Taiwan CNY to New Taiwan Dollar on the day before the Board of Directors, and the actual distribution amount will be the cash dividend amount in TWD received by the stock agency.

## 2. Condensed statements of income - IFRS

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years				
	2019	2020	2021	2022	2023
Operating revenue	15,896,317	19,103,001	25,399,895	26,072,874	29,827,352
Gross profit	7,425,715	9,649,868	12,336,618	11,893,003	13,754,982
Operating income (loss)	4,028,042	5,964,197	8,215,979	7,542,803	8,849,189
Non-operating income and gain	(325,618)	378,451	168,484	280,878	47,831
Net income before tax	3,702,424	6,342,648	8,384,463	7,823,681	8,897,020
Net income of the term from continuing operations	2,726,051	4,844,203	6,441,397	6,012,658	6,965,415
Loss on discontinued operations	—	—	—	—	—
Net income of the term	2,726,051	4,844,203	6,411,397	6,012,658	6,965,415
Other comprehensive income and loss (net of income tax)	(689,591)	396,954	(154,561)	444,653	(614,315)
Total consolidated income and loss	2,036,460	5,214,157	6,286,836	6,457,311	6,351,100
Net profit attributed to the owner of the parent company	2,726,313	4,845,297	6,442,025	6,013,131	6,965,808
Net profit attributed to non-controlling interests	(262)	(1,094)	(628)	(473)	(393)
Comprehensive profit and loss attributed to the owner of the parent company	2,036,685	5,215,272	6,287,457	6,457,798	6,351,475
Comprehensive profit and loss attributed to non-controlling interests	(225)	(1,115)	(621)	(487)	(375)
Earnings per share (NTD)	14.42	25.63	33.67	30.07	34.83

Note: The 2019~ 2023 consolidated financial statements have been audited and certified by CPA.

### 6.1.2 Names and audit opinions of certifying accountants for the past five years

Year	Name of certifying accountant	Name of accounting firm	Audit opinion
2019	Chih, Jui-Chuan Kuo, Nai-Hua	Deloitte & Touche	Unqualified opinion
2020	Chih, Jui-Chuan Chen, Hui-Min	Deloitte & Touche	Unqualified opinion
2021	Chih, Jui-Chuan Weng, Bo-Ren	Deloitte & Touche	Unqualified opinion
2022	Chih, Jui-Chuan Weng, Bo-Ren	Deloitte & Touche	Unqualified opinion
2023	Chih, Jui-Chuan Weng, Bo-Ren	Deloitte & Touche	Unqualified opinion

## 6.2 Financial Analysis

### 6.2.1. Financial Analysis-IFRS

Item	Year	Financial Analysis for the Past Five Years				
		2019	2020	2021	2022	2023
Financial structure (%)	Debt to asset ratio	54.47	45.71	26.27	28.69	26.62
	Long-term capital to fixed assets ratio	112.64	117.37	155.14	135.05	149.18
Solvency	Current ratio (%)	101.86	112.96	209.49	155.72	181.02
	Quick ratio (%)	82.35	87.92	150.75	106.21	136.00
	Times Interest Earned (times)	13.10	25.32	44.76	54.20	48.58
Operating ability	Accounts receivable turnover (times)	3.18	3.17	3.49	3.15	3.15
	Average collection period (days)	114.77	115.14	104.58	115.87	115.87
	Inventory turnover ratio (times)	2.34	2.84	2.92	2.26	2.33
	Accounts payable turnover (times)	10.95	10.64	11.34	10.93	13.34
	Average days to sell inventory	155.98	128.52	125	161.50	156.65
	Property, Plant and Equipment Turnover (times)	0.82	0.90	1.09	0.98	1.04
	Total asset turnover (times)	0.42	0.47	0.57	0.51	0.53
Profitability	Return on total assets (%)	7.87	12.39	14.79	11.98	12.63
	Return on stockholders' equity (%)	15.45	23.82	22.35	16.23	17.09
	Pre-tax profit to paid-in capital ratio (%)	195.87	335.55	419.22	391.18	444.85
	Net income ratio (%)	17.15	25.36	25.36	23.06	23.35
	Earnings per share (NTD) (Note 1)	14.42	25.63	33.67	30.07	34.83
Cash flow	Cash flow ratio (%)	31.32	30.16	68.55	35.00	61.08
	Cash flow adequacy ratio (%) (Note 3)	54.86	69.04	74.70	64.84	99.63
	Cash reinvestment ratio (%)	14.71	10.74	10.05	5.25	11.82
Leverage	Operating leverage	1.35	1.23	1.23	1.24	1.00
	Financial leverage	1.08	1.05	1.02	1.02	1.02

The reason of recent 2 years changes up to 20% in the financial ratio:

1. Quick ratio increased, mainly due to the increase in cash inflows from operations.
2. Accounts payable turnover increased, mainly due to a decrease in accounts payable at the end of the period.
3. Cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio increased, mainly due to the increase in operating income due to the increase in revenue.

Note 1: The 2019~2023 consolidated financial statements have been audited and certified by CPA.

Note 2: Calculation formulas for financial ratios:

1. Financial structure

(1) Debt to asset ratio = total liabilities / total assets.

(2) Long-term capital to fixed assets ratio = (net stockholders' equity + long-term liabilities) / net fixed assets.

2. Solvency

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets – inventories – prepayments) / current liabilities.

(3) Times interest earned ratio = Net income before income tax and interest expense / current interest expense.

### 3. Operating ability

- (1) Accounts receivable (including accounts receivable and notes receivable arising from operations) turnover ratio = Net sales / average accounts receivable (including accounts receivable and notes receivable arising from operations) outstanding.
- (2) Average collection period = 365 / accounts receivable turnover ratio.
- (3) Inventory turnover ratio = cost of goods sold / average amount of inventories.
- (4) Accounts payable (including accounts payable and notes payable arising from operations) turnover ratio = cost of goods sold / average accounts payable (including accounts payable and notes payable arising from operations) balance.
- (5) Average days to sell inventory = 365 / inventory turnover ratio.
- (6) Fixed asset turnover ratio = Net sales / net fixed assets.
- (7) Total asset turnover ratio = Net sales / total assets.

### 4. Profitability

- (1) Return on total assets = [after-tax income (loss) = interest expense x (1 – tax rate)] / average total assets.
- (2) Return on stockholders' equity = after-tax income (loss) / net average stockholders' equity.
- (3) Net income ratio = after-tax income (loss) / net sales.
- (4) Earnings per share = (after-tax income – preferred stock dividends) / weighted average number of shares outstanding.

### 5. Cash flow

- (1) Cash flow ratio = net cash flow provided by operating activities / current liabilities.
- (2) Cash flow adequacy ratio = net cash flow provided by operating activities in the past five years / (capital expenditure + increase in inventories + cash dividends) in the past five years.
- (3) Cash reinvestment ratio = (net cash flow provided by operating activities – cash dividends) / (gross fixed assets + long-term investment + other assets + working capital).

### 6. Leverage:

- (1) Operating leverage = (net operating revenue – variable operating costs and expenses) / operating income.
- (2) Financial leverage = Operating income / operating income – interest expense).

### **6.3. Audit Committee Report in the Most Recent Year**

## **AIRTAC INTERNATIONAL GROUP**

### **Audit Committee Report**

We have examined the 2023 consolidated financial statements, together with business report and earnings distribution proposal prepared by the Board of Directors and audited and certified by the Audit Committee and did not find any discrepancy. We hereby produce this report in accordance with provisions specified in Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act and submit it for your review.

To

2024 General Shareholders' Meeting

AIRTAC INTERNATIONAL GROUP

Chairman of the Audit Committee: Lin, Yu-Ya

March 11, 2024

**6.4 Financial Statements and Accountant Audit Report in the Most Recent Year: See Appendix 1.**

**6.5 Parent Company Only Financial Statements of the Latest Year Audited by CPAs: None.**

**6.6 Financial Difficulties Encountered by the Company and Affiliates: None.**

## 7. Review of Financial Conditions, Operating Results, and Risk Management

### 7.1 Analysis of Financial Status

Unite: NT\$ thousands

Item \ Year	2022	2023	Difference	
			Amount	%
Current assets	23,254,115	26,813,504	3,559,389	15
Long-term investments	-	-	-	-
Fixed assets	28,829,175	28,559,818	(269,357)	(1)
Intangible assets	40,793	35,411	(5,382)	(13)
Other assets	2,475,464	2,640,032	164,568	7
Total Assets	54,599,547	58,048,765	3,449,218	6
Current liabilities	14,933,554	14,812,407	(121,147)	(1)
Long-term liabilities	-	-	-	-
Other liabilities	732,903	639,979	(92,924)	(13)
Total liabilities	15,666,457	15,452,386	(214,071)	(1)
Capital stock	2,000,000	2,000,000	-	-
Capital surplus	14,846,145	14,846,145	-	-
Retained earnings	22,867,172	27,145,170	4,277,998	19
Other equity	(787,488)	(1,401,822)	(614,334)	78
Non-controlling interests	7,261	6,886	(375)	(5)
Total stockholders' equity	38,933,090	42,596,379	3,663,289	9
Reasons for significant changes: (Change in amount exceeding 20%)				
1. Other equity: Mainly due to the increase of exchange differences on translating foreign operations.				

## 7.2 Analysis of Operating Results

Unit: NT\$ 1,000

Item \ Year	2022	2023	Change	
			Amount	%
Total sales revenue	26,072,874	29,827,352	3,754,478	14
Net sales revenue	26,072,874	29,827,352	3,754,478	14
Operating cost	14,179,871	16,072,370	1,892,499	13
Gross profit	11,893,003	13,754,982	1,861,979	16
Operating expense	4,350,200	4,905,793	555,593	13
Operating income	7,542,803	8,849,189	1,306,386	17
Non-operating income and expense	280,878	47,831	(233,047)	(83)
Net income before tax	7,823,681	8,897,020	1,073,339	14
Less: Income tax expense	1,811,023	1,931,605	120,582	7
Net income after tax	6,012,658	6,965,415	952,757	16
Other comprehensive income and loss	444,653	(614,315)	(1,058,968)	(238)
Change in amount exceeding 20% :				
1. Non-operating income and expense decrease: Mainly due to net foreign currency exchange benefits and financial asset benefits decreased.				
2. Other comprehensive income and loss decrease: Mainly due to the increase of exchange differences on translating foreign operations.				

## 7.3 Analysis of Cash Flow

### 7.3.1 Cash flows analysis

Unit: NT\$1,000

Item \ Year	2022	2023	Amount of increase (decrease)	Increase (decrease) (%)
Outflow in investing activities	(3,691,665)	(3,550,826)	140,839	(4)
Inflow (outflow) in financing activities	454,978	(2,639,374)	(3,094,352)	(680)
Change analysis:				
1. Operating activity: Mainly due to revenue growth and operating net profit increase.				
2. Financing activities: Mainly due to sufficient operating expenses and a decrease in bank borrowings.				

### 7.3.2 Liquidity analysis for the next year and remedial plan for improving liquidity:

The Company has formulated several capital spending plans for 2024. The anticipated profit growth in 2024 is expected to provide net cash inflow from operating activities in the year and cover the cash outflows in investing and financing activities. Hence the Company does not anticipate liquidity problem.

#### **7.4 Major Capital Expenditure Items**

The Company acquired NT\$ 2,447,219 thousand and NT\$ 5,589,409 thousand of fixed assets in 2023 and 2022, respectively as the Company continues to expand capacity in response to market demands. The table below depicts the Company's fixed asset and total asset turnover ratios in the past three years, which indicate that various turnover ratios were kept at certain level, that increase in capital spending did not produce adverse effect on the Company's financial condition.

Turnover ratio	2021	2022	2023
Fixed asset turnover ratio (times)	1.09	0.98	1.04
Total asset turnover ratio (times)	0.57	0.51	0.53

#### **7.5 Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year**

##### **7.5.1 Company's investment policy**

The reinvestment is carried out by designated department in accordance with the internally established internal control systems-Investment Cycle and Procedure for Acquisition or Disposal of Assets. The aforementioned systems or procedures have been passed by the board of directors' meeting or shareholders' meeting.



## 7.5.2 Major reasons for investment profit/ loss in recent years:

Unit: NT\$ thousands

Investee	Profit (loss) in the most recent year	Remark
AIRTAC INDUSTRIAL (HONG KONG) LIMITED	6,869,605	Profit comes mainly from recognition of profit from investees AirTAC Ningbo, AirTAC Guangdong, AirTAC China and AirTAC Jiangsu.
AIRTAC TRADING (HONG KONG) LIMITED	(133)	Loss comes mainly from recognition of expenses for operation.
INSTANT REACH INTERNATIONAL LIMITED	20,071	Profit comes mainly from recognition of profit from investees ATC (ITALIA) S.R.L.
AIRTAC HOLDING (SINGAPORE) PTE. LTD.	(28,855)	Loss comes mainly from recognition of loss from investees Airtac International (Singapore) Pte. Ltd., Airtac Co. Ltd. and AIRTAC USA CORPORATION.
Ningbo Airtac Automatic Industrial Co., Ltd.	4,494,868	Expansion of operations.
Guangdong Airtac Automatic Industrial Co., Ltd.	934,709	Expansion of operations.
Airtac (China) Co., Ltd.	1,295,168	Expansion of operations.
Airtac (Jiangsu) Automatic Co., Ltd.	461,537	Expansion of operations.
Guangdong Airtac Intelligent Equipment Co., Ltd.	467,009	Expansion of operations.
Airtac (Tianjin) Intelligent Technology Co., Ltd.	57,406	Expansion of operations.
Airtac (Fujian) Intelligent Equipment Co. Ltd.	75,080	Expansion of operations.
Airtac (Shandong) Automatic Industrial Co., Ltd.	3,700	Expansion of operations.
Airtac Enterprise Co., Ltd.	(893)	Loss comes mainly from recognition of expenses for operation.
ATC (ITALIA) S.R.L	21,027	The operation has not reached economy of scale.
AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	(13,784)	Profit comes mainly from recognition of profit from investees AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD. And AIRTAC INDUSTRIAL CO., LTD.
Airtac Co., Ltd.	(8,842)	The operation has not reached economy of scale.
AIRTAC USA CORPORATION	(6,185)	The operation has not reached economy of scale.
AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	(445)	Expansion of operations.
AIRTAC INDUSTRIAL CO., LTD.	9,166	Expansion of operations.

### **7.5.3 Investment plan for the coming year**

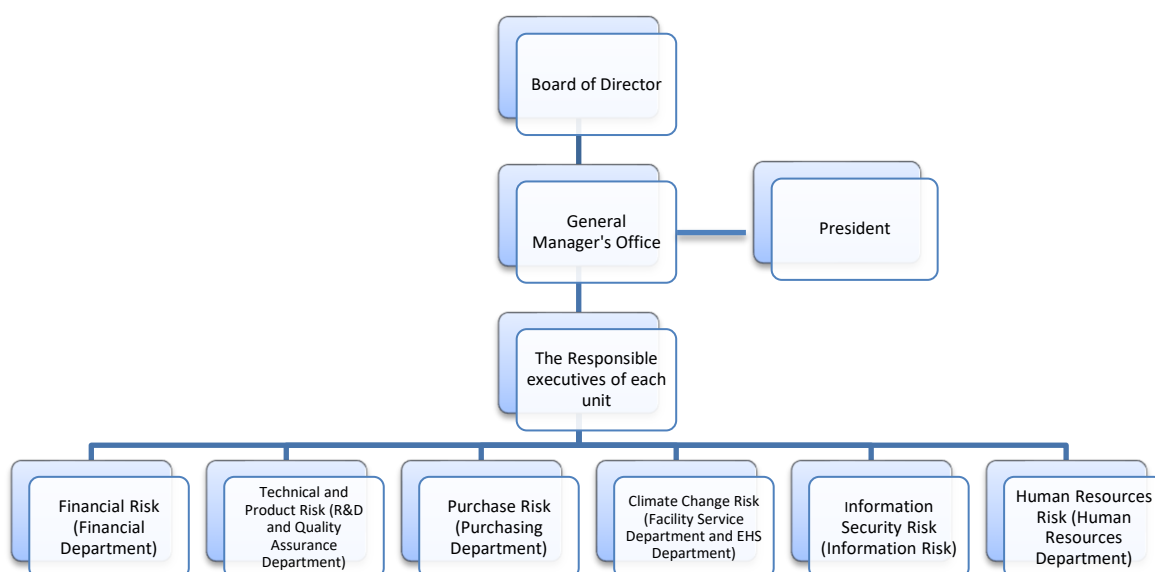
1. The Company expanded its factory in Ningbo, Zhejiang, China, and purchased additional equipment needed for the factories in Foshan, Guangdong, Ningbo, in China, and Shugu Park in Tainan.
2. The Group will continue to expand its overseas operations and actively participate in the client's industry exhibitions to increase market share and enhance the company's profits. The company will also develop new products such as electric cylinders, and use the company's dense marketing system in China and around the world to represent other automation-related components and products.

### **7.6 Analysis of Risk Management**

#### **7.6.1 Effects of interest rate and exchange rate changes as well as inflation on Company's profit and response measures**

The Board of Directors serves as the highest governing unit of AirTAC. Their duties are to approve risk management architecture and policies and bear ultimate responsibilities for risk management. The Audit Committee assists the company in controlling existing or potential risks, including the establishment of internal control systems, implementation of internal audits, and managing significant capital expenditures through budget preparation. The operations face various risks in areas such as marketing, production, technology research and development, procurement, quality control, human resources planning, changes in domestic and international regulations, financial accounting, and information security. Apart from executing established institutional methods, the company also reinforces risk identification, assessment, and management mechanisms to reduce the likelihood and impact of potential risks.

The risk management organization is composed of relevant functional units, with the highest executives of each unit collecting data from historical experiences, industry events, or media reports. They analyze risk factors related to operations and regularly review risk items annually. The risk information is consolidated by the General Manager's office, and an annual report is presented to the Board of Directors. The most recent report to the Board was submitted on November 6, 2023.



1. Interest rate: The Company's interest expense in 2023 and 2022 was NTD 186,995 thousand and NTD 147,053 thousand respectively; respectively accounting for 2.11% and 1.95% of the year's operating profit. High interest expense was mainly due to the fact that the Company's vertically integrated production processes required more working capital. As the Company's business scale expands, profitability improves and own capital is replenished, the Company is not expected to face the risk of interest rate increase that leads to jump in interest expense. However, if the Company needs to borrow funds from financial institutions and interest rate rises in the future, increased interest expense will affect the Company's profit.
  
2. Exchange rate: The main operations of the Group include AirTAC Ningbo, AirTAC Guangdong and AirTAC China that use RMB as their functional currency. Those companies would hold small-sum USD and Euro to pay for miscellaneous expenses of employees stationed abroad. The Company's exchange gain (loss) in 2019~2023 were (\$268,563) thousand, \$241,007 thousand, (\$22,087) thousand, and (\$22,087) thousand, and (\$113,357) thousand respectively accounting for a percentage of the year's operating profit, at 6.67%, 4.04%, 0.27% and 2.43% and 1.28% respectively.

The main operations of the Group do not face significant risk of exchange rate fluctuation. However after the Group's Cayman Islands holding company has become listed in Taiwan, the Company could be exposed to the risk of USD to NTD fluctuation for it might need to distribute dividends in NTD or exchange the funds raised in Taiwan into USD. To address the exchange rate risk, the Company's finance department might take the following actions:

Response measures:

- a. The finance department holds proper foreign currency positions in view of the trends of exchange rate to provide for the operation needs of subsidiaries and to reduce the effects of exchange rate fluctuation on the Company's profit.

- b. The finance department keeps close communication with corresponding banks and constantly monitors the foreign exchange market to enable the management to fully grasp the exchange rate variations and make timely adjustment in case of any contingent events relating to change of payment currency.
- c. The finance department adopts automatic offset principle to address currency risk (i.e. both exports and imports are quoted in USD) and use forward exchange contracts and foreign currency borrowing in view of needs to reduce the effects of exchange rate fluctuation on Company profit.

3. Inflation/ deflation:

Under the rapidly evolving macroeconomic environment, the Company has not been materially affected by the fear of inflation or deflation as described above. The products of the Company are sold mainly in China. By keeping a firm grasp on the price fluctuation of raw materials and end-products and maintaining good rapport with suppliers and clients, and adopting dynamic purchase and sales strategies, adjusting cost structure and trading terms in line with the market situation, the Company is able to effectively minimize the effects of inflation or deflation on Company profit.

**7.6.2 Policies regarding high-risk investments, high leverage investments, loans to other parties, endorsements, guarantees, and derivatives transactions; main reasons for the profits/losses generated thereby; and response measures**

The Company has established “Procedure for Acquisition and Disposal of Assets”, “Procedure for Providing Loans to Others”, “Procedure for Endorsement and Guarantee Operation”, and “Procedure for Derivatives Transactions” for compliance by the Company and subsidiaries in undertaking related activities. As of date of annual report, the Company did not engage in any high-risk, high-leverage investments or derivatives transactions, but only provide loans to 100% holding subsidiaries and write it off in the consolidated financial statements. However if the Company engages in high-risk, high-leverage investments, or provide endorsements/guarantees, or loans to others or engage in derivatives transactions in the future, the Company’s finance will be exposed to high risk, and any material loss therefore could put the Company in financial difficulty or seriously erode the Company’s profit margin. But the Company has always focused on its core business and has not branched out into other high-risk industries. The Company also adopts a conservative financial policy and stay away from high-leverage investment. Thus the Company is exposed to limited associated risks.

**7.6.3 Future R&D projects and estimated R&D expenditure**

1. The Company believes in technology autonomy and develops major process technologies in-house. The Company also puts equal emphasis on new technology and process technology R&D to improve and upgrade technological know-how continuously.
2. The Company expands from mid and low-end automation application into the arena of high-end automation equipment based on existing technology, expansion of product lines and application of end-products.

The Company’s R&D expenditure as a percentage of sales revenue was 2.34%, 2.82%, and 3.00% respectively in 2021~2023, showing a general rising trend. The Company will

continue to put in more R&D resources in line with the product development plans. R&D investment in the future is expected to cost as 3% of the annual sales revenue. If the Company fails to allocate resources to R&D in the future, future product development and R&D projects could be constrained, or the Company's products could no longer keep up with the market trends or customer demands. Furthermore, the Company could lose customer orders that could produce material adverse impact on the Company's operations.

#### **7.6.4 Effect of changes in government policies and legal environment at home and abroad on Company's finance and business, and response measures**

The Company is registered in Cayman Islands and operates primarily in Taiwan and China. Cayman Islands is a territory where financial services constitute its major economic activities, whereas China is a major economy in the world. The pneumatic components developed and sold by the Company are not in a concession business. In addition, the Company operates its businesses in compliance with government policies, local and foreign laws. The Company constantly watches the trends of important government policies and changes in legal environment at home and abroad, respond readily to the changing market environment, and take appropriate actions. Up to 90% of the Company's clients are located in China. The Company's major suppliers are also located in China. Given the special political relationship between China and Taiwan, the businesses of the Company's clients, suppliers, and of the Company itself could be influenced by the political, economic and legal environments in China and Taiwan. If the government policies, tax laws, economic situation or interest rate in China or Taiwan change, or if there are any political, diplomatic or social events involving China and Taiwan that affect the Company's clients or suppliers, the Company's businesses could be affected as well. The Company has been developing clientele and suppliers in other areas to minimize the aforementioned risks.

#### **7.6.5 Effect of recent technological and market changes (include information security risks) on the Company's finance and business, and response measures**

The modern-day technology evolves constantly. Aside from constantly grasping the trends in the industry, market and technology, the Group also engages in research on plastic and rubber materials with the aim to find the most appropriate materials for innovative application on products. The Company also undertakes innovative research on products and processes with the aims to provide most competitive products and services, and expand market share to address the dynamic industrial environment. As such, changes in technological and market environment are not expected to have any material impact on the Group's finance and business. Information security risks please refer to "5.6 Information Security Management".

#### **7.6.6 Effect of changes in corporate images on Company's risk management and response measures**

Guided by the principle of honesty and the spirit of solid pragmatism, the Company has been operating based on the beliefs of "People Oriented, Commitments, Profit Sharing and Common Development" to strengthen internal management, and improve quality and efficiency. The Company continues to bring in outstanding and talented personnel to strengthen the management team. The Company shares its positive operating results with shareholders and acts as a good corporate citizen in giving back to the society. The Company

maintains a good corporate image and presently there is no incident that changes corporate image or puts the Company in crisis.

#### **7.6.7 Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures**

The Company did not undergo merger and acquisition in the most recent year and up to the date of annual report. If the Company undergoes merger and acquisition (“M&A”) or reorganization in the future, it do not guarantee such activity will have positive effect on Company operations for such activity could keep the Company from focusing on its core business or produce negative impact on the corporate culture or employee retention.

If the Company plans to undergo M&A in the future, the Company will make careful evaluation and submit it to the board of directors in advance for approval, and in addition, propose it to the shareholders’ meeting for approval with the adoption of a special (supermajority) resolution in accordance with the Company’s articles of association before proceeding with the M&A. Such procedural requirement is to ensure full preparation and communication beforehand so as to minimize any adverse effect of M&A.

#### **7.6.8 Expected benefits and possible risks associated with any plant expansion and mitigation measures**

Aside from expanding own capacity in line with growth of the industry, the Company also maintains a long-term cooperative relationship with outside contractors to help regulate capacity utilization, thereby effectively addressing changes in business cycle and market demands.

#### **7.6.9 Risks associated with over-concentration in purchase or sales, and mitigation measures**

##### **1. Supplier concentration:**

The Company is a pneumatic component manufacturer. Major raw materials for the Group’s products include aluminum, copper, steel and plastic materials, which are essential materials for a large number of manufacturers. Thus there are already a large number of suppliers and sufficient supply on the market. The Group is not faced with the problem of finding alternative suppliers. Overall the Group does not run the risk of over-concentration in purchase.

##### **2. Client concentration:**

The Group sells primarily pneumatic components which are applied extensively in the automated machinery used in more than 50 industries, such as packaging, printing, plastic, bottle filling, ultrasound, healthcare, pharmaceutical, ceramic, welder, construction, lathe machine, sewing, automation, metallurgy, automobile, electronic, road construction, dyeing and finishing, weighing, textile, plastic, rinsing, and shoe making. No sale to any single customer accounts for more than 2% of the Company’s total sales. Thus the Company does not run the risk of client concentration.

#### **7.6.10 Effect on the Company in the event large quantity of shares belonging to a director, supervisor, or shareholder holding more than 10 percent interest in the Company has been transferred or has otherwise changed hands, associated risks and mitigation measures: None.**

### **7.6.11 Effect of changes in management rights on the Company, associated risks and response measures**

The Company did not have management rights changing hands in the most recent year and up to the date of annual report. The Company has been stepping up corporate governance by bringing in independent directors and established an audit committee to ensure greater shareholder protection. The Company relies mostly on professional managers in daily operations. The strong professional management team has made considerable contribution to the Company operations and should continue to have the support of shareholders in the future. Thus any change to management rights in the future is not expected to have material negative effect on the competitive advantage of the Company in management and operation.

### **7.6.12 The outcome of concluded or pending litigious, non-litigious, or administrative litigation events involving the director, supervisor, president, de facto responsible person, major shareholders holding more than 10% interest, or subsidiary of the Company up to the date of annual report that might have material impact on stockholders' equity or Company stock price (facts in dispute, amounts involved, litigation commencement date, parties concerned, and progress as of the date of annual report): None.**

### **7.6.13 Other major risks and response measures**

1. Please see the section of the report on factors advantageous and disadvantageous to the future prospects of the Company and response measures for other major operational risks faced by the Company.

2. Possible lack of full protection under specific circumstances

The operations of a company are faced with a variety of risks and hazards, such as equipment breakdown, damage or malfunction, delay in delivery of equipment, limited capacity, employee strike, fire, natural disasters (e.g. earthquake or typhoon), environmental hazards or occupational hazards that could produce material adverse effects on the Group's operations. Although the Group has acquired insurance coverage for fixed assets and inventories according to the customary practice at the territory or country of operation, such insurance might not provide full protection under specific circumstances. If the Group sustains loss in any incident thereof, it could have adverse effect on the Group's operations.

3. Climate change risks and countermeasures

We have always managed disaster risks with proactive and preventive management to reduce the impact and effect on production and operations posed by climate change.

- (1) Climate Change Governance

AirTAC integrates its existing internal risk management framework with the Task Force on Climate-related Financial Disclosures (TCFD) framework to drive sustainability initiatives. The AirTAC Board of Directors serves as the highest governance unit for climate issues, overseeing and making decisions regarding the company's climate change governance. Through management-level meetings, the climate risks should be considered comprehensively along with other risks. They track and review the progress of climate change related initiatives, take necessary mitigation measures based on risk severity, and regularly update climate risk

assessments in alignment with the latest domestic and international climate governance policies and industry practices. Annually, in January, the Chief Financial Officer reports the annual environmental equipment capital expenditure to the Audit Committee and the Board of Directors. The general manager office reports the results of sustainability development execution to the Board of Directors at least once a year.

(2) Risk Management Process

AirTAC 's risk management organization is composed of relevant functional units. The top executives of each unit collect data from historical experiences and events reported by industry or media to analyze climate related risks and opportunities most relevant to AirTAC. Functional units conduct regular reviews of risk and opportunity items, and the general manager office gathers the information, reporting it annually to the Board of Directors.

(3) Climate Change-Related Risk and Opportunity Identification Process

AirTAC collects third-party research reports and identifies common risks and opportunities from benchmark companies domestically and internationally. Through internal discussions with various responsible managers and external consultant opinions, the company evaluates and focuses on climate change risks and opportunities that are truly applicable to AirTAC 's daily operations.

**7.7 Other Important Affairs: None.**



## 8. Special Disclosure

### 8.1 Summary of Affiliated Companies:

#### 8.1.1 Organization chart: Please see Company Overview

#### 8.1.2 Profile of affiliates

Unit: NT\$ thousands

Name of Affiliate	Date of establishment	Address	Paid-in capital	Major businesses or products
AIRTAC INDUSTRIAL (HONG KONG) LIMITED	2008.11.10	15/F., BOC Group Life Assurance Tower, 136 Des Voeux Road Central, Central, Hong Kong	USD 87,500 RMB 537,500	General investment
AIRTAC TRADING (HONG KONG) LIMITED	2008.11.10	15/F., BOC Group Life Assurance Tower, 136 Des Voeux Road Central, Central, Hong Kong	USD -	General investment
INSTANT REACH INTERNATIONAL LIMITED	2006.4.18	Vistra Corporate Service Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	USD 2,283 EUR 1,000 RMB 17,500	General investment
AIRTAC HOLDING (SINGAPORE) PTE. LTD.	2011.8.11	16 Raffles Quay, #19-01 Hong Leong Building, Singapore 048581	USD 17,000	General investment
Ningbo AirTAC Automatic Industrial Co.	2001.8.16	No. 88, Siming East Rd., Hi-tech. Park, Fenghua Dist., Ningbo City, Zhejiang, China	USD 52,000 RMB 417,500	Production of all kinds of pneumatic controlling components and auxiliary parts
Guangdong AirTAC Automatic Industrial Co.	2006.9.30	No. 7, Kaixuan Rd., Songxia Industrial Park, Shishan Town, Nanhai District, Foshan, Guangdong, China	USD 6,000	Production of all kinds of pneumatic controlling components and auxiliary parts
Airtac (China) Co., Ltd.	2011.5.6	No.8 Huisheng Road, Fenghua Dist., Ningbo City, Zhejiang, China	USD 18,000 RMB 126,000	Wholesale, distribution of all kinds of pneumatics, tools and equipment and providing related services
Airtac (Jiangsu) Automatic Co., Ltd.	2015.7.2	No.188 Ruike Road, Yushan Town, Kunshan City, Jiangsu, China	USD 1,500 RMB 56,000	Wholesale, distribution of all kinds of pneumatics, tools and equipment and providing related services
Guangdong Airtac Intelligent Equipment Co., Ltd.	2016.11.30	No. 3, Lin Shiquanling Road, Chenjiang Street, Zhongkai High-Tech. Development Zone, Huizhou City Guangdong, China	RMB 10,000	Wholesale, distribution of all kinds of pneumatics, tools and equipment and providing related services
Airtac (Tianjin) Intelligent Technology Co., Ltd.	2017.9.20	Factory A, 1-3 Floor, D10 of Easter	RMB 10,000	Wholesale, distribution of all

Name of Affiliate	Date of establishment	Address	Paid-in capital	Major businesses or products
		District, No.1 of School west Road, Xiqing School Industrial Area, Tianjin City, China		kinds of pneumatics, tools and equipment and providing related services
Airtac (Fujian) Intelligent Equipment Co. Ltd.	2018.7.18	101, No.1, Guankou Zhenping Road, Jimei District, Xiamen, Fujian, China	RMB 10,000	Wholesale, distribution of all kinds of pneumatics, tools and equipment and providing related services
Airtac (Shandong) Automatic Industrial Co., Ltd.	2023.6.16	101, Building 4, Tysen-kld Intelligent Power Industrial Park, No. 103, Yushan Road, Licheng District, Jinan City, Shandong, China	RMB 20,000	Wholesale, distribution of all kinds of pneumatics, tools and equipment and providing related services
Airtac Enterprise Co., Ltd.	1989.5.9	No. 163, Sec. 1, Wenzhong Rd., Luzhu Dist., Taoyuan City 338, Taiwan (R.O.C.)	NTD 54,581	Production, sales, import and export of machineries and parts
ATC (ITALIA) S.R.L.	2008.6.10	Via San Vittore 16, 20123 Milano, Italy	EUR 4,000	All types of production and sales of pneumatic and hydraulic control elements
Airtac International (Singapore) Pte. Ltd.	2011.8.11	16 Raffles Quay, #19-01 Hong Leong Building, Singapore 048581	USD 12,500	Production and sales of pneumatics and auxiliary components
Airtac Co., Ltd.	2013.4.18	3-6-3, Kusune, Higashiosaka-shi, Osaka, Japan (577-0006)	JPY 98,000	Production and sales of pneumatics and auxiliary components
AIRTAC USA CORPORATION	2016.11.4	21201 Park Row Drive, Katy, TX, USA 77449	USD 3,000	Production, sales, import and export of machineries and parts
AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD..	2013.7.16	No 22-01, Jalan Ekoperniagaan 1/3, Taman Ekoperniagaan, 81100 Johor Bahru, Johor, Malaysia	MYR 1,000	Production, sales, import and export of machineries and parts
AIRTAC INDUSTRIAL CO., LTD.	2015.4.21	No. 11/12 M00 9, Bangchalong, Bangplee, Samutprakarn, Thailand 10540.	THB 100,000	Production and sales of pneumatics and auxiliary components

**8.1.3 Information on same shareholders of the Company and an affiliate in which the Company has controlling or subordinate relationship with: None.**

### 8.1.4 Profile of directors, supervisors and president of subsidiaries and affiliates

Unit: 1,000 shares

Name of affiliate	Title	Name	Shares held (Note)	Shareholding (Note)
AIRTAC INDUSTRIAL (HONG KONG) LIMITED	Chairman	Wang, Shih-Chung	5,007,358	100.00%
AIRTAC TRADING (HONG KONG) LIMITED	Chairman	Wang, Shih-Chung	-	100.00%
INSTANT REACH INTERNATIONAL LIMITED	Chairman	Wang, Shih-Chung	179,670	100.00%
	Director	Lan, Shun-Cheng		
	Director	Tsao, Yung-Hsiang		
AIRTAC HOLDING (SINGAPORE) PTE. LTD.	Chairman	Wang, Shih-Chung	520,996	100.00%
Ningbo Airtac Automatic Industrial Co., Ltd.	Chairman	Wang, Shih-Chung	3,400,157	100.00%
	GM/Director	Li, Huai-Wen		
	Director	Lan, Shun-Cheng		
	Director	Wang, Hai-Ming		
	Director	Tsao, Yung-Hsiang		
	Supervisor	Yang, Yung-Liang		
Guangdong AirTAC Automatic Industrial Co.	Chairman	Wang, Shih-Chung	183,881	100.00%
	GM/Director	Li, Huai-Wen		
	Director	Lan, Shun-Cheng		
	Director	Wang, Hai-Ming		
	Director	Tsao, Yung-Hsiang		
	Supervisor	Yang, Yung-Liang		
Airtac (China) Co., Ltd.	Chairman	Wang, Shih-Chung	1,096,884	100.00%
	GM/Director	Li, Huai-Wen		
	Director	Lan, Shun-Cheng		
	Director	Wang, Hai-Ming		
	Director	Tsao, Yung-Hsiang		
	Supervisor	Yang, Yung-Liang		
AirTAC (Jiangsu) Automation Co., Ltd	Chairman	Wang, Shih-Chung	288,282	100.00%
	GM	Dai, Jia-Xing		
	Director	Lan, Shun-Cheng		
	Director	Li, Huai-Wen		
	Supervisor	Tsao, Yung-Hsiang		
Guangdong Airtac Intelligent Equipment Co., Ltd.	Chairman	Wang, Shih-Chung	43,270	100.00%
	GM	Dai, Jia-Xing		
	Supervisor	Tsao, Yung-Hsiang		
Airtac (Tianjin) Intelligent Technology Co., Ltd.	Chairman	Wang, Shih-Chung	43,270	100.00%
	GM	Dai, Jia-Xing		
	Supervisor	Tsao, Yung-Hsiang		
Airtac (Fujian) Intelligent Equipment Co. Ltd.	Chairman	Li, Huai-Wen	43,270	100.00%
	GM	Dai, Jia-Xing		

Name of affiliate	Title	Name	Shares held (Note)	Shareholding (Note)
	Supervisor	Tsao, Yung-Hsiang		
Airtac (Shandong) Automatic Industrial Co., Ltd.	Chairman	Li, Huai-Wen	86,540	100.00%
	GM	Tian, Yong-gang		
	Supervisor	Tsao, Yung-Hsiang		
Airtac Enterprise Co., Ltd.	Chairman	Wang, Shih-Chung	—	—
	Director	Lan, Shun-Cheng	—	—
	Director	Lin, Shu-Mei	—	—
	Director	Tsao, Yung-Hsiang	—	—
	Director	Lin, Tao-Hsuan	—	—
	Supervisor	Yang, Yung-Liang	—	—
ATC (ITALIA) S.R.L.	Chairman	Tsao, Yung-Hsiang	135,920	100.00%
	Director	Wang, Shih-Chun		
	Director	Lan, Shun-Cheng		
AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	Chairman	Wang, Shih-Chung	383,085	100.00%
	Director	Lan, Shun-Cheng		
	Director	Tsao, Yung-Hsiang		
Airtac Co., Ltd.	Representative Director	Tsao, Yung-Hsiang	21,286	100.00%
	Director	Wang, Shih-Chun		
	Director	Lan, Shun-Cheng		
AIRTAC USA CORPPORATION	Chairman	Wang, Shih-Chun	91,940	100.00%
	Director	Lan, Shun-Cheng		
	Director	Tsao, Yung-Hsiang		
AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD..	Chairman	Wang, Shih-Chun	6,399	100.00%
	Director	Lan, Shun-Cheng		
	Director	Tsao, Yung-Hsiang		
	Director	Siti Elyanee Binti Abu Bakar		
Airtac Industrial Co., Ltd	Chairman	Wang Shih-Chung	90,100	100.00%
	Director	Lan, Shun-Cheng		
	Director	Tsao, Yung-Hsiang		

Notes: No shares are provided for it is a limited company and only capital contribution and proportion of contribution are shown.

## 8.1.5 Operational highlights of affiliates

Unit: NT\$ thousands

Name of Affiliate	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Operating Income	Operating Profit (Loss)	Profit (Loss) for the period	EPS (\$)
AIRTAC INDUSTRIAL (HONG KONG) LIMITED	5,007,358	36,037,597	1,500,335	34,537,262	-	(312)	6,869,605	Note 1
AIRTAC TRADING (HONG KONG) LIMITED	-	1,021	39	982	-	(136)	(133)	Note 1
INSTANT REACH INTERNATIONAL LIMITED	179,948	93,437	-	93,437	-	(79)	20,071	Note 1
AIRTAC HOLDING (SINGAPORE) PTE. LTD.	520,996	60,215	134	60,081	-	(242)	(28,855)	Note 1
Ningbo AirTAC Automatic Industrial Co.	3,400,157	29,856,863	6,301,622	23,555,241	23,649,365	4,975,758	4,518,706	Note 1
Guangdong AirTAC Automatic Industrial Co.	183,881	3,665,051	401,515	3,263,536	3,492,880	1,159,296	875,791	Note 1
Airtac (China) Co., Ltd.	1,096,844	6,306,836	1,337,060	4,969,776	9,547,626	710,070	1,148,933	Note 1
Airtac (Jiangsu) Automatic Co., Ltd.	288,282	2,977,240	1,627,800	1,349,440	8,914,101	614,804	461,537	Note 1
Guangdong Airtac Intelligent Equipment Co., Ltd.	43,270	3,081,010	2,556,431	524,579	8,843,481	623,652	467,009	Note 1
Airtac (Tianjin) Intelligent Technology Co., Ltd.	43,270	301,960	181,029	120,931	1,2624,359	76,883	57,406	Note 1
Airtac (Fujian) Intelligent Equipment Co. Ltd.	43,270	234,078	95,341	138,737	858,390	100,343	75,080	Note 1
Airtac (Shandong) Automatic Industrial Co., Ltd.	86,540	400,048	309,900	90,148	145,086	4,840	3,700	Note 1
ATC (ITALIA) S.R.L.	135,920	396,104	322,401	73,703	454,354	31,542	21,027	Note 1
Airtac Enterprise Co., Ltd.	1,000	27,570	1,540	26,030	-	(1,354)	(1,286)	(12.86)
Airtac International (Singapore) Pte. Ltd.	383,085	312,046	4,474	307,572	29,429	(21,414)	(13,784)	Note 1
Airtac Co., Ltd.	21,286	61,792	149,681	(87,889)	63,054	(9,333)	(8,842)	Note 1
AIRTAC USA CORPORATION	91,940	235,582	402,913	(167,331)	310,443	(5,880)	(6,185)	Note 1
AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD..	6,399	51,428	72,283	(20,855)	81,915	2,235	(445)	Note 1
AIRTAC INDUSTRIAL CO., LTD. (Thailand)	90,100	151,196	29,107	122,089	105,179	10,123	9,166	Note 1

Note 1: Earnings per share could not be calculated for it is not a company limited by shares.

Note 2: The amounts were converted to thousand NTD at exchange rate on 2023.12.31.

**8.1.6 Consolidated financial statements of affiliates: See Appendix 1.**

**8.1.7 Affiliation report: None.**

**8.1.8 Industries covered by the business operated by the affiliated and description of the mutual dealings and division of work among such affiliates:**

The company and its affiliated companies are engaged in the production and sales of various pneumatic and hydraulic control components, actuators, air source processing components, pneumatic auxiliary components and other series of products.

**8.2 Private Placement Securities in the most recent year and up to the date of annual report: None.**

**8.3 The Shares in the Company Held or Disposed of by Subsidiaries in the most recent year and up to the date of annual report: None.**

**8.4 Other Necessary Supplementary Explanation: None.**

**8.5 Any Event Which Has a Material Impact on Shareholders' Equity or Securities Prices Was Stipulated in Subparagraph 2, Paragraph 2, Article 36 of Securities Exchange Act in the Most Recent Fiscal Year and up to the Date of the Publication of the Annual Report: None.**

## **Appendix 1**

### **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Airtac International Group

#### **Opinion**

We have audited the accompanying consolidated financial statements of Airtac International Group (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

#### **Basis for Opinion**

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

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2023 are stated as follows:

### Estimated recognition of sales revenue

One of the selling models of Airtac international Group is selling goods through dealers. For the year ended December 31, 2023, the sales revenue from dealers was \$8,750,224 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 distributors 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 year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China  
March 11, 2024

Notice to Readers

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

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

## AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

ASSETS	2023		2022	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 9,191,705	16	\$ 6,345,451	12
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	-	-	2,163	-
Financial assets at amortized cost - current (Notes 4, 8 and 30)	872,509	2	260,263	1
Notes receivable (Note 9)	2,953,117	5	2,937,652	5
Trade receivables (Notes 9 and 29)	6,932,598	12	6,112,157	11
Other receivables	33,920	-	20,495	-
Current tax assets (Note 4)	14,585	-	13,414	-
Inventories (Notes 4 and 10)	6,528,334	11	7,250,257	13
Other current assets (Note 15)	286,736	-	312,263	1
Total current assets	<u>26,813,504</u>	<u>46</u>	<u>23,254,115</u>	<u>43</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at amortized cost - non-current (Notes 4, 8 and 30)	432,884	1	-	-
Property, plant and equipment (Notes 4, 12 and 30)	28,559,818	49	28,829,175	53
Right-of-use assets (Notes 4 and 13)	964,476	2	982,607	2
Investment properties (Notes 4 and 14)	76,095	-	24,692	-
Other intangible assets (Note 4)	35,411	-	40,793	-
Deferred tax assets (Notes 4 and 23)	316,201	1	392,392	-
Other non-current assets (Note 15)	850,376	1	1,075,773	2
Total non-current assets	<u>31,235,261</u>	<u>54</u>	<u>31,345,432</u>	<u>57</u>
<b>TOTAL</b>	<u>\$ 58,048,765</u>	<u>100</u>	<u>\$ 54,599,547</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term loans (Note 16)	\$ 11,370,798	20	\$ 10,781,921	20
Short-term bills payable (Note 16)	-	-	500,000	1
Contract liabilities - current (Note 21)	66,885	-	78,256	-
Notes payable (Note 17)	159,464	-	205,746	-
Trade payables (Note 17)	958,453	2	1,085,319	2
Lease liability - current (Notes 4 and 13)	61,032	-	66,019	-
Other payables (Note 18)	1,564,102	3	1,478,211	3
Current tax liabilities (Note 4)	364,847	1	411,459	1
Current portion of long-term loans (Notes 16 and 30)	2,701	-	-	-
Other current liabilities (Note 18)	264,125	-	326,623	1
Total current liabilities	<u>14,812,407</u>	<u>26</u>	<u>14,933,554</u>	<u>28</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term loans (Notes 16 and 30)	10,004	-	-	-
Deferred tax liabilities (Notes 4 and 23)	507,524	1	610,426	1
Lease liabilities - non-current (Note 13)	87,835	-	122,477	-
Other non-current liabilities (Note 18)	34,616	-	-	-
Total non-current liabilities	<u>639,979</u>	<u>1</u>	<u>732,903</u>	<u>1</u>
Total liabilities	<u>15,452,386</u>	<u>27</u>	<u>15,666,457</u>	<u>29</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20)</b>				
Share capital	2,000,000	3	2,000,000	4
Capital surplus	14,846,145	25	14,846,145	27
Retained earnings	27,145,170	47	22,867,172	42
Other equity	(1,401,822)	(2)	(787,488)	(2)
Total equity attributable to owners of the Company	42,589,493	73	38,925,829	71
<b>NON-CONTROLLING INTERESTS</b>	<u>6,886</u>	<u>-</u>	<u>7,261</u>	<u>-</u>
Total equity	<u>42,596,379</u>	<u>73</u>	<u>38,933,090</u>	<u>71</u>
<b>TOTAL</b>	<u>\$ 58,048,765</u>	<u>100</u>	<u>\$ 54,599,547</u>	<u>100</u>

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

## AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales (Notes 4, 21 and 34)	\$ 29,827,352	100	\$ 26,072,874	100
OPERATING COSTS				
Cost of goods sold (Notes 10 and 22)	<u>16,072,370</u>	<u>54</u>	<u>14,179,871</u>	<u>54</u>
GROSS PROFIT	<u>13,754,982</u>	<u>46</u>	<u>11,893,003</u>	<u>46</u>
OPERATING EXPENSES (Note 22)				
Selling and marketing expenses	2,887,993	9	2,514,041	10
General and administrative expenses	1,118,720	4	1,075,615	4
Research and development expenses	895,969	3	735,832	3
Expected credit loss recognized (gain reversed)	<u>3,111</u>	<u>-</u>	<u>24,712</u>	<u>-</u>
Total operating expenses	<u>4,905,793</u>	<u>16</u>	<u>4,350,200</u>	<u>17</u>
PROFIT FROM OPERATIONS	<u>8,849,189</u>	<u>30</u>	<u>7,542,803</u>	<u>29</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 22)				
Other income	128,627	1	96,541	-
Other gains and losses	106,199	-	331,390	1
Finance costs	<u>(186,995)</u>	<u>(1)</u>	<u>(147,053)</u>	<u>-</u>
Total non-operating income and expenses	<u>47,831</u>	<u>-</u>	<u>280,878</u>	<u>1</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	8,897,020	30	7,823,681	30
INCOME TAX EXPENSE (Notes 4 and 23)	<u>1,931,605</u>	<u>7</u>	<u>1,811,023</u>	<u>7</u>
NET PROFIT FOR THE YEAR	<u>6,965,415</u>	<u>23</u>	<u>6,012,658</u>	<u>23</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Exchange differences arising on translation to the presentation currency	(775,435)	(3)	530,073	2
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>161,120</u>	<u>1</u>	<u>(85,420)</u>	<u>-</u>

(Continued)

## AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
Other comprehensive income for the year, net of income tax	<u>(614,315)</u>	<u>(2)</u>	<u>444,653</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 6,351,100</u>	<u>21</u>	<u>\$ 6,457,311</u>	<u>25</u>
NET PROFIT ATTRIBUTABLE TO:				
Owner of the Company	\$ 6,965,808	23	\$ 6,013,131	23
Non-controlling interests	<u>(393)</u>	<u>-</u>	<u>(473)</u>	<u>-</u>
	<u>\$ 6,965,415</u>	<u>23</u>	<u>\$ 6,012,658</u>	<u>23</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the Company	\$ 6,351,475	21	\$ 6,457,798	25
Non-controlling interests	<u>375</u>	<u>-</u>	<u>(487)</u>	<u>-</u>
	<u>\$ 6,351,850</u>	<u>21</u>	<u>\$ 6,457,311</u>	<u>25</u>
EARNINGS PER SHARE (Note 24)				
Basic	<u>\$ 34.83</u>		<u>\$ 30.07</u>	
Diluted	<u>\$ 34.81</u>		<u>\$ 30.05</u>	

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

(Concluded)

**AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company					Other Equity		Total	Non-controlling Interests	Total Equity
	Share Capital		Capital Surplus	Retained Earnings		Exchange Differences on Translating Foreign Operations	Remeasurement of Defined Benefits Plans			
	Shares (In Thousands)	Ordinary Shares		Special Reserve	Unappropriated Earnings					
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	-	-	-	-	(2,675,892)	-	-	(2,675,892)	-	(2,675,892)
Net profit for the year ended December 31, 2022	-	-	-	-	6,013,131	-	-	6,013,131	(473)	6,012,658
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	-	444,667	-	444,667	(14)	444,653
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	6,013,131	444,667	-	6,457,798	(487)	6,457,311
BALANCE AT DECEMBER 31, 2022	200,000	2,000,000	14,846,145	-	22,867,172	(793,750)	6,262	38,925,829	7,261	38,933,090
Appropriation of 2022 earnings										
Special reserve	-	-	-	32,712	(32,712)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(2,687,810)	-	-	(2,687,810)	-	(2,687,810)
Net profit for the year ended December 31, 2023	-	-	-	-	6,965,808	-	-	6,965,808	(393)	6,965,415
Other comprehensive income for the year ended December 31, 2023, net of income tax	-	-	-	-	-	(614,334)	-	(614,334)	18	(614,316)
Total comprehensive income for the year ended December 31, 2023	-	-	-	-	6,965,808	(614,334)	-	6,351,474	(375)	6,351,099
BALANCE AT DECEMBER 31, 2023	<u>200,000</u>	<u>\$ 2,000,000</u>	<u>\$ 14,846,145</u>	<u>\$ 32,712</u>	<u>\$ 27,112,458</u>	<u>\$ (1,408,084)</u>	<u>\$ 6,262</u>	<u>\$ 42,589,493</u>	<u>\$ 6,886</u>	<u>\$ 42,596,379</u>

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

# AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 8,897,020	\$ 7,823,681
Adjustments for:		
Depreciation expenses	2,396,770	2,143,413
Amortization expenses	17,515	17,257
Expected credit loss recognized	3,111	24,712
Net gain on financial assets at fair value through profit or loss	(9,837)	(170,599)
Finance costs	186,995	147,053
Interest income	(128,627)	(96,541)
Loss on disposal of property, plant and equipment	105,788	72,111
Write-down of inventories	18,022	12,373
Net loss (gain) on foreign currency exchange	8,607	(45)
Loss on amendment of lease agreement	(69)	-
Changes in operating assets and liabilities:		
(Increase) decrease in notes receivable	(71,142)	(816,138)
Increase in trade receivables	(951,748)	(670,201)
(Increase) decrease in other receivables	1,989	(1,950)
Increase in inventories	597,004	(1,874,667)
(Increase) decrease in other current assets	53,071	(32,327)
Increase (decrease) in contract liabilities	(10,090)	8,558
Increase (decrease) in notes payable	(43,175)	(23,884)
Increase in trade payables	(106,623)	(7,083)
Increase in other payables	176,022	173,633
Increase in deferred revenue	35,165	-
Increase (decrease) in other current liabilities	(57,392)	135,756
Cash generated from operations	11,118,376	6,865,112
Interest received	109,267	80,974
Interest paid	(188,676)	(136,032)
Income tax paid	(1,991,952)	(1,583,638)
Net cash generated from operating activities	<u>9,047,015</u>	<u>5,226,416</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	(1,824,174)	(2,542,535)
Proceeds on sale of financial assets at amortized cost	728,070	4,161,393
Proceeds from sale of financial assets at fair value through profit and loss	13,602	175,466
Payments for property, plant and equipment	(2,447,219)	(5,589,409)
Proceeds from disposal of property, plant and equipment	45,785	87,247
Increase in refundable deposits	(10,737)	(15,771)
Decrease in refundable deposits	8,690	37,798
Payments for intangible assets	(12,616)	(5,854)
Payments for right-of-use assets	(52,227)	-

(Continued)

## AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
Net cash used in investing activities	<u>(3,550,826)</u>	<u>(3,691,665)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term loans	622,483	7,071,291
Proceeds from repayment of short-term bills payable	(500,000)	(280,000)
Proceeds from long-term loans	12,705	-
Repayments of long-term loans	-	(3,577,000)
Repayment of the principal portion of lease liability	(86,752)	(83,421)
Dividends paid to owners of the Company	<u>(2,687,810)</u>	<u>(2,675,892)</u>
Net cash used in financing activities	<u>(2,639,374)</u>	<u>454,978</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(10,561)</u>	<u>(18,580)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,846,254	1,971,149
CASH AND CA SH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>6,345,451</u>	<u>4,374,302</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 9,191,705</u>	<u>\$ 6,345,451</u>

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

(Concluded)



# AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

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

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#### 1. GENERAL

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

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

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

#### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and issued on March 11, 2024.

#### 3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the FSC.

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Group’s accounting policies:

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

When applying the amendments, the Group refers to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Moreover:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Group may consider the accounting policy information material because of the nature

of the related transactions, other events or conditions, even if the amounts are immaterial; and

- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

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

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

Refer to Note 4 for related accounting policy information.

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

The Group has applied the amendments since January 1, 2023. The Group defines accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

### b. The IFRSs endorsed by the FSC for application starting from 2024

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 16 “Leases Liability in a Sale and leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” (referred to as the “2020 amendments”) and “Non-current Liabilities with Covenants” (referred to as the “2022 amendments”)

The 2020 amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights exist at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right.

The 2020 amendments also stipulate that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date. The 2022 amendments further clarify that only covenants with which an entity is required to comply on or before the reporting date should affect the classification of a liability as current or non-current. Although the covenants to be complied with within twelve months after the reporting period do not affect the classification of a liability, the Group shall disclose information that enables users of financial statements to understand the risk of the Group, which may have difficulty complying with the covenants and repaying its liabilities within twelve months after the reporting period.

The 2020 amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that, at the option of the counterparty, result in its settlement by a transfer of the Group’s own equity instruments, and if such an option is recognized separately as equity in accordance with IAS 32 “Financial Instruments: Presentation”, the aforementioned terms would not affect the classification of the liability.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group’s financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

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

b. Basis of Preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

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

d. Basis of Consolidation

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

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

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

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

e. Foreign Currencies

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

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

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

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

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

f. Inventories

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

g. Property, Plant and Equipment

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

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

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

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

h. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method.

For a transfer of classification from property, plant and equipment to investment properties, the deemed cost of an item of property for subsequent accounting is its carrying amount.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

i. Intangible Assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

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

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount

of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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

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

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

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

#### k. Financial Instruments

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

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



## 1) Financial assets

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

### a) Measurement category

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

#### i. Financial asset at FVTPL

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

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

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

#### ii. Financial assets at amortized cost

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

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

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

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

- i) Purchased or originated credit-impaired financial asset, for which interest income is

calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and

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

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

b) Impairment of financial assets

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

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

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

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

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

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

### c) Derecognition of financial assets

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

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

## 2) Equity Instruments

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

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

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

## 3) Financial Liabilities

### a) Subsequent measurement

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

Financial liabilities held for trading are stated at fair value, and any gains or losses on such financial liabilities are recognized in other gains or losses. Fair value is determined in the manner described in Note 29.

Financial liabilities using the effective interest method at amortized cost.

#### b) Derecognition of financial liabilities

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

#### 4) Derivative financial instruments

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

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

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

#### 1. Revenue Recognition

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

##### Revenue from sale of goods

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

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

#### m. Leasing

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

##### 1) The Group as lessor

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

## 2) The Group as lessee

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

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

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

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

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

## n. Borrowing Costs

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

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

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

o. Government Grants

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

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

p. Retirement Benefit Costs

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

q. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

### 3) Current and deferred tax for the year

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

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

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

The Group considers the possible impact of the recent development of the COVID-19 and its economic environment implications when making its critical accounting estimates on cash flows, growth rates, discount rates, profitabilities, etc. 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.

### Key Sources of Estimation Uncertainty

1) Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions on probability of default and loss given default. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

2) Write-down of inventories

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

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Cash on hand	\$ 640	\$ 579
Checking accounts	51,277	85,708
Demand deposits	4,368,442	4,126,415
Cash equivalent		
Time deposits with original maturities less than three months	<u>4,771,346</u>	<u>2,132,749</u>
	<u>\$ 9,191,705</u>	<u>\$ 6,345,451</u>

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Financial assets at FVTPL- current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
— Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 2,163</u>



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

December 31, 2022

	<u>Currency</u>	<u>Maturity Date</u>	<u>Notional Amount (In Thousands)</u>
Buy	RMB /NTD	2023.2.1	RMB 343,000/ NTD 1,509,904

## 8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Time deposits with original maturity of more than 3 months	\$ 6,382	\$ 6,390
Restricted bank deposits	-	33,060
Structured deposits	<u>866,127</u>	<u>220,813</u>
	<u>\$ 872,509</u>	<u>\$ 260,263</u>
	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Non-current</u>		
Time deposits with original maturity of more than 3 months	<u>\$ 432,884</u>	<u>\$ -</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>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Notes receivable</u>		
At amortized cost		
Notes receivable - operating	\$ 2,975,886	\$ 2,960,239
Less: Allowance for impairment loss	( <u>22,769</u> )	( <u>22,587</u> )
	<u>\$ 2,953,117</u>	<u>\$ 2,937,652</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 7,005,083	\$ 6,185,129
Less: Allowance for impairment loss	( <u>72,485</u> )	( <u>72,972</u> )
	<u>\$ 6,932,598</u>	<u>\$ 6,112,157</u>

The average credit period of sales of goods was 30 to 180 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 prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. 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 evidence 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.

#### December 31, 2023

	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	0.18%	3.61%	52.33%	74.85%	86.93%	89.81%	100%	
Gross carrying amount	\$ 9,343,633	\$ 564,372	\$ 22,413	\$ 12,813	\$ 2,671	\$ 4,159	\$ 30,908	\$ 9,980,969
Loss allowance (Lifetime ECL)	( 16,572)	( 20,398)	( 11,729)	( 9,590)	( 2,322)	( 3,735)	( 30,908)	( 95,254)
Amortized cost	<u>\$ 9,327,061</u>	<u>\$ 543,974</u>	<u>\$ 10,684</u>	<u>\$ 3,223</u>	<u>\$ 349</u>	<u>\$ 424</u>	<u>\$ -</u>	<u>\$ 9,885,715</u>

#### December 31, 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	0.26%	3.82%	48.49%	65.96%	82.56%	86.85%	100%	
Gross carrying amount	\$ 8,698,815	\$ 363,857	\$ 39,708	\$ 5,929	\$ 3,950	\$ 5,233	\$ 27,876	\$ 9,145,368
Loss allowance (Lifetime ECL)	( 22,798)	( 13,913)	( 19,255)	( 3,911)	( 3,261)	( 4,545)	( 27,876)	( 95,559)
Amortized cost	<u>\$ 8,676,017</u>	<u>\$ 349,944</u>	<u>\$ 20,453</u>	<u>\$ 2,018</u>	<u>\$ 689</u>	<u>\$ 688</u>	<u>\$ -</u>	<u>\$ 9,049,809</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Balance at January 1, per IFRS 9	\$ 22,587	\$ 22,593
Less: Net remeasurement of loss allowance		
(Impairment losses reversed)	597	( 327)
Foreign exchange gains and losses	( 415)	321
Balance at December 31	<u>\$ 22,769</u>	<u>\$ 22,587</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 72,972	\$ 52,306
Add: Amounts recovered	659	58
Add: Net remeasurement of loss allowance	2,514	25,039
Less: Amounts written off	( 2,688)	( 5,284)
Foreign exchange gains and losses	( 972)	853
Balance at December 31	<u>\$ 72,485</u>	<u>\$ 72,972</u>

## 10. INVENTORIES

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Raw materials	\$ 2,486,844	\$ 1,844,692
Finished goods	2,212,975	3,039,249
Work in progress	<u>1,828,515</u>	<u>2,366,316</u>
	<u>\$ 6,528,334</u>	<u>\$ 7,250,257</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2023 and 2022 were \$16,072,370 thousand and \$14,179,871 thousand, respectively. For the years ended December 31, 2023 and 2022, the cost of goods sold included inventory write-downs amounting to \$18,022 thousand and \$12,373 thousand, respectively.

## 11. SUBSIDIARIES

### Subsidiaries included in the consolidated financial statements

The consolidated entities were as follows:

<u>Name of investing company</u>	<u>Name of subsidiary</u>	<b>Proportion of Ownership (%)</b>	
		<b>December 31</b>	
		<b>2023</b>	<b>2022</b>
Airtac International Group	Airtac Trading (Hong Kong) Limited	100	100
	Airtac Industrial (Hong Kong) Limited	100	100
	INSTANT REACH INTERNATIONAL LIMITED	100	100
	AIRTAC HOLDING (SINGAPORE) PTE. LTD.	100	100
Airtac Industrial (Hong Kong) Limited	Ningbo Airtac Automatic Industrial Co., Ltd.	100	100
	Guangdong Airtac Automatic Industrial Co., Ltd.	100	100
	Airtac (China) Co., Ltd.	100	100
	Airtac (Jiangsu) Automation Co., Ltd.	100	100
	INSTANT REACH INTERNATIONAL LIMITED	ATC (ITALIA) S.R.L.	100
	Airtac Enterprise Co., Ltd.	69.44	69.44
AIRTAC HOLDING (SINGAPORE) PTE. LTD.	AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	100	100
	Airtac Co., Ltd.	100	100
	AIRTAC USA CORPORATION	100	100
AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	100	100
	AIRTAC INDUSTRIAL CO., LTD.	100	100

Name of investing company	Name of subsidiary	Proportion of Ownership (%)	
		December 31	
		2023	2022
Airtac (China) Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	100	100
	Airtac (Tianjin) Intelligent Technology Co., Ltd.	100	100
	Airtac (Fujian) Intelligent Equipment Co., Ltd.	100	100
	Airtac (Shandong) Automatic Industrial Co., Ltd.	100	-

- 1) Airtac Industrial (Hong Kong) Limited, INSTANT REACH INTERNATIONAL LIMITED and AIRTAC HOLDING (SINGAPORE) PTE. LTD. are primarily holding companies.
- 2) Ningbo Airtac Automatic Industrial Co., Ltd. was established on August 16, 2001 with an operation period of 50 years, and engages primarily in the production of pneumatic and hydraulic components, Actuator components, air preparation components, and pneumatic accessories. Guangdong Airtac Automatic Industrial Co., Ltd. (previously Guangzhou Airtac Automatic Industrial Co., Ltd.) was established on December 31, 2006 with an operation period of 50 years, and engages primarily in the production of pneumatic and hydraulic control components, Actuator components, air preparation components, and pneumatic accessories. Airtac (China) Co., Ltd. primarily in the production, R&D, distribution, storage of industrial con was established on May 6, 2011 with an operation period of 50 years, and engages troll components, pneumatic components, hydraulic components, pneumatic whole set equipment, wind power tools, electric tools, low-voltage electric appliances, and hand tools, import and export of the aforementioned products and support services. Airtac (Jiangsu) Automation Co., Ltd. primarily in the production, distribution, storage of industrial con was established on July 2, 2015 with an operation period of 50 years, and engages troll components, pneumatic components, hydraulic components, pneumatic whole set equipment, wind power tools, electric tools, low-voltage electric appliances, and hand tools, import and export of the aforementioned products and support services.
- 3) Airtac Enterprise Co., Ltd. was established on May 9, 1989 and engages primarily in the processing and sales of machinery and automated machines, manufacturing, processing and sales of hydraulic/pneumatic parts and components, and import and export trade of the aforementioned products. ATC (ITALIA) S.R.L. was established on June 10, 2008 and engages primarily in the production and sales of pneumatic and hydraulic control components.
- 4) AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD. was established on August 11, 2011 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components. Airtac Co., Ltd. was established on April 18, 2013 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components. AIRTAC USA CORPORATION was established on November 4, 2016 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components.
- 5) AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD. was established on July 16, 2013 and engages in the 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 sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components, importing and exporting of the aforementioned products and support services.
- 7) Airtac (Shandong) Automatic Industrial Co., Ltd. was established on June 16, 2023 and engages in the sales of industrial automatic control system devices, intelligent warehousing equipment, metal tools, special equipment for environmental protection, mechanical equipment, electrical equipment, mechanical and electrical equipment, general mechanical equipment installation services, and mechanical equipment research and development.

## 12. PROPERTY, PLANT AND EQUIPMENT

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Assets used by the Group	\$ 28,506,284	\$ 28,734,768
Assets leased under operating leases	<u>53,534</u>	<u>94,407</u>
	<u><b>\$ 28,559,818</b></u>	<u><b>\$ 28,829,175</b></u>

### 1) Assets used by the Group

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Transportation Equipment</u>	<u>Office facilities and other equipment</u>	<u>Property in construction</u>	<u>Total</u>
<b>Cost</b>							
Balance at January 1, 2023	\$ 890,359	\$ 13,066,344	\$ 18,820,395	\$ 388,781	\$ 2,190,625	\$ 2,308,055	\$ 37,664,559
Additions	-	51,563	594,732	79,711	360,605	1,512,637	2,599,248
Disposals	-	( 53 )	( 479,573 )	( 32,901 )	( 164,905 )	-	( 677,432 )
Reclassification	-	1,931,841	812,701	26,429	114,884	( 2,885,855 )	-
Effect of foreign currency exchange differences	-	( 166,281 )	( 282,493 )	( 7,597 )	( 38,198 )	( 20,979 )	( 515,548 )
Transfers to investment properties	-	( 21,500 )	-	-	-	-	( 21,500 )
Balance at December 31, 2023	<u>\$ 890,359</u>	<u>\$ 14,861,914</u>	<u>\$ 19,465,762</u>	<u>\$ 454,423</u>	<u>\$ 2,463,011</u>	<u>\$ 913,858</u>	<u>\$ 39,049,327</u>
<b>Accumulated depreciation and impairment</b>							
Balance at January 1, 2023	\$ -	\$ 2,112,182	\$ 5,326,308	\$ 251,276	\$ 1,240,025	\$ -	\$ 8,929,791
Depreciation expenses	-	267,802	1,552,634	96,479	373,878	-	2,290,793
Disposals	-	( 53 )	( 331,335 )	( 31,882 )	( 162,589 )	-	( 525,859 )
Effect of foreign currency exchange differences	-	( 26,324 )	( 90,251 )	( 5,981 )	( 24,288 )	-	( 146,844 )
Transfers to investment properties	-	( 4,838 )	-	-	-	-	( 4,838 )
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 2,348,769</u>	<u>\$ 6,457,356</u>	<u>\$ 309,892</u>	<u>\$ 1,427,026</u>	<u>\$ -</u>	<u>\$ 10,543,043</u>
Carrying amount at December 31, 2023	<u>\$ 890,359</u>	<u>\$ 12,513,145</u>	<u>\$ 13,008,406</u>	<u>\$ 144,531</u>	<u>\$ 1,035,985</u>	<u>\$ 913,858</u>	<u>\$ 28,506,284</u>
<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	-	154,855	4,525,529	37,246	415,449	1,209,962	6,343,041
Disposals	-	-	( 457,268 )	( 70,026 )	( 167,482 )	-	( 694,776 )
Reclassification	-	62,599	-	-	-	( 62,599 )	-
Effect of foreign currency exchange differences	-	139,573	136,227	6,279	22,602	10,196	314,877
Transfers to investment properties	-	( 27,144 )	-	-	-	-	( 27,144 )
Balance at December 31, 2022	<u>\$ 890,359</u>	<u>\$ 13,066,344</u>	<u>\$ 18,820,395</u>	<u>\$ 388,781</u>	<u>\$ 2,190,625</u>	<u>\$ 2,308,055</u>	<u>\$ 37,664,559</u>
<b>Accumulated depreciation and impairment</b>							
Balance at January 1, 2022	\$ -	\$ 1,769,648	\$ 4,267,055	\$ 243,292	\$ 1,094,843	\$ -	\$ 7,374,838
Depreciation expenses	-	306,527	1,373,446	53,217	305,119	-	2,038,309
Disposals	-	-	( 341,183 )	( 45,332 )	( 165,596 )	-	( 552,111 )
Effect of foreign currency exchange differences	-	38,269	26,990	99	5,659	-	71,017
Transfers to investment properties	-	( 2,262 )	-	-	-	-	( 2,262 )
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 2,112,182</u>	<u>\$ 5,326,308</u>	<u>\$ 251,276</u>	<u>\$ 1,240,025</u>	<u>\$ -</u>	<u>\$ 8,929,791</u>
Carrying amount at December 31, 2022	<u>\$ 890,359</u>	<u>\$ 10,954,162</u>	<u>\$ 13,494,087</u>	<u>\$ 137,505</u>	<u>\$ 950,600</u>	<u>\$ 2,308,055</u>	<u>\$ 28,734,768</u>

No impairment assessment was performed for the years ended December 31, 2023 and 2022 as there was no indication of impairment. There was no impairment indication for property, plant and equipment.

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

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

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

## 2) Assets leased under operating leases

	<u>Buildings</u>
<u>Cost</u>	
Balance at January 1, 2023	\$ 118,209
Transfers from assets used by the Group	( 43,916)
Effect of foreign currency exchange differences	( 1,487)
Balance at December 31, 2023	<u>\$ 72,806</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2023	\$ 23,802
Depreciation expenses	2,294
Disposals	( 6,451)
Effect of foreign currency exchange differences	( 373)
Balance at December 31, 2023	<u>\$ 19,272</u>
Balance at December 31, 2023	<u>\$ 53,534</u>
<u>Cost</u>	
Balance at January 1, 2022	\$ 138,424
Disposals	( 22,325)
Effect of foreign currency exchange differences	2,110
Balance at December 31, 2022	<u>\$ 118,209</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2022	\$ 25,636
Depreciation expenses	3,413
Disposals	( 5,632)
Effect of foreign currency exchange differences	385
Balance at December 31, 2022	<u>\$ 23,802</u>
Balance at December 31, 2022	<u>\$ 94,407</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>December 31</b>	
	<b>2023</b>	<b>2022</b>
Year 1	\$ 1,838	\$ 3,105
Year 2	1,717	2,490
Year 3	1,088	2,614
Year 4	1,142	2,043
Year 5	1,199	1,164
Year 6 onwards	<u>2,126</u>	<u>3,388</u>
	<u>\$ 9,110</u>	<u>\$ 14,804</u>

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

Buildings	
Main Buildings	40 years

### 13. LEASE AGREEMENT

#### 1) Right-of-use assets

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Carrying amount		
Land	\$ 812,924	\$ 794,558
Buildings	<u>151,552</u>	<u>188,049</u>
	<u>\$ 964,476</u>	<u>\$ 982,607</u>

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Additions to right-of-use assets	<u>\$ 102,354</u>	<u>\$ 57,328</u>
Depreciation of right-of-use assets		
Land	\$ 18,739	\$ 18,851
Buildings	83,495	82,675
Transportation equipment	<u>-</u>	<u>52</u>
	<u>\$ 102,234</u>	<u>\$ 101,578</u>

## 2) Lease Liabilities

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Carry amount		
Current	<u>\$ 61,032</u>	<u>\$ 66,019</u>
Non-current	<u>\$ 87,835</u>	<u>\$ 122,477</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Buildings and structures	1.73%~4.35%	1.79%~4.35%

## 3) Material leasing activities and terms

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

## 4) Other lease information

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Expenses relating to short-term leases	<u>\$ 36,235</u>	<u>\$ 26,561</u>
Total cash outflow for leases	<u>\$ 189,396</u>	<u>\$ 116,054</u>

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Lease commitments	<u>\$ 28,222</u>	<u>\$ 15,249</u>

## 14. INVESTMENT PROPERTIES

	<b>Buildings</b>
<u>Cost</u>	
Balance at January 1, 2023	\$ 27,060
Transfers from property, plant and equipment	21,500
Transfers from right-of-use assets for under operating leases	43,916
Effect of foreign currency exchange differences	( 1,518)
Balance at December 31, 2023	<u>\$ 90,958</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2023	\$ 2,368
Transfers from property, plant and equipment	4,838



	<u>Buildings</u>
Transfers from right-of-use assets for under operating leases	6,451
Depreciation expenses	1,449
Effect of foreign currency exchange differences	( 243 )
Balance at December 31, 2023	<u>\$ 14,863</u>
Carrying amount at December 31, 2023	<u>\$ 76,095</u>
<u>Cost</u>	
Balance at January 1, 2022	\$ -
Transfers from property, plant and equipment	27,144
Effect of foreign currency exchange differences	( 84 )
Balance at December 31, 2022	<u>\$ 27,060</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2022	\$ -
Transfers from property, plant and equipment	2,262
Depreciation expenses	113
Effect of foreign currency exchange differences	( 7 )
Balance at December 31, 2022	<u>\$ 2,368</u>
Carrying amount at December 31, 2022	<u>\$ 24,692</u>

The investment properties are leased out for 2-5 years. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods. The maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Year 1	\$ 4,252	\$ 156
Year 2	3,951	936
Year 3	2,138	936
Year 4	2,176	-
Year 5	1,136	-
	<u>\$ 13,653</u>	<u>\$ 2,028</u>

Investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Main buildings	40 years
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The management of the Company used the valuation model that market participants would use in determining the fair value], and the fair value was measured using Level 3 inputs. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The fair value as appraised was as follows:

	<b>December 31</b>	
Fair value	<b>2023</b>	<b>2022</b>
	<u>\$ 162,046</u>	<u>\$ 24,469</u>

## 15. OTHER ASSETS

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Current</u>		
Prepayments	\$ 103,698	\$ 93,929
Prepaid expenses	140,205	143,143
Excess VAT paid	37,269	75,191
Others	<u>5,564</u>	<u>-</u>
	<u>\$ 286,736</u>	<u>\$ 312,263</u>
<u>Non-current</u>		
Prepayments for equipment	\$ 821,917	\$ 1,049,490
Refundable deposits	21,502	19,326
Net defined benefit assets	<u>6,957</u>	<u>6,957</u>
	<u>\$ 850,376</u>	<u>\$ 1,075,773</u>

## 16. BORROWINGS

### (1) Short-term loans

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Unsecured loans</u>		
Line of credit loans	<u>\$ 11,370,798</u>	<u>\$ 10,781,921</u>

The range of interest rate on bank loans were 1.66%-5.82% and 1.40%-4.85% per annum at December 31, 2023 and 2022, respectively.

### (2) Short-term bills payable

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Commercial paper	<u>\$ -</u>	<u>\$ 500,000</u>

Outstanding short-term bills payable were as follows:

December 31, 2023: None.

December 31, 2022

<u>Promissory Institutions</u>	<u>Nominal amount</u>	<u>Discount amount</u>	<u>Carrying amount</u>
International Bills	\$ 300,000	\$ -	\$ 300,000
TaChing Bills	<u>200,000</u>	<u>-</u>	<u>200,000</u>
	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 500,000</u>

- a. The payables of the commercial paper have not been discounted, because the effect was not material.
- b. The range of interest rate on short-term bills were 1.708%-1.938% per annum at December 31, 2022.

(3) Long-term loans

	<b>December 31, 2023</b>
<u>Unsecured loans</u>	
Bank Loan	\$ 12,705
Deduct: Current portion	( <u>2,701</u> )
Long-term loans	<u>\$ 10,004</u>

During the year ended December 31, 2023, the Group acquired new bank borrowing facilities in the amounts of \$12,705 thousand, with a fixed interest rate of 1.73% and will be repayable in the next 5 years.

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

## 17. 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.

## 18. OTHER LIABILITIES

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Current</u>		
Other payables		
Salaries and bonus	\$ 1,178,722	\$ 1,044,519
Payables for purchase of equipment	120,970	182,964
Others	<u>264,410</u>	<u>250,728</u>
	<u>\$ 1,564,102</u>	<u>\$ 1,478,211</u>
Other current liabilities		
Other taxes	\$ 237,175	\$ 308,023
Others	<u>26,950</u>	<u>18,600</u>
	<u>\$ 264,125</u>	<u>\$ 326,623</u>
<u>Non-current</u>		
Other non-current liabilities		
Deferred revenue	<u>\$ 34,616</u>	<u>\$ -</u>

## 19. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

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

### b. Defined benefit plans

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

The actuarial valuations of the present value of the defined benefit obligation of Airtac Enterprise Co., Ltd. for the years ended December 31, 2022 and 2021 was not carried out by qualified actuaries. However, the Group considers that there would make no material impact on the consolidated statements.

## 20. EQUITY

### a. Share capital

#### Ordinary shares

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Numbers of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>200,000</u>	<u>200,000</u>
Shares issued	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>

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

b. Capital surplus

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>May be 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
Organization Reconstruction	704,640	704,640
Donations	41,552	41,552
	<u>\$ 14,846,145</u>	<u>\$ 14,846,145</u>

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividend policy

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

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

For the policies on the distribution of employees' compensation and remuneration of directors and supervisors, please refer to employees' compensation and remuneration of directors and supervisors in Note 22 f.

Pursuant to existing regulations, the Company is required to set aside additional special capital reserve equivalent to the net debit balance of the other components of stockholders' equity, such as the accumulated balance of foreign currency translation reserve. For the subsequent

decrease in the deduction amount to stockholders' equity, any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

The appropriations of earnings for 2022 and 2021 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Special reserves	\$ 32,712	\$ -
Cash dividends	<u>\$2,687,810</u>	<u>\$2,675,892</u>
Cash dividends per share (NT\$)	\$ 13.44	\$ 13.38

The above appropriations for cash dividends were resolved by the Company's board of directors on March 8, 2023 and March 4, 2022, respectively; the special reserves for year 2022 proposed appropriations were resolved by the shareholders in their meeting on June 20, 2023.

The board of directors had resolved to issue cash dividends from capital surplus of RMB \$610,000 thousand, RMB \$3.05 per share on March 8, 2023 and the report of such distribution had been submitted to the shareholder's meeting on June 16, 2022. The actual amount converted and paid in New Taiwan Dollars were 2,687,810 thousand, 13.44 per share.

The board of directors had resolved to issue cash dividends from capital surplus of RMB \$600,000 thousand, RMB \$3.0 per share on March 4, 2022 and the report of such distribution had been submitted to the shareholder's meeting on June 16, 2022. The actual amount converted and paid in New Taiwan Dollars were 2,675,892 thousand, 13.38 per share.

The appropriation of earnings for 2023, which were resolved by the Company's board of directors on March 11, 2024, were as follows:

	<b>For the Year Ended December 31, 2023</b>
Cash dividends	<u>\$3,474,540</u>
Cash dividends per share (NT\$)	<u>\$ 17.37</u>

The board of directors had resolved to issue cash dividends from capital surplus of RMB \$796,000 thousand, RMB \$3.98 per share on March 11, 2024. The amount converted in New Taiwan Dollars were NT\$3,474,540 thousand, NT\$17.37 per share.

d. Other equity items

Exchange differences on translating foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	(\$ 793,750)	(\$ 1,238,417)

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Exchange differences on translating foreign operations	160,972	( 85,290)
Exchange differences on translating to presentation currency	( <u>775,306</u> )	<u>529,957</u>
Balance at December 31	( <u>\$ 1,408,084</u> )	( <u>\$ 793,750</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.

## 21. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 29,827,352</u>	<u>\$ 26,072,87</u>

### a. Contract information

#### Revenue from sale of goods

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

### b. Contract balances

	<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>January 1, 2022</b>
Note receivables and trade receivables (Note 9)	<u>\$ 9,885,715</u>	<u>\$ 9,049,809</u>	<u>\$ 7,482,725</u>
Contract liabilities-current			
Sale of goods	<u>\$ 66,885</u>	<u>\$ 78,256</u>	<u>\$ 68,712</u>

### c. Disaggregation of revenue

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

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

Net income from continuing operations includes:

### a. Interest revenue

	<b>For the Year ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Bank deposits	\$ 125,318	\$ 76,321
Financial assets at amortized cost	<u>3,309</u>	<u>20,220</u>
	<u>\$ 128,627</u>	<u>\$ 96,541</u>

### b. Other gains and losses

	<b>For the Year ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily classified as at FVTPL	\$ 9,837	\$ 170,599
Net foreign exchange gain (losses)	( 113,357)	183,585
Government grants	304,281	34,777
Loss on disposal of property, plant and equipment	( 105,788)	( 72,111)
Others	<u>11,226</u>	<u>14,540</u>
	<u>\$ 106,199</u>	<u>\$ 331,390</u>

### c. Financial costs

	<b>For the Year ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Interest on bank loans	\$ 182,380	\$ 141,414
Interest on lease liability	<u>4,615</u>	<u>5,639</u>
	<u>\$ 186,995</u>	<u>\$ 147,053</u>

### d. Depreciation and amortization

	<b>For the Year ended December 31</b>	
	<b>2023</b>	<b>2022</b>
An analysis of deprecation by function		
Operating costs	\$ 1,917,489	\$ 1,699,028
Operating expenses	<u>479,281</u>	<u>444,385</u>
	<u>\$ 2,396,770</u>	<u>\$ 2,143,413</u>
An analysis of amortization by function		
Operating costs	\$ 971	\$ 1,113
Operating expenses	<u>16,544</u>	<u>16,144</u>
	<u>\$ 17,515</u>	<u>\$ 17,257</u>



e. Employee benefits expense

	<b>For the Year ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Post-employment benefits		
Defined contribution plans	\$ 316,430	\$ 296,640
Other employee benefits	<u>6,379,308</u>	<u>6,084,546</u>
Total employee benefits expense	<u>\$ 6,695,738</u>	<u>\$ 6,381,186</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 3,762,453	\$ 3,818,006
Operating expenses	<u>2,933,285</u>	<u>2,563,180</u>
	<u>\$ 6,695,738</u>	<u>\$ 6,381,186</u>

f. Employees' compensation and remuneration of directors and supervisors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 1% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors.

The employees' compensation and remuneration to directors and supervisors for the years ended December 31, 2023 and 2022 which have been approved by the Company's board of directors on March 11, 2024 and March 8, 2023, respectively, were as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Employees' compensation	1%	1%

Amount

	<b>Cash</b>	
	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Employees' compensation	\$ 89,861	\$ 79,063

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2022 and 2021.

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

g. Gain or loss on foreign currency exchange

	<b>For the Year ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Foreign exchange gains	\$ 71,249	\$ 228,030
Foreign exchange losses	( <u>184,606</u> )	( <u>44,445</u> )
	<u>(\$ 113,357)</u>	<u>\$ 183,585</u>

## 23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follow:

	<b>For the Year ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Current tax		
In respect of the current year	\$ 1,534,112	\$ 1,387,702
Adjustments for prior years	( <u>18,378</u> )	( <u>8,766</u> )
	<u>1,515,734</u>	<u>1,378,936</u>
Deferred tax		
In respect of the current year	<u>415,871</u>	<u>432,087</u>
Income tax expense recognized in profit or loss	<u>\$ 1,931,605</u>	<u>\$ 1,811,023</u>

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

	<b>For the Year ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Profit before tax from continuing operations	<u>\$ 8,897,020</u>	<u>\$ 7,823,681</u>
Income tax expense calculated at the statutory rate	\$ 2,182,224	\$ 2,043,072
Nondeductible expenses in determining taxable income	10,355	13,783
Tax-exempt income	( 150,400 )	( 168,415 )
R&D with tax credits	( 81,277 )	( 67,989 )
Disable persons with tax credits	( 2,269 )	( 662 )
Adjustments for prior years' tax	( 18,378 )	( 8,766 )
Others	( <u>8,650</u> )	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 1,931,605</u>	<u>\$ 1,811,023</u>

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

b. Deferred tax assets and liabilities

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

For the year ended December 31, 2023

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Others	Closing Balance
<u>Deferred Tax Assets</u>					
Temporary differences					
Allowance for loss on inventories	\$ 16,836	(\$ 4,302)	(\$ 15 )	\$ -	\$ 12,519
Allowance for impaired receivables	36,694	5,902	( 674)	-	41,922
Unrealized gross profit	124,454	( 51,907)	( 1,571)	-	70,976
Others	<u>20,927</u>	<u>45,202</u>	<u>( 628)</u>	-	<u>65,501</u>
	198,911	( 5,105)	( 2,888)	-	190,918
Loss carryforwards	<u>193,481</u>	<u>( 68,439)</u>	<u>241</u>	-	<u>125,283</u>
	<u>\$ 392,39</u>	<u>(\$ 73,544)</u>	<u>(\$ 2,647)</u>	<u>\$ -</u>	<u>\$ 316,201</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Unrealized exchange gains	\$ 1,611	(\$ 1,246)	\$ 36	\$ -	\$ 401
Fair value changes of financial assets	433	( 377)	( 56)	-	-
Defined benefit obligation	1,391	-	-	-	1,391
Withholding tax	606,991	316,450	( 9,361)	( 435,559)	478,521
Property, plant and equipment	<u>-</u>	<u>27,500</u>	<u>( 289)</u>	<u>( -)</u>	<u>27,211</u>
	<u>\$ 610,426</u>	<u>\$ 342,327</u>	<u>(\$ 9,670)</u>	<u>(\$ 435,559)</u>	<u>\$ 507,524</u>

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Others	Closing Balance
<u>Deferred Tax Assets</u>					
Temporary differences					
Allowance for loss on inventories	\$ 20,482	(\$ 3,881)	\$ 235	\$ -	\$ 16,836
Allowance for impaired receivables	30,553	5,707	434	-	36,694
Unrealized gross profit	160,089	( 37,999)	2,364	-	124,454
Others	<u>18,979</u>	<u>1,630</u>	<u>318</u>	-	<u>20,927</u>
	230,103	( 34,543)	3,351	-	198,911
Loss carryforwards	<u>338,116</u>	<u>( 145,018)</u>	<u>383</u>	-	<u>193,481</u>
	<u>\$ 568,219</u>	<u>(\$ 179,561)</u>	<u>\$ 3,734</u>	<u>\$ -</u>	<u>\$ 392,392</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Unrealized exchange gains	\$ 1,293	\$ 122	\$ 196	\$ -	\$ 1,611
Fair value changes of financial assets	8,316	( 8,000)	117	-	433
Defined benefit obligation	1,391	-	-	-	1,391
Withholding tax	<u>342,392</u>	<u>260,404</u>	<u>4,195</u>	<u>( -)</u>	<u>606,991</u>
	<u>\$ 353,392</u>	<u>\$ 252,526</u>	<u>\$ 4,508</u>	<u>\$ -</u>	<u>\$ 610,426</u>

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Loss carryforwards		
Expire in 2026	\$ 1,366	\$ 1,366
Expire in 2027	587	587
Expire in 2028	1,512	1,512
Expire in 2029	1,505	1,505
Expire in 2030	3,704	3,704
Expire in 2031	1,447	1,447
Expire in 2032	1,470	1,447
Expire in 2033	<u>1,288</u>	<u>-</u>
	<u>\$ 12,879</u>	<u>\$ 11,591</u>

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

Loss carryforwards as of December 31, 2022 comprised of:

<u>Unused Amount</u>	<u>Expiry Year</u>
\$ 1,366	2026
587	2027
237,455	2028
344,260	2029
22,363	2030
1,447	2031
1,470	2032
1,288	2033
<u>24,232</u>	None
<u>\$ 634,467</u>	

- e. Income tax assessments

The income tax returns of the Company and subsidiaries, except INSTANT REACH INTERNATIONAL LIMITED are exempted from income tax, Airtac International Group Taiwan Branch, and Airtac Enterprise Co., Ltd. have been respectively examined and cleared by the ROC tax authority through 2021. The other subsidiaries have also filed business income tax returns by the deadlines set by the local governments.

## 24. 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

	<b>For the year ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Profit for the period attributable to owners of the Company	<u>\$6,965,808</u>	<u>\$6,013,131</u>
Earnings used in the computation of basic earnings per share	<u>\$6,965,808</u>	<u>\$6,013,131</u>
Earnings used in the computation of diluted earnings per share	<u>\$6,965,808</u>	<u>\$6,013,131</u>

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

	<b>For the year ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Weighted average number of ordinary shares in computation of basic earnings per share	200,000	200,000
Effect of potentially dilutive ordinary shares:		
Bonus issue to employees or employee remuneration	<u>100</u>	<u>100</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>200,100</u>	<u>200,100</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.

## 25. GOVERNMENT GRANTS

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

## 26. CASH FLOW INFORMATION

### (1) Non-Cash Transactions

The Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statement of cash flows during the period of the years ended December 31, 2023 and 2022.

- a. The Group acquired property, plant and equipment with an aggregate fair value of \$2,599,248 thousand during the year ended December 31, 2023. Prepayments for equipment decreased \$211,590 thousand in total and other trade payables decreased \$59,561 thousand in total. The cash paid of the Group for acquisition of property, plant and equipment was \$2,447,219 thousand (refer to Note 12).
- b. The Group acquired property, plant and equipment with an aggregate fair value of \$6,343,041 thousand during the year ended December 31, 2022. Prepayments for equipment decreased \$1,207,275 thousand in total and other trade payables decreased \$453,643 thousand in total. The cash paid of the Group for acquisition of property, plant and equipment was \$5,589,409 thousand (refer to Note 12).
- c. The Group acquired the right-of-use assets with value of \$102,354 thousand during the year ended December 31, 2023. Lease liability increased \$50,127 thousand. The cash paid of the Group for acquisition of the right-of-use assets was \$52,227 thousand (refer to Note 13).

### (2) Reconciliation of liabilities arising from financing activities

#### For the year ended December 31, 2023

	Balance as of January 1, 2023	Financing Cash Flow	Non-cash changes				Balance as of December 31, 2023
			New Leases	Adjustments	Finance cost	Foreign Exchange Movement	
Short-term loans	\$ 10,781,921	\$ 622,483	\$ -	\$ -	\$ -	(\$ 33,606)	\$ 11,370,798
Short-term bills payable	500,000	( 500,000 )	-	-	-	-	-
Long-term loans	-	12,705	-	-	-	-	12,705
Lease liabilities	188,496	( 86,752 )	50,127	( 2,726 )	-	( 278 )	148,867
	<u>\$ 11,470,417</u>	<u>\$ 48,436</u>	<u>\$ 50,127</u>	<u>( \$ 2,726 )</u>	<u>\$ -</u>	<u>( \$ 33,884 )</u>	<u>\$ 11,532,370</u>

#### For the year ended December 31, 2022

	Balance as of January 1, 2022	Financing Cash Flow	Non-cash changes				Balance as of December 31, 2022
			New Leases	Adjustments	Finance cost	Foreign Exchange Movement	
Short-term loans	\$ 3,712,644	\$ 7,071,291	\$ -	\$ -	\$ -	(\$ 2,014)	\$ 10,781,921
Short-term bills payable	780,000	( 280,000 )	-	-	-	-	500,000
Long-term loans	3,572,226	( 3,577,000 )	-	-	4,774	-	-
Lease liabilities	209,252	( 83,421 )	57,328	( 5,639 )	-	10,976	188,496
	<u>\$ 8,274,122</u>	<u>\$ 3,130,870</u>	<u>\$ 57,328</u>	<u>( \$ 5,639 )</u>	<u>\$ 4,774</u>	<u>\$ 8,962</u>	<u>\$ 11,470,417</u>

## 27. CAPITAL MANAGEMENT

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

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

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

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

## 28. FINANCIAL INSTRUMENTS

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

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

- b. Fair value of financial instruments

- (1) Fair value hierarchy

December 31, 2023: None.

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at FVTPL				
Foreign exchange forward contracts	\$ _____ -	\$ <u>2,163</u>	\$ _____ -	\$ <u>2,163</u>

There were no transfers between the level 1 and level 2 during the years ended December 31, 2023 and 2022.

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

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

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Financial assets</u>		
Financial assets at FVTPL		
Designated as at FVTPL	\$ -	\$ 2,163
Financial assets at amortized cost (Note 1)	20,438,235	15,695,344
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	\$ 12,886,800	\$ 13,006,678

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

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

d. Financial risk management objectives and policies

The Group's main financial instruments include debt investments, 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 Year Ended</b>	
	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Profit and losses	\$ 4,886	\$ 4,992

This was mainly attributable to the exposure outstanding on USD and RMB 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>December 31</b>	
	<b>2023</b>	<b>2022</b>
Fair value risk		
-Financial assets	\$ 6,076,739	\$ 2,359,952
-Financial liabilities	11,383,503	11,281,921
Cash flow risk		
-Financial assets	4,368,442	4,159,475

## Sensitiveness analysis

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

If interest rates had been 1% higher or lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2023 and 2022 would increase or decrease by \$43,684 thousand and \$41,595 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits.

## 2. Credit risk

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

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

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

The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any other counterparty did not exceed 1% of gross monetary assets at any time during the years ended December 31, 2023 and 2022.

The Group's concentration of credit risk by geographical locations was mainly in Mainland China, which accounted for 94.37% and 93.65% of the total trade receivables as of December 31, 2023 and 2022, respectively.

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

### 3.Liquidity

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

The Group relies on bank loans as a significant source of liquidity. As of December 31, 2023 and 2022, the Group had available unutilized short-term bank loan facilities set out in (2) below.

#### (1) Liquidity and interest rate risk tables for non-derivative financial liabilities

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

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

#### December 31, 2023

	<b>On Demand or Less than 3 Month</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 2,561,049	\$ 120,970	\$ -	\$ -
Lease liabilities	12,757	51,299	89,756	-
Fixed interest rate liabilities	<u>9,681,829</u>	<u>1,700,048</u>	<u>10,270</u>	<u>-</u>
	<u>\$ 12,255,635</u>	<u>\$ 1,872,317</u>	<u>\$ 100,026</u>	<u>\$ -</u>

#### December 31, 2022

	<b>On Demand or Less than 3 Month</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 2,586,312	\$ 182,964	\$ -	\$ -
Lease liabilities	14,496	55,699	125,848	-
Fixed interest rate liabilities	<u>10,799,801</u>	<u>495,426</u>	<u>-</u>	<u>-</u>
	<u>\$ 13,400,609</u>	<u>\$ 734,089</u>	<u>\$ 125,848</u>	<u>\$ -</u>

(2) Financing facilities

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Unsecured bank loans (re-examined annually)		
-Amounts used	\$ 11,383,503	\$ 11,281,921
-Amounts unused	<u>12,206,180</u>	<u>12,401,064</u>
	<u>\$ 23,589,683</u>	<u>\$ 23,682,985</u>

e. Transfers of financial assets

During the years ended December 31, 2023 and 2022, the Group transferred a portion of its commercial acceptance bills in mainland China with an aggregate carrying amount of \$933,001 thousand and \$340,505 thousand to some of its suppliers in order to settle the trade payables. According to the contract, if these commercial acceptance bills are not paid at maturity, suppliers have the right to request that the Group pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these commercial acceptance bills, it continues to recognize the full carrying amounts of these commercial acceptance bills.

As of December 31, 2023 and 2022, the carrying amount of these commercial acceptance bills that have been transferred but not derecognized were \$145,972 thousand and \$75,532 thousand respectively.

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

The maximum exposure to loss from the Group's continuing involvement in the derecognized bills receivable is equal to the face amounts of the transferred but unsettled bills receivable, and as of December 31, 2023 and 2022, the face amounts of these unsettled bills receivable were \$352,993 thousand and \$264,973 thousand. The unsettled bills receivable will be due in 12 months after December 31, 2023 and 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 years ended December 31, 2023 and 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 period or cumulatively.

The Group transferred a portion of its banker's acceptance bills in mainland China to some of its suppliers in order to settle the trade payables to these suppliers. As the Group has

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

The maximum exposure to loss from the Group's continuing involvement in the derecognized bills receivable is equal to the face amounts of the transferred but unsettled bills receivable, and as of December 31, 2023 and 2022 the face amounts of these unsettled bills receivable were \$1,514,796 thousand and \$1,087,427 thousand. The unsettled bills receivable will be due in 12 months after December 31, 2023 and 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 years ended December 31, 2023 and 2022 the Group recognized financial costs \$2,857 thousand and \$26,960 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

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

### (2) Operating transaction

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>For the Year ended December 31</u>	
		<u>2023</u>	<u>2022</u>
Sales	Substantive related parties	<u>\$ 100</u>	<u>\$ 112</u>

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

### (3) Receivables from related parties

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>December 31</u>	
		<u>2023</u>	<u>2022</u>
Trade Receivables	Substantive related parties	<u>\$ 4</u>	<u>\$ -</u>

No expense was recognized for the years ended of December 31, 2023 and 2022 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 Year ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Short-term employee benefits	<u>\$ 154,443</u>	<u>\$117,992</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>December 31</b>	
	<b>2023</b>	<b>2022</b>
Pledge deposits (classified as financial assets at amortized cost)	\$ 6,382	\$ 6,390
Restricted bank deposits (classified as financial assets at amortized cost)	-	33,060
Land	890,359	890,359
Buildings, net	4,812,744	4,874,803
Machinery and Equipment	<u>1,204,176</u>	<u>1,410,559</u>
	<u>\$ 6,913,661</u>	<u>\$ 7,215,171</u>

**31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS**

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

Significant commitments

- 1) As of December 31, 2023 and 2022, unused letters of credit for leasing of buildings amounted to \$4,137 thousand and \$4,144 thousand respectively.
- 2) Unrecognized commitments were as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Acquisition of property, plant and equipment	<u>\$ 1,660,559</u>	<u>\$ 1,200,424</u>

### 32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:  
December 31, 2023

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Financial assets</u>			
Monetary items			
USD	\$ 14,856	7.08 (USD: RMB)	\$ 455,303
USD	7,309	30.65 (USD: NTD)	223,990
RMB	1,855,179	4.33 (RMB: NTD)	8,027,360
EUR	8,294	33.98 (EUR: NTD)	281,817
 <u>Financial liabilities</u>			
Monetary items			
USD	\$ 5,457	7.08 (USD: RMB)	\$ 167,233
USD	1,086	30.65 (USD: NTD)	33,291
RMB	38,404	4.33 (RMB: NTD)	166,176
EUR	3,515	33.98 (EUR: NTD)	119,451

December 31, 2022

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Financial assets</u>			
Monetary items			
USD	\$ 17,065	6.96 (USD: RMB)	\$ 523,908
USD	901	30.69 (USD: NTD)	27,649
RMB	1,501,235	4.41 (RMB: NTD)	6,617,442
 <u>Financial liabilities</u>			
Monetary items			
USD	\$ 1,671	6.96 (USD: RMB)	\$ 51,306
USD	34	30.69 (USD: NTD)	1,034
RMB	50,830	4.41 (RMB: NTD)	224,058

For the years ended in December 31, 2023 and 2022, realized and unrealized net foreign exchange gains (losses) were (\$113,357) thousand and \$183,587 thousand respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

### 33. DISCLOSED ITEMS

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

1. Loans provided to other parties (Table 1)

2. Endorsements/guarantees given to other parties (None)
  3. Marketable securities held (excluding investments in subsidiaries, associates and joint controlled entities) (Table 3)
  4. Purchases or sales of the same marketable securities amounting to at least NT\$300 million or 20% of the paid-in capital. (Table 4)
  5. Acquisition of real estate at costs of at least NT \$300 million or 20% of the paid-in capital (Table 5)
  6. Disposal of real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
  7. Purchases or sales with related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
  8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 7)
  9. Derivative transactions (Note 7)
  10. Intercompany relationships and significant intercompany transactions (Table 9)
- (2) Information on investees (Table 2)
- (3) Information for investments in Mainland China
1. Information for any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 8)
  2. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Tables 1 and 9)
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.



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

### 34. SEGMENT INFORMATION

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

Pneumatic components - direct sales  
- distributors

a. Segment revenues and results

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

	Revenues		Profit Before Tax	
	For the Year ended December 31		For the Year ended December 31	
	2023	2022	2023	2022
Pneumatic components				
-Direct sales	\$ 21,077,128	\$ 18,402,982	\$ 7,043,699	\$ 6,083,084
-Distributors	8,750,224	7,669,892	2,924,211	2,535,334
Total amounts of continuing operations	<u>\$ 29,827,352</u>	<u>\$ 26,072,874</u>	9,967,910	8,618,418
Interest revenue			128,627	96,541
Loss on disposal of property, plant and equipment			( 105,788 )	( 72,111 )
Net exchange gains (losses)			( 113,357 )	183,585
Net gain arising on financial assets designated as at FVTPL			9,837	170,599
HQ admin. cost and directors' salaries			( 803,214 )	( 1,026,298 )
Finance costs			( 186,995 )	( 147,053 )
Profit before income tax from continuing operations			<u>\$ 8,897,020</u>	<u>\$ 7,823,681</u>

The segment revenues were accounted for the transactions with external customers. No inter-segment sales occurred for the years ended December 31, 2023 and 2022.

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Segment assets</u>		
Pneumatic components		
-Direct sales	\$40,788,974	\$38,248,716
-Distributors	<u>16,929,005</u>	<u>15,945,025</u>
Total segment total assets	57,717,979	54,193,741
Unallocated assets	<u>330,786</u>	<u>405,806</u>
Consolidated total assets	<u>\$58,048,765</u>	<u>\$54,599,547</u>

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

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

**TABLE 1**

**AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES**

**LOANS PROVIDED TO OTHER PARTIES  
FOR THE YEAR ENDED DECEMBER 31, 2023**

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

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 1)	Ending Balance (Note 1)	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits	Note
													Item	Value			
0	Airtac International Group	ATC (ITALIA) S.R.L.	Other receivables	Yes	EUR 9,000 (NTD 305,819)	EUR 6,000 (NTD 203,879)	EUR 4,900 (NTD 166,502)	-	Short-term financing needs	\$ -	Revolving fund	\$ -	-	-	\$ 17,035,796	\$ 17,035,796	Note 2
	Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd.	Other receivables	Yes	USD 20,000 (NTD 612,936)	USD 20,000 (NTD 612,936)	USD - (NTD -)	-	Short-term financing needs	-	Revolving fund	-	-	-	17,035,796	17,035,796	Note 2
	Airtac International Group	AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	Other receivables	Yes	USD 2,500 (NTD 76,617)	USD 1,000 (NTD 30,647)	USD - (NTD -)	-	Short-term financing needs	-	Revolving fund	-	-	-	17,035,796	17,035,796	Note 2
	Airtac International Group	Airtac Co., Ltd.	Other receivables	Yes	USD 9,000 (NTD 275,821)	USD 9,000 (NTD 275,821)	USD 5,220 (NTD 159,976)	-	Short-term financing needs	-	Revolving fund	-	-	-	17,035,796	17,035,796	Note 2
	Airtac International Group	AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	Other receivables	Yes	USD 5,500 (NTD 168,557)	USD 3,500 (NTD 107,264)	USD 2,000 (NTD 61,294)	-	Short-term financing needs	-	Revolving fund	-	-	-	17,035,796	17,035,796	Note 2
	Airtac International Group	AIRTAC_USA CORPORATION	Other receivables	Yes	USD 17,000 (NTD 520,996)	USD 17,000 (NTD 520,996)	USD 9,250 (NTD 283,483)	-	Short-term financing needs	-	Revolving fund	-	-	-	17,035,796	17,035,796	Note 2
1	Airtac Enterprise Co., Ltd.	Airtac International Group Taiwan Branch	Other receivables	Yes	TWD 10,000	TWD -	TWD -	-	Short-term financing needs	-	Revolving fund	-	-	-	10,411	10,411	Note 3

Note 1: Conversion to NTD used the spot exchange rate on December 31, 2023, that is, 1USD=30.6468, 1EUR=33.9799 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.

## AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

### INFORMATION FOR INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2023

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		December 31, 2023			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2023 (Note1)	December 31, 2022 (Note1)	Shares	%	Carrying Amount			
Airtac International Group	Airtac Industrial (Hong Kong) Limited	Hong Kong	General investment	USD 87,500 RMB 537,500 (NTD 5,007,358)	USD 87,500 RMB 467,500 (NTD 4,704,468)	167,426,238	100	\$ 34,545,853	\$ 6,869,605	\$ 6,869,605	2
	Airtac Trading (Hong Kong) Limited	Hong Kong	General investment	USD - (NTD -)	USD - (NTD -)	7,000,000	100	2,058	( 133)	( 133)	2
	INSTANT REACH INTERNATIONAL LIMITED	British Virgin Island	General investment	USD 2,283 EUR 1,000 RMB 17,500 (NTD 179,670)	USD 2,283 EUR 1,000 RMB 17,500 (NTD 179,670)	1	100	117,677	20,071	20,071	2
	AIRTAC HOLDING (SINGAPORE) PTE. LTD.	Singapore	General investment	USD 17,000 (NTD 520,996)	USD 17,000 (NTD 520,996)	17,000,000	100	60,083	( 28,855)	( 28,855)	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	19,143	( 1,286)	-	4
	ATC (ITALIA) S.R.L.	Italy	Production and sales of pneumatic and hydraulic control components	EUR 4,000 (NTD 135,920)	EUR 4,000 (NTD 135,920)	4,000,000	100	73,711	21,027	-	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 383,085)	USD 12,500 (NTD 383,085)	12,500,000	100	307,570	( 13,784)	-	4
	Airtac Co., Ltd.	Japan	Production and sales of pneumatic control components and accessories	JPY 98,000 (NTD 21,286)	JPY 98,000 (NTD 21,286)	2,000	100	( 87,895)	( 8,842)	-	4
	AIRTAC USA CORPORATION	USA	Production and sales of pneumatic control components and accessories	USD 3,000 (NTD 91,940)	USD 3,000 (NTD 91,940)	3,000	100	( 167,346)	( 6,185)	-	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 6,399)	MYR 1,000 (NTD 6,399)	1,000,000	100	( 20,819)	( 445)	-	4
	Airtac Industrial Co. Ltd.	Thailand	Production and sales of pneumatic control components and accessories	THB 100,000 (NTD 90,100)	THB 100,000 (NTD 90,100)	1,000,000	100	121,997	9,166	-	4

Note1: Conversion to NTD used the spot exchange rate on December 31, 2023, that is, 1USD=30.6468 NTD, 1EUR=33.9799 NTD, 1JPY=0.2172 NTD, 1RMB=4.3270 NTD, 1MYR=6.3991 NTD, THB=0.9010 NTD.

Note2: The amount was eliminated upon consolidation.

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

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

**AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES**  
**MARKETABLE SECURITIES HELD**

**DECEMBER 31, 2023**

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Ningbo Airtac Automatic Industrial Co., Ltd.	Structured deposits	-	Financial assets at amortized cost - current	-	\$ 649,639 (RMB 150,136)	-	\$ 649,639 (RMB 150,136)	1
Airtac (China) Co., Ltd.	Structured deposits	-	Financial assets at amortized cost - current	-	\$ 216,488 (RMB 50,032)	-	\$ 216,488 (RMB 50,094)	1
Airtac (China) Co., Ltd.	Deposit denominated	-	Financial assets at amortized cost – non-current	-	\$ 432,884 (RMB 100,042)	-	\$ 432,884 (RMB 100,042)	1

Note 1 : Conversion to NTD used the spot exchange rate on December 31, 2023, that is, 1 RMB=4.3270 NTD.

## AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance (Note 1)		Acquisition (Note 1)		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
Ningbo Airtac Automatic Industrial Co., Ltd.	Structured deposits	Financial assets at amortized cost - current	Fubon Bank (China)	-	-	\$ - (RMB -)	-	\$ 649,050 (RMB 150,000)	-	\$ - (RMB -)	\$ - (RMB -)	\$ - (RMB -)	-	\$ 649,639 (RMB 150,136)
Guangdong Airtac Automatic Industrial Co., Ltd.	Structured deposits	Financial assets at amortized cost - current	Fubon Bank (China)	-	-	\$ 216,756 (RMB 50,094)	-	\$ 497,605 (RMB 115,000)	-	\$ 716,707 (RMB 165,636)	\$ 713,955 (RMB 165,000)	\$ 2,752 (RMB 636)	-	\$ - (RMB -)
Airtac (China) Co., Ltd.	Deposit denominated	Financial assets at amortized cost - noncurrent	Fubon Bank (China)	-	-	\$ - (RMB -)	-	\$ 432,700 (RMB 100,000)	-	\$ - (RMB -)	\$ - (RMB -)	\$ - (RMB -)	-	\$ 432,884 (RMB 100,042)

Note 1: Conversion to NTD used the spot exchange rate on December 31, 2023, that is 1 RMB= 4.3270 NTD.

**AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES**

**ACQUISITION OF REAL ESTATE AT COSTS OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2023**  
**(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	2020.09.08-2023.12.31	\$ 3,074,170	\$ 2,192,278	Self-building	-	-	-	\$ -	N/A	Manufacturing, research and development purpose	-	

## AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

## PURCHASES OR SALES WITH RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2023

(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	\$ 6,251,919	26	T/T 60 days	\$ -	-	\$ 873,959	23	
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac International Group	The parent company	Sales	434,939	2	T/T 60 days	-	-	134,377	4	
Ningbo Airtac Automatic Industrial Co., Ltd.	Guangdong Airtac Automatic Industrial Co., Ltd.	The same parent company	Sales	470,772	2	T/T 60 days	-	-	99,436	3	
Ningbo Airtac Automatic Industrial Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	The same parent company	Sales	6,546,066	28	T/T 60 days	-	-	1,842,027	48	
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac (Tianjin) Intelligent Technology Co., Ltd.	The same parent company	Sales	999,386	4	T/T 60 days	-	-	154,194	4	
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac (Fujian) Intelligent Equipment Co., Ltd.	The same parent company	Sales	676,158	3	T/T 60 days	-	-	68,220	2	
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac (Jiangsu) Automation Co., Ltd.	The same parent company	Sales	7,628,030	32	T/T 60 days	-	-	280,612	7	
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac (Shandong) Automatic Industrial Co., Ltd.	The same parent company	Sales	184,774	1	T/T 60 days	-	-	205,536	5	
Ningbo Airtac Automatic Industrial Co., Ltd.	ATC (ITALIA) S.R.L	The same parent company	Sales	207,123	1	T/T 60 days	-	-	72,993	2	
Ningbo Airtac Automatic Industrial Co., Ltd.	AIRTAC USA CORPORATION	The same parent company	Sales	122,848	1	T/T 60 days	-	-	40,347	1	
Guangdong Airtac Automatic Industrial Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	The same parent company	Sales	1,127,608	32	T/T 180 days	-	-	510,067	29	
Guangdong Airtac Automatic Industrial Co., Ltd.	Ningbo Airtac Automatic Industrial Co., Ltd.	The same parent company	Sales	2,242,890	64	T/T 180 days	-	-	1,230,933	69	
Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd.	Subsidiary	Sales	3,085,319	80	T/T 180 days	-	-	1,333,396	88	
Airtac (China) Co., Ltd.	Ningbo Airtac Automatic Industrial Co., Ltd.	The same parent company	Sales	377,153	4	T/T 120 days	-	-	3,412	-	
Guangdong Airtac Intelligent Equipment Co., Ltd.	Airtac (China) Co., Ltd.	The parent company	Sales	911,521	10	T/T 60 days	-	-	229,472	11	

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



**AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES**

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

**DECEMBER 31, 2023**

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

Name	Related Party	Relationship	Ending Balance	Turnover rate (%)	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac (China) Co., Ltd.	The same parent company	\$ 873,959	10	-	-	\$ 873,959	-
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac International Group	The same parent company	134,377	4	-	-	-	-
Ningbo Airtac Automatic Industrial Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	The same parent company	1,842,027	7	-	-	966,859	-
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac (Tianjin) Intelligent Technology Co., Ltd.	The same parent company	154,194	13	-	-	154,194	-
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac (Jiangsu) Automation Co., Ltd.	The same parent company	280,612	54	-	-	280,612	-
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac (Shandong) Automatic Industrial Co., Ltd.	The same parent company	205,536	2	-	-	33,703	-
Guangdong Airtac Automatic Industrial Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	The same parent company	510,067	2	-	-	259,966	-
Guangdong Airtac Automatic Industrial Co., Ltd.	Ningbo Airtac Automatic Industrial Co., Ltd.	The same parent company	1,230,933	3	-	-	409,819	-
Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd.	Subsidiary	1,333,396	2	-	-	-	-
Guangdong Airtac Intelligent Equipment Co., Ltd.	Airtac (China) Co., Ltd.	The parent company	229,472	5	-	-	130,208	-
Airtac International Group	ATC (ITALIA) S.R.L	Subsidiary	166,502	Note 1	-	-	-	-
Airtac International Group	Airtac Co., Ltd.	Subsidiary	159,976	Note 1	-	-	-	-
Airtac International Group	AIRTAC USA CORPORATION	Subsidiary	283,483	Note 1	-	-	-	-

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

## AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

INFORMATION FOR INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2023

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

Investee Company Name	Main Businesses and Products	Paid-in Capital (Note 2)	Method of Investment	Accumulated Investment Outflow from Taiwan as of January 1, 2023	Investment Flow for the Period		Accumulated Investment Outflow from Taiwan as of December 31, 2023	Net income of Investee Company	% of Ownership – Direct or Indirect investment	Investment Gain (Loss) Recognized for the Period (Note 2)	Carrying Amount as of December 31, 2023	Accumulated Inward Remittance of Earnings as of December 31, 2023	Note
					Outflow	Inflow							
Ningbo Airtac Automatic Industrial Co., Ltd	Production of pneumatic control components and auxiliary components	USD 52,000 RMB 417,500 (NTD 3,400,157)	N/A	N/A	\$-	\$-	N/A	\$ 4,518,706	100	\$ 4,494,868	\$ 23,289,274	N/A	
Guangdong Airtac Automatic Industrial Co., Ltd	Production of pneumatic control components and auxiliary components	USD 6,000 (NTD 183,881)	N/A	N/A	-	-	N/A	875,791	100	934,709	3,223,318	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 1,096,844)	N/A	N/A	-	-	N/A	1,148,933	100	1,295,168	4,969,777	N/A	
Airtac (Jiangsu) Automation Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	USD 1,500 RMB 56,000 (NTD 288,282)	N/A	N/A	-	-	N/A	461,537	100	461,537	1,349,438	N/A	
Guangdong Airtac Intelligent Equipment Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	RMB 10,000 (NTD 43,270)	N/A	N/A	-	-	N/A	467,009	100	467,009	524,578	N/A	
Airtac (Tianjin) Intelligent Technology Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	RMB 10,000 (NTD 43,270)	N/A	N/A	-	-	N/A	57,406	100	57,406	120,930	N/A	
Airtac (Fujian) Intelligent Equipment Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	RMB 10,000 (NTD 43,270)	N/A	N/A	-	-	N/A	75,080	100	75,080	138,735	N/A	
Airtac (Shandong) Automatic Industrial Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	RMB 20,000 (NTD 86,540)	N/A	N/A	-	-	N/A	3,700	100	3,700	90,148	N/A	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
N/A	N/A	N/A

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

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

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

Note 3: Conversion to NTD used the spot exchange rate on December 31, 2023, that is, 1 USD=30.6468 NTD, 1 RMB=4.3270 NTD.

## AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

### INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS FOR THE YEARS ENDED DECEMBER 31, 2023

(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	\$ 1,333,396	General terms and conditions	2%
		Ningbo Airtac Automatic Industrial Co., Ltd.	1	Sales revenue	3,085,319	General terms and conditions	10%
		Ningbo Airtac Automatic Industrial Co., Ltd.	1	Sell property, plant and equipment	66,527	General terms and conditions	-
		Guangdong Airtac Automatic Industrial Co., Ltd.	1	Trade receivables	10,334	General terms and conditions	-
		Guangdong Airtac Automatic Industrial Co., Ltd.	1	Sales revenue	60,975	General terms and conditions	-
		ATC (ITALIA) S.R.L	1	Sales revenue	24,620	General terms and conditions	-
		ATC (ITALIA) S.R.L	1	Other receivable	166,502	Finance	-
		AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	1	Other receivable	61,294	Finance	-
		AIRTAC USA CORPORATION	1	Other receivable	283,483	Finance	-
		Airtac Co., Ltd.	1	Other receivable	159,976	Finance	-
1	Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac International Group	2	Trade receivables	134,377	General terms and conditions	-
		Airtac International Group	2	Sales revenue	434,939	General terms and conditions	1%
		Airtac (China) Co., Ltd	3	Trade receivables	873,959	General terms and conditions	2%
		Airtac (China) Co., Ltd	3	Sales revenue	6,251,919	General terms and conditions	21%
		Guangdong Airtac Automatic Industrial Co., Ltd.	3	Trade receivables	99,436	General terms and conditions	-
		Guangdong Airtac Automatic Industrial Co., Ltd.	3	Sales revenue	470,772	General terms and conditions	2%
		Airtac (Jiangsu) Automation Co., Ltd.	3	Trade receivables	280,612	General terms and conditions	-
		Airtac (Jiangsu) Automation Co., Ltd.	3	Sales revenue	7,628,030	General terms and conditions	26%
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Trade receivables	1,842,027	General terms and conditions	3%
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Sales revenue	6,546,066	General terms and conditions	22%
		Airtac (Tianjin) Intelligent Technology Co., Ltd.	3	Trade receivables	154,194	General terms and conditions	-
		Airtac (Tianjin) Intelligent Technology Co., Ltd.	3	Sales revenue	999,386	General terms and conditions	3%
		Airtac (Fujian) Intelligent Equipment Co., Ltd.	3	Trade receivables	68,220	General terms and conditions	-
		Airtac (Fujian) Intelligent Equipment Co., Ltd.	3	Sales revenue	676,158	General terms and conditions	2%
		Airtac (Shandong) Automatic Industrial Co., Ltd.	3	Trade receivables	205,536	General terms and conditions	-
		Airtac (Shandong) Automatic Industrial Co., Ltd.	3	Sales revenue	184,774	General terms and conditions	1%
		ATC (ITALIA) S.R.L	3	Trade receivables	72,993	General terms and conditions	-

No.	Company Name	Counter Party	Nature of Relationship (Note)	Transaction Details			% of Consolidated Sales or Assets
				Financial Statement Account	Amount	Payment Terms	
2	Guangdong Airtac Automatic Industrial Co., Ltd.	ATC (ITALIA) S.R.L	3	Sales revenue	207,123	General terms and conditions	1%
		AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	3	Sales revenue	34,547	General terms and conditions	-
		AIRTAC USA CORPORATION	3	Trade receivables	40,347	General terms and conditions	-
		AIRTAC USA CORPORATION	3	Sales revenue	122,848	General terms and conditions	-
		AIRTAC INDUSTRIAL CO., LTD.	3	Trade receivables	12,946	General terms and conditions	-
		AIRTAC INDUSTRIAL CO., LTD.	3	Sales revenue	53,272	General terms and conditions	-
		Airtac Co., Ltd.	3	Trade receivables	28,338	General terms and conditions	-
		Airtac Co., Ltd.	3	Sales revenue	10,886	General terms and conditions	-
		Airtac International Group	2	Sales revenue	41,649	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd	3	Trade receivables	1,230,933	General terms and conditions	2%
		Ningbo Airtac Automatic Industrial Co., Ltd	3	Sales revenue	2,242,890	General terms and conditions	8%
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Trade receivables	510,067	General terms and conditions	1%
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Sales revenue	1,127,608	General terms and conditions	4%
		ATC (ITALIA) S.R.L	3	Trade receivables	10,988	General terms and conditions	-
ATC (ITALIA) S.R.L	3	Sales revenue	31,827	General terms and conditions	-		
3	Airtac (China) Co., Ltd.	AIRTAC USA CORPORATION	3	Trade receivables	21,966	General terms and conditions	-
		AIRTAC USA CORPORATION	3	Sales revenue	47,869	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd.	3	Sales revenue	377,153	General terms and conditions	1%
		Airtac (Shandong) Automatic Industrial Co., Ltd.	3	Trade receivables	53,552	General terms and conditions	-
4	Airtac (Jiangsu) Automation Co., Ltd.	Airtac (Shandong) Automatic Industrial Co., Ltd.	3	Sales revenue	48,146	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd.	3	Sales revenue	15,298	General terms and conditions	-
5	Guangdong Airtac Intelligent Equipment Co., Ltd.	Airtac (China) Co., Ltd.	3	Trade receivables	229,472	General terms and conditions	-
		Airtac (China) Co., Ltd.	3	Sales revenue	911,521	General terms and conditions	3%
		Ningbo Airtac Automatic Industrial Co., Ltd.	3	Sales revenue	15,704	General terms and conditions	-
6	Airtac (Tianjin) Intelligent Technology Co., Ltd.	Airtac (Shandong) Automatic Industrial Co., Ltd.	3	Trade receivables	28,116	General terms and conditions	-
		Airtac (Shandong) Automatic Industrial Co., Ltd.	3	Sales revenue	25,276	General terms and conditions	-
7	AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	Ningbo Airtac Automatic Industrial Co., Ltd.	3	Sales revenue	11,082	General terms and conditions	-
8	Airtac Co., Ltd.	Ningbo Airtac Automatic Industrial Co., Ltd.	3	Sales revenue	13,648	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  
 DECEMBER 31, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Ding Kan Investment Ltd.	26,998,227	13.49%
YHZ Ltd.	10,858,142	5.42%
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.