Airtac International Group and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors' Report

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Airtac International Group

Opinion

We have audited the accompanying consolidated financial statements of Airtac International Group (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, 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, 2018 and 2017, 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, 2018. 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, 2018 are stated as follows:

Valuation of Inventory

Please refer to Notes 4(6) and 5 to the consolidated financial statements for accounting policy on inventory valuation, and Note 10 to the consolidated financial statements for the detail of the information about the accounting items of inventory. As of December 31, 2018, inventory and the allowance for inventory devaluation was $4,143,166 thousand and $60,465 thousand, respectively. Since the allowance for inventory devaluation is subject to management's judgement, which has significant uncertainty, and the result could also affect the value of inventory , it has been identified as a key audit matter.

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

1. We sampled the ending balance and the amount of the raw materials, work-in-progress and finished goods and verify with the detail of the inventory. The total amount of the inventories is the same with

that in the general ledger.
2. For raw materials, the latest purchasing price is verified to the latest purchasing information.
3. For work-in-process and finished goods, the latest selling price is verified to the latest selling information.
4. Verified the logicality of the aging inventory calculated by the system.
5. We examined the yearly plan of inventory count and participated the inventory count to evaluate the effectiveness
6. Re-calculated the amount of the allowance for inventory devaluation.
7. We determined the differences of the allowance for inventory devaluation estimated by the Group for the year ended in December 31, 2018 and 2017 of each subsidiary. Then, we analysis the variety of the significant differences of the subsidiaries.

Estimated recognition of sales revenue

One of the selling modle of Airtac international Group is selling goods through dealers. For the year ended December 31, 2018, the sales revenue from dealers was $4,037,148 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 Notes 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 were indeed receive the sales order from customers.
2. We sampled the sales contracts and sales order of main customers and confirm the timing of the sales condition and recognition of sales revenue is consistent. We also review the sales return of the year ended December 31, 2018 and the sales return after December 31, 2018 to check is there any unusual sles returns.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 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 Jui-Chuan Chih and Nai-Hua Kuo.

Deloitte & Touche

Taipei, Taiwan

Republic of China

March 14, 2019

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

ASSETS	2018 Amount	%	2017 Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 3,887,916	11	$ 2,016,774	7
Financial assets at amortized cost - current (Notes 4, 7 and 31)	658,517	2	-	-
Debt investments with no active market - current (Notes 4, 8 and 31)	-	-	6,067	-
Notes receivable (Notes 4, 5 and 9)	1,549,685	4	2,081,222	7
Trade receivables (Notes 4, 5, 9 and 30)	3,445,549	10	3,350,839	12
Other receivables (Notes 4 and 5)	37,555	-	30,957	-
Current tax assets (Note 4)	3,353	-	28,052	-
Inventories (Notes 4, 5 and 10)	4,082,701	12	3,961,066	14
Other current assets (Notes 13 and 14)	344,981	1	405,296	1
Total current assets	14,010,257	40	11,880,273	41
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4, 12 and 32)	18,507,500	53	14,786,841	51
Other intangible assets (Note 4)	76,741	-	76,410	-
Deferred tax assets (Notes 4 and 22)	484,297	1	370,049	1
Long-term prepayments for lease (Note 13)	498,865	2	479,312	2
Other non-current assets (Note 14)	1,466,831	4	1,312,707	5
Total non-current assets	21,034,234	60	17,025,319	59
TOTAL	$ 35,044,491	100	$ 28,905,592	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Note 15)	$ 10,745,173	31	$ 7,704,455	27
Short-term bills payable (Note 15)	950,000	3	300,000	1
Contract liabilities - current (Note 20)	52,863	-	-	-
Notes payable (Note 16)	201,622	1	268,372	1
Trade payables (Note 16)	532,726	1	792,677	3
Other payables (Note 17)	1,008,151	3	980,746	3
Current tax liabilities (Note 4)	294,103	1	362,459	1
Current portion of long-term loans (Notes 15 and 31)	-	-	437,268	2
Other current liabilities (Note 17)	154,002	-	126,737	-
Total current liabilities	13,938,640	40	10,972,714	38
NON-CURRENT LIABILITIES				
Long-term loans (Notes 15 and 31)	3,502,950	10	1,600,111	6
Deferred tax liabilities (Notes 4 and 22)	493,902	1	370,750	1
Total non-current liabilities	3,996,852	11	1,970,861	7
Total liabilities	17,935,492	51	12,943,575	45
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 19)				
Share capital	1,890,250	5	1,890,250	6
Capital surplus	6,870,172	20	6,870,172	24
Retained earnings	9,096,802	26	7,610,806	26
Other equity	(757,934)	(2)	(419,109)	(1)
Total equity attributable to owners of the Company	17,099,290	49	15,952,119	55
NON-CONTROLLING INTERESTS	9,709	-	9,898	-
Total equity	17,108,999	49	15,962,017	55
TOTAL	$ 35,044,491	100	$ 28,905,592	100

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales (Notes 4, 20 and 30)	$ 15,600,743	100	$ 13,717,905	100
OPERATING COSTS				
Cost of goods sold (Notes 10 and 21)	(8,067,659)	(52)	(6,590,733)	(48)
GROSS PROFIT	7,533,084	48	7,127,172	52
OPERATING EXPENSES (Note 21)				
Selling and marketing expenses	(1,893,230)	(12)	(1,663,342)	(12)
General and administrative expenses	(972,711)	(6)	(942,183)	(7)
Research and development expenses	(453,762)	(3)	(380,519)	(3)
Expected credit loss	(53,443)	-	-	-
Total operating expenses	(3,373,146)	(21)	(2,986,044)	(22)
PROFIT FROM OPERATIONS	4,159,938	27	4,141,128	30
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 21)				
Other income	39,669	-	26,915	-
Other gains and losses	(167,470)	(1)	357,555	3
Finance costs	(224,430)	(2)	(168,428)	(1)
Total non-operating income and expenses	(352,231)	(3)	216,042	2
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	3,807,707	24	4,357,170	32
INCOME TAX EXPENSE (Notes 4 and 22)	(968,500)	(6)	(1,057,389)	(8)
NET PROFIT FOR THE YEAR	2,839,207	18	3,299,781	24
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Exchange differences arising on translation to the presentation currency	(387,780)	(2)	(82,983)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	48,974	-	15,847	-

(Continued)

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
Other comprehensive income for the year, net of income tax	(338,806)	(2)	(67,136)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 2,500,401	16	$ 3,232,645	24
NET PROFIT ATTRIBUTABLE TO:				
Owner of the Company	$ 2,839,415	18	$ 3,300,103	24
Non-controlling interests	(208)	-	(322)	-
	$ 2,839,207	18	$ 3,299,781	24
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the Company	$ 2,500,590	16	$ 3,232,948	24
Non-controlling interests	(189)	-	(303)	-
	$ 2,500,401	16	$ 3,232,645	24
EARNINGS PER SHARE (Note 23)				
Basic	$ 15.02		$ 18.07	
Diluted	$ 15.00		$ 18.04	

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company									
	Share Capital			Retained Earnings		Other Equity				
	Shares (In Thousands)	Ordinary Shares	Capital Surplus	Unappropriated Earnings	Special Reserve	Exchange Differences on Translating Foreign Operations	Remeasurement of Defined Benefits Plans	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2017	179,025	$ 1,790,250	$ 3,906,960	$ 5,230,030	$ 64,929	$ (358,216)	$ 6,262	$ 10,640,215	$ 111,982	$ 10,752,197
Special reserve under Rule No. 1010012865 issued by the FSC	-	-	-	43,487	(43,487)	-	-	-	-	-
Appropriation of 2016 earnings										
Cash dividends distributed by the Company	-	-	-	(984,256)	-	-	-	(984,256)	-	(984,256)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	(101,781)	(101,781)
Issuance of ordinary shares for cash	10,000	100,000	2,900,000	-	-	-	-	3,000,000	-	3,000,000
Recognition of employee share options by the Company	-	-	70,090	-	-	-	-	70,090	-	70,090
Transaction costs attributable to issue of new ordinary shares	-	-	(6,878)	-	-	-	-	(6,878)	-	(6,878)
Net profit for the year ended December 31, 2017	-	-	-	3,300,103	-	-	-	3,300,103	(322)	3,299,781
Other comprehensive income for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(67,155)	-	(67,155)	19	(67,136)
Total comprehensive income for the year ended December 31, 2017	-	-	-	3,300,103	-	(67,155)	-	3,232,948	(303)	3,232,645
BALANCE AT DECEMBER 31, 2017	189,025	1,890,250	6,870,172	7,589,364	21,442	(425,371)	6,262	15,952,119	9,898	15,962,017
Special reserve under Rule No. 1010012865 issued by the FSC	-	-	-	16,451	(16,451)	-	-	-	-	-
Appropriation of 2017 earnings										
Cash dividends distributed by the Company	-	-	-	(1,353,419)	-	-	-	(1,353,419)	-	(1,353,419)
Net profit for the year ended December 31, 2018	-	-	-	2,839,415	-	-	-	2,839,415	(208)	2,839,207
Other comprehensive income for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(338,825)	-	(338,825)	19	(338,806)
Total comprehensive income for the year ended December 31, 2018	-	-	-	2,839,415	-	(338,825)	-	2,500,590	(189)	2,500,401
BALANCE AT DECEMBER 31, 2018	189,025	$ 1,890,250	$ 6,870,172	$ 9,091,811	$ 4,991	$ (764,196)	$ 6,262	$ 17,099,290	$ 9,709	$ 17,108,999

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 3,807,707	$ 4,357,170
Adjustments for:		
Depreciation expenses	1,077,833	818,729
Amortization expenses	16,140	15,054
Impairment loss recognized (reversal of impairment loss) on trade receivables	53,443	24,610
Net gain on financial assets at fair value through profit or loss	-	(31,480)
Finance costs	(1,186)	168,428
Interest income	224,430	(26,915)
Share of losses of associates	(39,669)	4,102
Loss (gain) on disposal of property, plant and equipment	-	22,008
Loss on disposal of associates	174,307	5,606
Write-down of inventories	-	20,351
Impairment loss recognized on investment in subsidiaries	28,775	-
Net loss on foreign currency exchange	80,934	(61,144)
Amortization of prepayments for lease	16,193	3,267
Changes in operating assets and liabilities:		
Increase in notes receivables	475,833	(874,617)
Increase in trade receivables	(197,280)	(837,787)
(Increase) decrease in other receivables	(2,355)	12,165
Increase in inventories	(255,845)	(1,820,487)
(Increase) decrease in other current assets	11,896	(173,765)
Increase in net defined benefit assets	4	8
Increase in notes payable	(1,655)	160,246
Increase (decrease) in trade payables	(62,489)	339,064
Increase in other payables	(365,784)	158,409
Increase in other current liabilities	1,732	(14,917)
Decrease in accrued pension liabilities	85,992	-
Cash generated from operations	5,128,956	2,268,105
Interest received	32,373	27,862
Interest paid	(213,222)	(166,026)
Income tax paid	(983,988)	(958,446)
Net cash generated from operating activities	3,964,119	1,171,495
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets designated as at fair value through profit or loss	-	(1,045,578)
Proceeds on sale of financial assets designated as at fair value through profit or loss	-	2,884,906
Proceeds from sale of financial assets at fair value through profit and loss	1,186	-
Purchase of financial assets at amortized cost	(1,117,200)	-
Proceeds on sale of financial assets at amortized cost	503,118	-

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AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
Purchase of debt investments with no active market	-	(103)
Proceeds on sale of debt investments with no active market	-	2,704
Net cash inflow on disposal of subsidiaries	-	56,729
Payments for property, plant and equipment	(5,090,458)	(3,816,573)
Proceeds from disposal of property, plant and equipment	52,196	23,377
Increase in refundable deposits	(25,703)	(39,818)
Decrease in refundable deposits	10,413	13,596
Payments for intangible assets	(17,707)	(14,986)
Increase in prepayments for equipment	(168,580)	(835,654)
Increase in prepayments for lease	(24,397)	(33,773)
Net cash used in investing activities	(5,877,132)	(2,805,173)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	-	2,993,122
Proceeds from short-term loans	2,929,789	213,307
Proceeds from short-term bills payable	650,000	300,000
Proceeds from long-term loans	4,199,540	-
Repayments of long-term loans	(2,740,584)	(437,268)
Dividends paid to owners of the Company	(1,353,419)	(984,256)
Dividends paid to non-controlling interests	-	(101,781)
Net cash generated from financing activities	3,685,326	1,983,124
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	98,829	(159,615)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,871,142	189,831
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,016,774	1,826,943
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 3,887,916	$ 2,016,774

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

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 14, 2019.

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

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

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group's accounting policies:

1) Annual Improvements to IFRSs 2014-2016 Cycle

Several standards, including IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures," were amended in this annual improvement.

2) IFRS 9 "Financial Instruments" and related amendment

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with

consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2017, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as at January 1, 2017.

	Measurement Category		Carrying Amount	
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**
Cash and cash equivalents	Loans and receivables	Amortized cost	$2,016,774	$2,016,774
Time deposits with original maturity of more than 3 months	Loans and receivables	Amortized cost	6,067	6,067
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	5,463,018	5,463,018
Others	Loans and receivables	Amortized cost	11,255	11,255

	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi-cations	IFRS 9 Carrying Amount as of January 1, 2018
Financial assets amortized at cost	$ -	$ 17,322	$ 17,322
Add: Reclassification from loans and receivables (IAS 39)	17,322	(17,322)	-
	$ 17,322	$ -	$ 17,322

(1) Debt investments previously classified as debt investments with no active market and measured at amortized cost under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

(2) Notes receivable, trade receivables and other receivables that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9.

3) IFRS 15 "Revenue from Contracts with Customers" and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

Under IFRS15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, receivables were recognized or deferred revenue was reduced when revenue was recognized for the relevant contract under IAS 18.

The Group elected only to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018 and recognize the cumulative effect of the change in

retained earnings on January 1, 2018.

The impact on assets, liabilities and equity as of January 1, 2018 from the initial application of IFRS 15 is set out below:

	As Originally Stated	Adjustments Arising from Initial Application	Restated
Contract liability - current	$ -	$ 55,619	$ 55,619
Other current liability			
Deferred revenue	55,619	(55,619)	-
Total effect on liabilities	$ 55,619	$ -	$ 55,619
Total effect on equity	$ -	$ -	$ -

Had the Group applied IAS 18 in the current year, the following adjustments should have been made to reflect the line items and balances under IFRS 15.

Impact on assets, liabilities and equity for current year

	December 31, 2018
Increase in contract liability - current	$ 52,863
Decrease in other current liability	(52,863)
Total effect on liabilities	$ -
Total effect on equity	$ -

4) IFRIC 22"Foreign Currency Transactions and Advance Consideration"

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Group applied IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the Interpretation.

The Group elects to recognize the cumulative effect of initially applying IFRS 9 and IFRS 15 as an adjustment to assets, liabilities and equity on January 1, 2018, and the adjustments are summarized below:

	IAS 39 As Originally Stated	Adjustments Arising from Initial Application	Restated
Financial assets amortized at cost - current	$ -	$ 17,322	$ 17,322
Debt investments with no active market - current	6,067	(6,067)	-
Trade receivables	3,350,839	-	3,350,839
Other current assets			
Other financial assets	11,255	(11,255)	-
Total effect on assets	$ 3,368,161	$ -	$ 3,368,161

	IAS 39 As Originally Stated	Adjustments Arising from Initial Application	Restated
Total effect on equity	$ -	$ -	$ -
Contract liability - current	$ -	$ 55,619	$ 55,619
Other current liability			
Deferred revenue	55,619	(55,619)	-
Total effect on liabilities	$ 55,619	$ -	$ 55,619
Total effect on equity	$ -	$ -	$ -

Had the Group applied the prior year's accounting policies in the current year, [the following adjustments should have been made to reflect the line items and balances under the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the above New IFRSs.

	December 31, 2018
Increase in financial assets amortized at cost - current	$ 658,517
Decrease in debt investments with no active market - current	(6,047)
Decrease in other current assets	(652,470)
Total effect on assets	$ -
Increase in contract liability - current	$ 52,863
Decrease in other current liability	(52,863)
Total effect on liabilities	$ -
Total effect on equity	$ -

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed by the FSC for application starting from 2018

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply IFRS 16 only to

contracts entered into (or changed) on or after January 1, 2019 in order to determine whether those contracts are, or contain, a lease. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets, except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

The Group expects to apply the following practical expedients:

a) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Group will adjust the right-of-use assets on January 1, 2019 by the amount of any provisions for onerous leases recognized as of December 31, 2018.

c) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

d) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

e) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

For leases currently classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 will be determined as at the carrying amounts of the respective leased assets and finance lease payables as of December 31, 2018.

The Group as lessor

The Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Anticipated impact on assets, liabilities and equity

	IAS 39 As Originally Stated	Adjustments Arising from Initial Application	Restated
Prepayments for leases - current	$ 10,715	($ 10,715)	$ -
Prepayments for leases – non-current	498,865	(498,865)	-
Right-of-use assets	-	651,013	651,013
Total effect on assets	$ 509,580	$ 141,433	$ 651,013
Lease liabilities - current	$ -	$ 51,077	$ 51,077
Lease liabilities – non-current	-	90,356	90,356
Total effect on liability	$ -	$ 141,433	$ 141,433
Total effect on equity	$ -	$ -	$ -

2) IFRIC 23 "Uncertainty Over Income Tax Treatments"
   IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

   On initial application, the Group shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

3) Annual Improvements to IFRSs 2015-2017 Cycle
   Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 "Borrowing Costs", were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. The amendment shall be applied prospectively.

4) Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"
   The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendment shall be applied prospectively.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group assesses that there is no material impact that the application

of other standards and interpretations will have 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 3 "Definition of a Business"	January 1, 2020 (Note 2)
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, 2021

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

Note 2: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

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

b. Basis of Preparation

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

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

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

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

d. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

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

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

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

e. Foreign Currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary

items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

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

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

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

f. Inventories

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

g. Investments in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the associate's profit or loss and other comprehensive income. The Group also recognizes the changes in the Group's share of equity of associates attributable to the Group.

Any cost of acquisition in excess of the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included in the carrying amount of the investment and is not amortized.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the

investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

h. 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.

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 individual cash-generating units/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/settlement date basis.

a) Measurement category

2018

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, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

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 receivanles and other receibles, 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.

2017

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset may be designated as at fair value through profit or loss upon initial recognition if:

i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

ii) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

iii) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at FVTPL.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

ii. Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalents, and debt investments with no active market) system using the effective interest method at amortized cost amount after deduction of impairment loss is

measured by the extent of the interest of short-term receivables are recognized non-materiality except in the case.

Cash equivalents include self-made within three months from the date of highly liquid investments which are readily convertible to known amounts of cash and very little risk of changes in value of deposits and commercial paper, used to meet short-term cash commitments.

b) Impairment of financial assets

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI, lease receivables, as well as contract assets.

The Group always recognizes lifetime Expected Credit Loss (i.e. ECL) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the 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 ECL.

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

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount 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 does not reduce the carrying amount of the financial asset.

2017

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as notes and trade receivables and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables, and other situation.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off against the allowance account.

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.

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. Staring from 2018, 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.

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

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.

Before 2018, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. From 2018, derivatives embedded in hybrid contracts that contain financial asset hosts 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 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.

l. Revenue Recognition

2018

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.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale if the seller can reliably estimate future returns and recognizes a liability for returns based on previous experience and relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

e) The transaction costs incurred or to be incurred can be measured reliably.

2) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established and if it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

m. Leasing

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

1) The Group as lessor

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents arising under operating leases are recognized as an expense in the period in which they are incurred.

2) The Group as lessee

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

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 remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, and net interest on the net defined benefit liability (asset)) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is

reflected immediately in retained earnings/other equity and will not be reclassified to profit or loss.

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

3) Termination benfits

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

q. Share-based Payment Arrangements

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares options that are expected to ultimately vest, with a corresponding increase in capital surplus-employee share options. It is recognized as an expense in full in the grant date if vest immediately.

r. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Business model assessment for financial assets - 2018

The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment about all relevant evidence including how the performance of the assets is evaluated, the risks that affect the performance of the assets and how these are managed, and how the managers of the assets are compensated. The Group monitors financial assets measured at amortized cost or at fair value through other comprehensive income, and when assets are derecognized prior to their maturity, the Group understands the reasons for their disposal and whether the reasons are consistent with the objective of the business for which

the assets were held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and, if it is not appropriate, whether there has been a change in the business model such that a prospective change to the classification of those assets is proper.

b. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables, investments in debt instruments, and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. 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.

c. Estimated impairment of trade receivables – 2017

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of impairment loss is measured as the difference between an asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

d. Write-down of inventories

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

6. CASH AND CASH EQUIVALENTS

	December 31, 2018	December 31, 2017
Cash on hand	$ 1,942	$ 1,666
Checking accounts	111,600	157,940
Demand deposits	2,005,846	1,311,653
Cash equivalent		
Time deposits with original maturities less than three months	1,768,528	545,515
	$3,887,916	$2,016,774

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

	December 31, 2018	December 31, 2017
Bank balance	0.001%~0.48%	0.001%~0.35%
Time deposits	1.100%~4.15%	0.900%~3.00%

7. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	December 31, 2018
Current	
Time deposits with original maturity of more than 3 months (a)	$ 6,047
Restricted bank deposits	47,867
Structured deposits	604,603
	$ 658,517

a. The interest rates for time deposits with original maturity of more than 3 months was 3.25% as at the end of the reporting period. The time deposits were classified as debt investments with no active market under IAS 39. Refer to Note 3 and Note 8 for information relating to their reclassification and comparative information for 2017.

b. Refer to Note 31 for information relating to investments in financial assets at amortized cost pledged as security.

8. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

	December 31, 2018	December 31, 2017
Time deposits with original maturities more than three months	$ -	$ 6,067

a. The market interest rates of the time deposits with original maturity more than 3 months were 3.25% per annum as of December 31, 2017.

b. Refer to Note 31 for information relating to debt investments with no active market pledged as security.

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31, 2018	December 31, 2017
Notes receivable		
Notes receivable	$ 1,572,710	$ 2,081,771
Less: Allowance for impairment loss	(23,025)	(549)
	$ 1,549,685	$ 2,081,222
Trade receivables		
Trade receivables	$ 3,563,830	$ 3,461,363
Less: Allowance for impairment loss	(118,281)	(110,524)
	$ 3,445,549	$ 3,350,839

In 2018

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

controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

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

	For the Year Ended December 31, 2018
Balance at January 1, per IAS 39	$ 549
Add: Adjustment on initial application of IFRS 9	-
Balance at January 1, per IFRS 9	549
Add: Net remeasurement of loss allowance	22,516
Foreign exchange gains and losses	(40)
Balance at December 31	$ 23,025

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

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 365 Days	366 to 547 Days	548 to 730 Days	Over 730 Days	Total
Expected credit loss rate	0.87%	4.58%	25.73%	43.75%	89.88%	97.78%	100%	
Gross carrying amount	$3,037,123	$ 363,618	$ 79,881	$ 46,756	$ 19,874	$ 5,292	$ 11,286	$ 3,563,830
Loss allowance (Lifetime ECL)	(26,279)	(16,669)	(20,554)	(20,456)	(17,863)	(5,174)	(11,286)	(118,281)
Amortized cost	$ 3,010,844	$ 346,949	$ 59,327	$ 26,300	$ 1,562	$ 118	$ -	$ 3,445,549

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

	For the Year Ended December 31, 2018
Balance at January 1, per IAS 39	$ 110,524
Add: Adjustment on initial application of IFRS 9	-
Balance at January 1, per IFRS 9	110,524
Add: Net remeasurement of loss allowance	30,927
Less: Amounts written off	(20,554)
Foreign exchange gains and losses	(2,616)
Balance at December 31	$ 118,281

In 2017

The Group applied the same credit policy in 2018 and 2017. The Group recognized an allowance for impairment loss of 100% against all receivables over 730 days because historical experience had been that receivables that are past due beyond 730 days were not recoverable. Allowance for impairment loss were recognized against trade receivables between 30 days and 730 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

Before accepting any new customer, the Group will assess the potential customer's credit quality and set the credit line of the customer. Inspect credit line and rating of customers regularly.

The Group serves a large consumer base; therefore, the concentration of credit risk is limited.

There is no trade receivables balances that were past due at the end of the reporting period.

Age of individually impaired trade receivables was as follow:

	December 31, 2017
0 ~90 days	$ 2,725,451
91~180 days	599,324
181~365 days	89,589
366~730 days	25,216
Over than 731 days	21,783
	$ 3,461,363

The above aging of trade receivables was presented based on the invoice date.

Movements in the allowance for impairment loss recognized on the notes receivable and trade receivables were as follows:

	For the Year ended December 31, 2017
Balance at January 1	$ 115,833
Add: Allowance for impairment losses recognized on receivables	24,610
Less: Amounts written off as uncollectible	(28,341)
Effect of exchange rate changes	(1,029)
Balance at December 31	$ 111,073

10.INVENTORIES

	December 31, 2018	**December 31, 2017**
Raw materials	$1,242,564	$1,197,570
Finished goods	1,777,176	1,821,742

Work in progress	1,062,961	941,754
	$4,082,701	$3,961,066

As of December 31, 2018 and 2017, the allowance for inventory devaluation was $60,465 thousand and $49,732 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was $8,067,659 thousand and $6,590,733 thousand, respectively. The cost of goods sold included inventory write-downs of $28,775 thousand and $20,351 thousand, respectively. The cost of goods sold included loss on disposal of inventory write-down of $12,639 thousand and $22,623 thousand, respectively.

The cost of goods sold included scraps for the years ended December 31, 2018 and 2017 were $121,068 thousand and $116,948 thousand, respectively.

11.SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

		Proportion of Ownership	
Investor	**Investee**	**December 31, 2018**	**December 31, 2017**
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) Automatic Co., Ltd.	100	100
Instant Reach International Limited	ATC (Italia) S.R.L.	100	100
	Airtac Industrial 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 (Thailand) Co., Ltd.	100	100
Airtac (China) Co., Ltd.	Guangdong Airtac Machinery Equipment Co., Ltd.	100	100
	Airtac (Tianjin) Technology Co., Ltd.	100	100
	Airtac (Fujian) Intelligent Equipment Co., Ltd.	100	-

1) Airtac Trading (Hong Kong) Limited, Airtac Industrial (Hong Kong) Limited, Instant Reach International Limited and Airtac Holding (Singapore) Pte. Ltd. are primarily holding companies.
2) Ningbo Airtac Automatic Industrial Co., Ltd. was established on August 16, 2001 with an operation period of 50 years, and engages primarily in the production of pneumatic and hydraulic components, Actuator components, air preparation components, and pneumatic accessories. Guangdong Airtac Automatic Industrial Co., Ltd. (previously Guangzhou Airtac Automatic Industrial Co., Ltd.) was established on December 31, 2006 with an operation period of 50 years, and engages primarily in the production of pneumatic and hydraulic control components, Actuator components, air preparation

components, and pneumatic accessories. Airtac (China) Co., Ltd. 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) Automatic Co., Ltd. primarily in the production, distribution, storage of industrial con was established on July 2, 2015 with an operation period of 50 years, and engages troll components, pneumatic components, hydraulic components, pneumatic whole set equipment, wind power tools, electric tools, low-voltage electric appliances, and hand tools, import and export of the aforementioned products and support services.

3) Airtac Industrial 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.

   To centralize the stock right, the board of directors passed a proposal in its meeting on March 25, 2016 to acquire 15.78% of shares of Airtac Industrial Co., Ltd. The transaction price is $101,623 thousand in cash and has been paid in April 2016. The ownership of Airtac Industrial Co., Ltd. held by the Group is increased from 53.66% to 69.44%.

   To adjust the organization structure of the Company, the shareholders' meeting of Airtac Industrial Co., Ltd. approved to reduce capital on September 12, 2016. The capital reduction plan involve the cancellation of $10 per share or 99.57% of paid-in capital. The company received $159,006 thousand in cash of capital reduction.

   The shareholders' meeting of Airtac Industrial Co. Ltd. approved to transfer the value of the employees of Airtac Industrial Co. Ltd. to Airtac International Group Taiwan Branch by assignment of business. The transferee pay the price by which is determined the outside appraisal report the cash. The transaction price is $6,247 thousand.

4) Airtac International (Singapore) Pte. Ltd. was established on August 11, 2011 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components. Airtac Co., Ltd. was established on April 18, 2013 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components. Airtac USA Corporation was established on November 4, 2016 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components.

5) Airtac Industrial (Malaysia) Sdn. Bhd. was established on July 16, 2013 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components. Airtac Industrial (Thailand) 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 Machinery 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) Technology Co., Ltd. was established on September 20, 2017 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components, importing and exporting of the aforementioned products and support services. Airtac (Fujian) Intelligent Equipment

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

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office facilities and other equipment	Property in construction	Total
Cost							
Balance at January 1, 2017	$ 890,359	$ 7,657,764	$ 4,473,165	$ 279,059	$ 1,081,607	$ 246,546	$ 14,628,500
Additions	-	35,915	2,140,877	71,469	176,600	1,508,124	3,932,985
Disposals	-	-	(91,498)	(45,947)	(119,445)	-	(256,890)
Reclassification	-	70,318	416	7,731	2,409	(81,568)	(694)
Effect of foreign currency exchange differences	-	(50,524)	(30,294)	(3,995)	(2,802)	6,626	(80,989)
Balance at December 31, 2017	$ 890,359	$ 7,713,473	$ 6,492,666	$ 308,317	$ 1,138,369	$ 1,679,728	$ 18,222,912
Accumulated depreciation							
Balance at January 1, 2017	$ -	$ 703,905	$ 1,387,966	$ 168,352	$ 599,708	$ -	$ 2,859,931
Depreciation expenses	-	184,213	439,294	44,662	150,560	-	818,729
Disposals	-	-	(62,376)	(33,529)	(115,600)	-	(211,505)
Reclassification	-	36	-	-	-	-	36
Effect of foreign currency exchange differences	-	7,802	(23,945)	(12,803)	(2,174)	-	(31,120)
Balance at December 31, 2017	$ -	$ 895,956	$ 1,740,939	$ 166,682	$ 632,494	$ -	$ 3,436,071
Carrying amount at December 31, 2017	$ 890,359	$ 6,817,517	$ 4,751,727	$ 141,635	$ 505,875	$ 1,679,728	$ 14,786,841
Cost							
Balance at January 1, 2018	$ 890,359	$ 7,713,473	$ 6,492,666	$ 308,317	$ 1,138,369	$ 1,679,728	$ 18,222,912
Additions	-	37,145	2,609,299	87,067	245,808	2,273,482	5,252,801
Disposals	-	(128,900)	(290,766)	(29,417)	(83,741)	-	(532,824)
Reclassification	-	908,708	-	-	42,856	(954,002)	(2,438)
Effect of foreign currency exchange differences	-	(104,664)	(152,016)	(16,650)	(23,931)	(24,210)	(321,471)
Balance at December 31, 2018	$ 890,359	$ 8,425,762	$ 8,659,183	$ 349,317	$ 1,319,361	$ 2,974,998	$ 22,618,980
Accumulated depreciation							
Balance at January 1, 2018	$ -	$ 895,956	$ 1,740,939	$ 166,682	$ 632,494	$ -	$ 3,436,071
Depreciation expenses	-	202,467	646,901	51,767	176,698	-	1,077,833
Disposals	-	(29,910)	(171,243)	(24,838)	(80,330)	-	(306,321)
Reclassification	-	-	-	-	59	-	59
Effect of foreign currency exchange differences	-	(5,243)	(53,351)	(21,870)	(15,698)	-	(96,162)
Balance at December 31, 2018	$ -	$ 1,063,270	$ 2,163,246	$ 171,741	$ 713,223	$ -	$ 4,111,480
Carrying amount at December 31, 2018	$ 890,359	$ 7,362,492	$ 6,495,937	$ 177,576	$ 606,138	$ 2,974,998	$ 18,507,500

There was no impairment indication for property, plant and equipment. The Group did not recognize any impairment loss for the years ended December 31, 2018 and 2017.

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	4-20 years
Transportation equipment	2-5 years
Office equipment and other equipment	2-15 years

Refer to Note 31 for the carrying amount of property, plant and equipment pledged by the Group to secure bank loans.

13.PREPAYMENTS FOR LEASE

	December 31, 2018	December 31, 2017
Current asset	$ 10,715	$ 3,309
Non-current asset	$ 498,865	$ 479,312

The prepayments for leases is applicable to the land use right located in Mainland China.

14. OTHER ASSETS

	December 31, 2018	December 31, 2017
Current		
Excess VAT paid	$ 217,115	$ 238,81
Prepayments	52,213	42,09
Prepaid tax expenses	-	2,20
Prepaid expenses	64,928	75,03
Refundable deposits	-	32,54
Prepayments for lease	10,715	3,30
Other financial assets	-	11,25
Others	10	4
	$ 344,981	$ 405,29
Non-current		
Prepayments for equipment	$ 1,422,294	$ 1,283,10
Refundable deposits	37,580	22,63
Net defined benefit assets	6,957	6,96
	$ 1,466,831	$ 1,312,70

15. LOANS

(1) Short-term loans

	December 31, 2018	December 31, 2017
Unsecured loans		
Line of credit loans	$ 10,745,173	$ 7,704,45

The range of interest rate on bank loans was 0.65%-3.70% and 0.85%-2.76% per annum as of December 31, 2018 and 2017, respectively.

(2) Short-term bills payable

	December 31, 2018	December 31, 2017
Commercial paper	$ 950,00	$ 300,00

Outstanding short-term bills payable were as follows:

December 31, 2018

Promissory Institutions	Nominal	Discount	Carrying

	amount	amount	amount
Grand Bills	$ 150,000	$ -	$ 150,00(
International Bills	200,000	-	200,00(
TFC Bills	100,000	-	100,00(
TC Bills	200,000	-	200,00(
Mega Bills	200,000	-	200,00(
TaChing Bills	100,000	-	100,00(
	$ 950,000	$ -	$ 950,00(

December 31, 2017

Promissory Institutions	Nominal amount	Discount amount	Carrying amount
International Bills	$ 200,000	$ -	$ 200,00(
Grand Bills	100,000	-	100,00(
	$ 300,000	$ -	$ 300,00(

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 1.2480%-1.2700% and 1.2700%-1.3080% per annum as of December 31, 2018 and 2017, respectively.

(3) Long-term loans

	December 31, 2018	December 31, 2017
Secured loans		
Between March, 2018 and March 2023 (with interest rate of 1.7985%)	$ 3,520,000	$ -
Between May, 2014 and May 2019 (with interest rate of 1.79%)	-	2,040,584
Total	3,520,000	2,040,584
Deduct: Current portion	-	(437,268)
Deduct: Syndication loan charge fee	(17,050)	(3,205)
Long-term loans	$ 3,502,950	$ 1,600,111

In March, 2018, the Group signed a $6,000,000 thousand syndicated loan (the Loan) with Mega International Commercial Bank and 12 other participating banks. The Loan is composed by three kinds of loans. The first one is a secured loan in the amount of $2,200,000 thousand. This lona is to repay the existing bank loans. The Loan is effective in 3 months since February 12, 2018 and the undrawn credit line will be automatically cancelled as the effective term terminated. As of December 31, 2018, the Group draw all the amount of this loan. The second one is a secured loan in the amount of $3,300,000 thousand. This loan is to support the capital needs of Phase 2 factory and manufacturing productivity expansion plan in Tainan ShuGu Park. The Loan is effective in 18 months after the first draw and the undrawn credit line will be automatically cancelled as the effective term terminated. As of December 31, 2018, the Group draw in the amount of $1,020,000 thousand of this loan. The third one is an unsecured loan in the amount of

$500,000 thousand. The purpose of this loan is for providing medium-term working capital. As of December 31, 2018, the Group draw in the amount of $300,000 thousand of this loan. If the Group meet all criteria in 5 years after the first draw, the Group could apply to Mega International Comercial Bank for extending the credit period for two years once in a written application. The principal will be payable after two years from the first draw of the first and second loans in 7 semiannually installments. The first to the sixth installment will be calculated at a repayable amount equal to 7.5% of the outstanding principal prior to the day before the first installment and the 55% remainder principal will be repaid in full on the maturity date. Each credit of the third loan would be repaid in full on each maturity date. During the loan period, financial ratios of the Group comply with predetermined financial covenants since year 2018.

In April, 2014, the Group signed a $2,950,000 thousand syndicated loan (the Loan) with Mega International Commercial Bank and 7 other participating banks. The Loan is effective in 18 months after the first draw and the undrawn facilities will be automatically cancelled as the effective term terminated. The principal will be payable after two years from the first draw, May 15, 2014, in 7 semiannually installments. The first to the sixth installment will be calculated at a repayable amount equal to 7.5% of the outstanding principal prior to the day before the first installment and the 55% remainder principal will be repaid in full on the maturity date. Pursuant to the loan agreement, financial ratios must comply with predetermined financial covenants since 2014. The Group repaid the loan in advance on March 2018.

Refer to Note 31 for the information relating to the Group's assets pledged as collateral bank loans

16. NOTES PAYABLE AND TRADE PAYABLES

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

17. OTHER LIABILITIES

	December 31, 2018	December 31, 2017
Current		
Other payables		
Payables for purchase of equipment	$ 260,80	$ 221,11
Salaries and bonus	652,61	692,90
Others	94,73	66,72
	$ 1,008,15	$ 980,74
Other current liabilities		
Other taxes	$ 143,81	$ 61,48
Account collected in advance		55,61
Others	10,18	9,63
	$ 154,00	$ 126,73

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

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

b. Defined benefit plans

The defined benefit plan adopted by Airtac Industrial Co. of the Group in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. Airtac Industrial Co. contribute amounts equal to 3% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

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

19. EQUITY

a. Share capital

Ordinary shares

	December 31, 2018	December 31, 2017
Numbers of shares authorized (in thousands)	200,00	200,00
Shares authorized	$ 2,000,00	$ 2,000,00
Number of shares issued and fully paid (in thousands)	189,02	189,02
Shares issued	$ 1,890,25	$ 1,890,25

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

On March 29, 2017 the Company's board of directors resolved to issue 10,000 thousand ordinary shares with a par value of NT$10, for consideration of NT$300 per share, which increases the share capital issued and fully paid to $1,890,250 thousand. On June 14, 2017, the above transaction was approved by FSC, and the subscription base date was determined at July 30, 2017 by the board of directors.

b. Capital surplus

	December 31, 2018	December 31, 2017
Used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of ordinary shares	$ 6,123,279	$ 6,123,279
Organization Reconstruction	704,640	704,640
Donations	41,552	41,552
	6,869,471	6,869,471
Used to offset a deficit only		
Void employee share option (2)	701	701
	$ 6,870,172	$ 6,870,172

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).
2) Please refer to Note 24.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. At least 50% of the balance of net income less accumulated deficit, legal reserve and special reserve should be appropriated as dividends. The cash dividends should be at least 10% of total dividends declared. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors, plesse refer to employees' compensation and remuneration of directors and supervisors in Note 21 f.

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

The appropriations of earnings for 2017 and 2016 approved in the shareholders' meetings on June 11, 2018 and May 16, 2017 were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Year 2017	For Year 2016	For Year 2017	For Year 2016
Special reserve reversed	$ 16,451	$ 43,487	$ -	$ -
Cash dividends	1,353,419	984,256	7.16	5.3

The shareholders' meeting approved to issue cash dividends from capital surplus of RMB $302,440 thousand, RMB $1.6 per share on June 11, 2018. The actual amount converted and paid in New Taiwan Dollars were 1,353,419 thousand, 7.16 per share. The exchange

rate is based on the rate on September 10, 2018.

The shareholders' meeting approved to issue cash dividends from capital surplus of RMB $219,896 thousand, RMB $1.2283 per share on May 16, 2017. The actual amount converted and paid in New Taiwan Dollars were 984,256 thousand, 5.5 per share. The exchange rate is based on the rate on July 4, 2017.

The appropriations of earnings for 2018 had been proposed by the board of directors on March 14, 2019. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Special reserve provided	$ 4,99	$
Cash dividends	1,008,19	5.

The Company's board of directors proposed to issue cash dividends from capital surplus of RMB $219,269 thousand (NT$1,008,199 thousand), RMB $1.16 (NT$5.3) per share, in the shareholders' meeting on March 14, 2019.

The appropriation of earnings for 2018 are subject to the resolution of the shareholders' meeting to be held on June 21, 2019.

d. Other equity items

Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2018	2017
Balance at January 1	($ 425,371)	($ 358,216)
Exchange differences on translating foreign operations	48,752	15,331
Exchange differences on translating to presentation currency	(387,577)	(82,486)
Balance at December 31	($ 764,196)	($ 425,371)

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

20. REVENUE

	For the Year Ended December 31	
	2018	2017
Revenue from contracts with customers		
Revenue from sale of goods	$ 15,600,743	$ 13,717,905

a. Contract information

Revenue from sale of goods

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

b. Contract balances

	December 31, 2018
Contract liabilities	
Sale of goods	$ 52,863

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

Net income from continuing operations includes:

a. Other income

	For the Year ended December 31	
	2018	2017
Interest revenue		
Bank deposits	$ 39,669	$ 26,915

b. Other gains and losses

	For the Year ended December 31	
	2018	2017
Gain/(loss) on disposal of financial assets		
Financial assets mandatorily classified as at FVTPL	$ 1,186	$ -
Financial assets designated as at FVTPL	-	31,480
Net foreign exchange losses	(211,424)	274,054
Government grants	213,080	82,215
Gain (Loss) on disposal of property, plant and equipment	(174,307)	(22,008)
Loss on disposal of associates	-	(5,606)
Share of the loss of associates	-	(4,102)
Others	3,995	1,522
	($ 167,470)	$ 357,555

c. Financial costs

	For the Year ended December 31	
	2018	2017
Interest on bank loans	$ 224,430	$ 168,428

Information about capitalized interest was as follows:

	For the Year ended December 31	
	2018	2017
Capitalized interest	$ 20,532	$ 5,734
Capitalized interest rate	1.56%	1.53%

d. Depreciation and amortization

	For the Year ended December 31	
	2018	**2017**
Property, plant and equipment	$ 1,077,833	$ 818,729
Intangible assets	16,140	15,054
	$ 1,093,973	$ 833,783
An analysis of deprecation by function		
Operating costs	$ 808,507	$ 564,858
Selling and marketing expenses	82,287	81,898
General and administration expenses	129,406	131,083
Research and development expenses	57,633	37,890
	$ 1,077,833	$ 818,729
An analysis of amortization by function		
Operating costs	$ 761	$ 758
Selling and marketing expenses	1,104	1,031
General and administration expenses	9,981	9,063
Research and development expenses	4,294	4,202
	$ 16,140	$ 15,054

e. Employee benefits expense

	For the Year ended December 31	
	2018	**2017**
Post-employment benefits (Note 18)		
Defined contribution plans	$ 199,767	$ 200,488
Defined benefit plans	4	8
	199,771	200,496
Other employee benefits	3,839,596	3,550,496
Total employee benefits expense	$ 4,039,367	$3,750,992
An analysis of employee benefits expense by function		
Operating costs	$ 2,092,028	$1,934,279
Operating expenses	1,947,339	1,816,713
	$ 4,039,367	$3,750,992

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 2% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors.

The board of director proposed to revise employees' compensation on March 14, 2019. According to the amended 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 amended Articles of Incorporation of the Company is subject to the resolution of the shareholders' meeting to be held on June 21, 2019.

The employees' compensation and remuneration to directors and supervisors for the years ended December 31, 2018 and 2017 which have been approved by the Company's board of directors on March 14, 2019 and March 12, 2018, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2018	2017
Employees' compensation	2.0%	2.0%

Amount

	For the Year Ended 2018		For the Year Ended 2017	
	Cash	Stock	Cash	Stock
Employees' compensation	$ 77,832	$ -	$ 87,828	$ -

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, 2017 and 2016.

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

g. Gain or loss on foreign currency exchange

	For the Year ended December 31	
	2018	2017
Foreign exchange gains	$ 559,623	$ 890,951
Foreign exchange losses	(771,047)	(616,897)
	($ 211,424)	$ 274,054

22. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follow:

	For the Year Ended December 31	
	2018	2017
In respect of the current year	$ 911,954	$ 968,813
Adjustments for prior years	11,167	3,031

	For the Year Ended December 31	
	923,121	971,844
Deferred tax		
In respect of the current year	83,215	85,545
Adjustments to deferred tax attributable to changes in tax rates	(37,836)	-
In respect of the current year	45,379	85,545
Income tax expense recognized in profit or loss	$ 968,500	$ 1,057,389

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

	For the Year ended December 31	
	2018	**2017**
Profit before tax from continuing operations	$ 3,807,707	$ 4,357,170
Income tax expense calculated at the statutory rate	$ 1,074,291	$ 1,106,671
Nondeductible expenses in determining taxable income	12,022	11,893
Tax-exempt income	(105,562)	(54,578)
Unrecognized deductible temporary differences	-	6,468
R&D with tax credits	(22,447)	(15,130)
Disable persons with tax credits	(971)	(966)
Adjustments for prior years' tax	11,167	3,031
Income tax expense recognized in profit or loss	$ 1,057,389	$ 1,057,389

In 2017, the applicable corporate income tax rate used by the group entities in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. 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, 2018

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Others	Closing Balance
Deferred Tax Assets					
Temporary differences					
Allowance for loss on inventories	$ 7,789	$ 2,672	$ 553	$ -	$ 11,014
Allowance for impaired receivables	25,324	8,916	(702)	-	33,538
Unrealized gross profit	102,356	(9,016)	(2,773)	-	90,567
Others	2	2,481	777	-	3,260
	135,471	5,053	(2,145)	-	138,379

Loss carryforwards	234,578	110,924	416	-	345,918
	$ 370,049	$ 115,977	($ 1,729)	$ -	$ 484,297
Deferred tax liabilities					
Temporary differences					
Unrealized exchange gains	$ 3,754	($ 809)	$ 91	$ -	$ 3,036
Defined benefit obligation	1,184	207	-	-	1,391
Withholding tax	365,812	161,958	(10,274)	(28,021)	489,475
	$ 370,750	$ 161,356	($ 10,183)	($ 28,021)	$ 493,902

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Others	Closing Balance
Deferred Tax Assets					
Temporary differences					
Allowance for loss on inventories	$ 8,179	($ 341)	($ 49)	$ -	$ 7,789
Allowance for impaired receivables	27,922	(2,290)	(308)	-	25,324
Unrealized gross profit	51,106	50,874	376	-	102,356
Others	6,564	(7,596)	1,034	-	2
	93,771	40,647	1,053	-	135,471
Loss carryforwards	179,116	56,915	(1,453)	-	234,578
	$ 272,887	$ 97,562	($ 400)	$ -	$ 370,049
Deferred tax liabilities					
Temporary differences					
Unrealized exchange gains	$ 1,386	$ 2,377	($ 9)	$ -	$ 3,754
Defined benefit obligation	1,184	-	-	-	1,184
Withholding tax	351,666	180,730	(3,345)	(163,239)	365,812
	$ 354,236	$ 183,107	($ 3,354)	($ 163,239)	$ 370,750

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

	December 31	
	2018	**2017**
Loss carryforwards		
Expire in 2026	$ 1,366	$195,701
Expire in 2027	587	-
	$ 1,953	$195,701

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

Loss carryforwards as of December 31, 2017 comprised of：

Unused Amount	Expiry Year
$ 50,837	2023
174,184	2024
278,003	2025
399,322	2026
370,902	2027
425,823	2028
27,145	-
$ 1,726,216	

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 Industrial Co., Ltd have been respectively examined and cleared by the ROC tax authority through 2016. The other subsidiaries have also filed business income tax returns by the deadlines set by the local governments.

23. EARNINGS PER SHARE

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

Unit: NT$ Per Share

Net profit for the period

	For the year ended December 31	
	2018	**2017**
Profit for the period attributable to owners of the Company	$ 2,839,415	$ 3,300,103
Earnings used in the computation of basic earnings per share	2,839,415	3,300,103
Effect of potentially dilutive ordinary shares:	-	-
Earnings used in the computation of diluted earnings per share	$ 2,839,415	$ 3,300,103

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

	For the year ended December 31	
	2018	**2017**
Weighted average number of ordinary shares in computation of basic earnings per share	189,025	182,775
Effect of potentially dilutive ordinary shares:		
Bonus issue to employees or employee remuneration	289	259
Weighted average number of ordinary shares used in the computation of diluted earnings per share	189,314	183,034

If the Company offered to settle bonuses paid to employees in cash or shares, the Company assumed the entire amount of the bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

24. SHARE-BASED PAYMENT ARRANEMENTS

The Company issued new ordinary shares in July, 2017. The Company reserved 1,000 thousand of the newly issued shares for empolyees to subscribe. Options were priced using a Black-Scholes pricing model.

Information on employee share options was as follows:

	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Options granted	1,000	$300
Options exercised	(900)	300
Options expired	(10)	300
	-	
Weighted-average fair value of options granted	$ 70.09	

All outstanding vested share options were measured at their market-based measure at the acquisition date. Options were priced using a Black-Scholes pricing model. The inputs into the model were as follows:

	Grant Date July 14, 2017
Grant-date share price ($)	$370
Exercise price ($)	$300
Expected volatility	26.51%
Expected life	27 days
Risk-free interest rate	0.36%

25. GOVERNMENT GRANTS

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

26. 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, 2018 and 2017.

a. The Group acquired property, plant and equipment with an aggregate fair value of $5,252,801 thousand during the period of the years ended December 31, 2018. Other trade payables increase $162,343 thousand in total. The cash paid of the Group for acquisition of property, plant and equipment was $5,090,458 thousand (refer to Note 12).

b. The Group acquired land use right with an aggregate fair value of $57,273 thousand during the period of the years ended December 31, 2018. Refundable deposits decrease $32,876 thousand in total to acquire land use right. The cash paid of the Group for prepayments for lease was $24,397 thousand.

c. The Group acquired property, plant and equipment with an aggregate fair value of $3,932,985 thousand during the period of the years ended December 31, 2017. Other trade payables increase $116,412 thousand in total. The cash paid of the Group for acquisition of property, plant and equipment was $3,816,573 thousand (refer to Note 12).

d. On March 29, 2017, the Company's board of directors resolved to issue 10,000 thousand ordinary shares, with a par value of NT$10, which increase $3,070,090 thousand of the equity. The Company reserved 1,000 thousand of the newly issued shares for empolyees to subscribe. The transaction costs attributed to issue of the new ordinary shares are $6,878 thousand. The Company recognized $70,090 thousands in capital surplus-employee share options. The Company received $2,993,122 thousand cash in total for issueing new ordinary shares.

27. OPERATING LEASE AGREEMENTS

The Group as lessee

Operating leases relate to purpose of office leasing with lease terms between 1 and 10 years. The Group does not have a bargain purchase option to acquire the purpose of office leasing at the expiration of the lease periods.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31, 2018	December 31, 2017
Not later than one year	$ 42,137	$ 40,434
Later than one year and not later than five years	55,999	43,986
Later than five years	485	534
	$ 98,621	$ 84,954

28. CAPITAL MANAGEMENT

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

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

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

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

29. 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. Categories of financial instruments

	December 31, 2018	December 31, 2017
Financial assets		
Loans and receivables (Note 1)	$ -	$ 7,497,114
Financial assets at amortized cost (Note 2)	9,579,222	-
Financial liabilities		
Measured at amortized cost (Note 3)	16, 288,005	11,390,728

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

Note 3: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.

c. Financial risk management objectives and policies

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

1.Market risk

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

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

(1) Foreign currency risk

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

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

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

Sensitivity analysis

The Group was mainly exposed to the currency USD.

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

	USD Impact	
	For the Year ended December 31	
	2018	**2017**
Profit and losses	$ 37,580	$ 29,192

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

(2) Interest rate risk

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

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

	December 31, 2018	**December 31, 2017**
Fair value risk		
-Financial assets	$ 2,379,178	$ 551,582
-Financial liabilities	15,198,123	10,041,834
Cash flow risk		
-Financial assets	2,053,713	1,322,908
-Financial liabilities	-	-

Sensitiveness analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming

the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher or lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2018 and 2017 would increase or decrease by $20,537 thousand and $13,229 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, 2018 and 2017.

The Group's concentration of credit risk by geographical locations was mainly in Mainland China, which accounted for 92.03% and 90.80% of the total trade receivables as of December 31, 2018 and 2017, espectively.

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, 2018 and 2017, the Group had available unutilized short-term bank loan facilities set out in (2) below.

(1) Liquidity and interest rate risk tables

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

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

December 31, 2018

	Shorter than 3 months	3 months to 1 year	1 to 5 years	Longer than 5 years
Non-derivative financial liabilities				
Non-interest bearing	$ 1,481,695	$ 260,805	$ -	$ -
Fixed interest rate liabilities	11,419,160	498,918	3,641,006	-
	$12,900,855	$ 759,723	$3,641,006	$ -

December 31, 2017

	Shorter than 3 months	3 months to 1 year	1 to 5 years	Longer than 5 years
Non-derivative financial liabilities				
Non-interest bearing	$1,820,677	$ 221,118	$ -	$ -
Fixed interest rate liabilities	7,571,612	917,195	1,615,271	-
	$9,392,289	$1,138,313	$1,615,271	$ -

(2) Financing facilities

	December 31, 2018	December 31, 2017
Unsecured bank loans （re-examined annually）		
-Amounts used	$11,995,173	$ 8,004,455
-Amounts unused	4,411,538	2,608,699
	$16,406,711	$10,613,154
Secured bank loans		
-Amounts used	$ 3,220,000	$ 2,040,584
-Amounts unused	2,280,000	-
	$ 5,500,000	$ 2,040,584

30. TRANSACTIONS WITH RELATED PARTIES

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

(1) Name and relation

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

(2) Operating transaction

	For the Year ended December 31	
	2018	2017
Sales of goods		
Substantive related parties (the responsible person of the party is the director of the Group)	$ 255	$ 226

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

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

	December 31, 2018	December 31, 2017
Trade Receivables		
Other related parties (the responsible person of the party is the director of the Group)	$ 12	$ -

For the year ended of December 31, 2018 and 2017, no impairment losses was recognized for trade receivables from related parties.

(3) Compensation of key management personnel

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

	For the Year ended December 31	
	2018	2017
Short-term employee benefits	$ 97,084	$ 129,435

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.

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	December 31, 2018	December 31, 2017
Pledge deposits (classified as financial assets at amortized cost)	$ 6,04	$
Pledge deposits (classified as debt investment with no active market)	$	$ 6,06
Restricted bank deposits (classified as financial assets at amortized cost)	47,86	
Restricted bank deposits(classified as other financial assets)		11,25

	December 31, 2018	December 31, 2017
Land	890,35	890,35
Machinery and Equipment	1,737,55	
Buildings, net	2,758,70	2,718,25
	$ 5,440,53	$ 3,625,93

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

	December 31, 2018	December 31, 2017
Acquisition of property, plant and equipment	$ 3,159,027	$ 2,605,340

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

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

December 31, 2018

	Foreign currency	Exchange rate	Carrying amount
Financial assets			
Monetary items			
USD	$ 4,116	30.69 (USD: NTD)	$ 126,326
USD	15,014	6.86 (USD: RMB)	460,815
RMB	735,806	4.47 (RMB: NTD)	3,290,523
			$ 3,877,664
Financial liabilities			
Monetary items			
USD	$ 232	30.69 (USD: NTD)	$ 7,125
USD	141,339	6.86 (USD: RMB)	4,338,024
RMB	27,390	4.47 (RMB: NTD)	122,490
			$ 4,467,639

December 31, 2017

	Foreign currency	Exchange rate	Carrying amount
Financial assets			
Monetary items			
USD	$ 2,511	29.83 (USD: NTD)	$ 74,911
USD	24,879	6.53 (USD: RMB)	742,113
RMB	347,964	4.57 (RMB: NTD)	1,588,454

	Foreign currency	Exchange rate	Carrying amount
Financial liabilities			
Monetary items			
USD	$ 262	29.83 (USD: NTD)	$ 7,806
USD	124,996	6.53 (USD: RMB)	3,728,458
RMB	32,516	4.57 (RMB: NTD)	148,435
			$ 3,884,699

For the year ended in December 31, 2018 and 2017, realized and unrealized net foreign exchange gains (losses) were ($211,424) thousand and $274,054 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.

34. DISCLOSED ITEMS

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

1. Loans provided to other parties (Table 1)

2. Endorsements/guarantees given to other parties (None)

3. Marketable securities held (excluding investments in subsidiaries, associates and joint controlled entities) (Table 3)

4. Purchases or sales of the same marketable securities amounting to at least NT$300 million or 20% of the paid-in capital. (Table 4)

5. Acquisition of real estate at costs of at least NT $300 million or 20% of the paid-in capital (Table 5)

6. Disposal of real estate at prices of at least NT$300 million or 20% of the paid-in capital (None)

7. Purchases or sales with related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 6)

8. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 7)

9. Derivative transactions (None)

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

11. Information for investees (Table 2)

(3) Information for investments in Mainland China

1. Information for any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance

of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 8)

2. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Tables 1 and 9)

   a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

   b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

   c) The amount of property transactions and the amount of the resultant gains or losses.

   d) The balance of negotiable instrument endorsements/guarantees or pledges of collateral at the end of the period and the purposes.

   e) The highest balance, the ending balance, the interest rate range, and the total of current interest with respect to loans provided.

   f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

35. 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	
	2018	2017	2018	2017
Pneumatic components				
-Direct sales	$ 11,563,595	$ 10,343,289	$ 3,804,498	$ 3,832,774
-Distributors	4,037,148	3,374,616	1,328,151	1,250,537
Total amounts of continuing operations	$15,600,743	$13,717,905	5,132,649	5,083,311
Share of profits of associates accounted for using the equity method			(-)	(4,102)

	Revenues		Profit Before Tax	
	For the Year ended December 31		For the Year ended December 31	
	2018	2017	2018	2017
Loss on disposal of associates			(-)	(5,606)
Interest revenue			39,669	26,915
Loss on disposal of property, plant and equipment			(174,307)	(22,008)
Net exchange losses			(211,424)	274,054
Net gain arising on financial assets designated as at FVTPL			1,186	31,480
HQ admin. cost and directors' salaries			(755,636)	(858,446)
Finance costs			(224,430)	(168,428)
Profit before income tax from continuing operations			$3,807,707	$4,357,170

The segment revenues were accounted for the transactions with external customers. No inter-segment sales occurred for the years ended December 31, 2018 and 2017.

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

b. Segment total assets

	December 31, 2018	December 31, 2017
Segment assets		
Pneumatic components		
-Direct sales	$25,607,687	$21,498,422
-Distributors	8,949,154	7,009,069
Total segment total assets	34,556,841	28,507,491
Unallocated assets	487,650	398,101
Consolidated total assets	$35,044,491	$28,905,592

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.

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

LOANS PROVIDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(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 4,500 (NTD 158,400)	EUR 2,500 (NTD 88,000)	EUR 1,400 (NTD 49,280)	-	Short-term financing needs	$ -	Revolving fund	$ -	-	-	$6,839,716	$6,839,716	Note 2
0	Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd	Other receivables	Yes	USD 30,000 (NTD 920,766)	USD 10,000 (NTD 306,922)	USD 4,900 (NTD 150,392)	3.26%~4.12%	Short-term financing needs	-	Revolving fund	-	-	-	6,839,716	6,839,716	Note 2
0	Airtac International Group	Airtac International （Singapore）Pte. Ltd.	Other receivables	Yes	USD 9,000 (NTD 276,230)	USD 4,000 (NTD 122,769)	USD 1,500 (NTD 46,038)	-	Short-term financing needs	-	Revolving fund	-	-	-	6,839,716	6,839,716	Note 2
0	Airtac International Group	Airtac Co., Ltd	Other receivables	Yes	USD 8,500 (NTD 260,884)	USD 4,500 (NTD 138,115)	RMB 3,700 (NTD 113,561)	-	Short-term financing needs	-	Revolving fund	-	-	-	6,839,716	6,839,716	Note 2
0	Airtac International Group	Airtac Industrial （Malaysia）Sdn. Bhd.	Other receivables	Yes	USD 2,000 (NTD 61,384)	USD 1,000 (NTD 30,692)	USD 620 (NTD 19,029)	-	Short-term financing needs	-	Revolving fund	-	-	-	6,839,716	6,839,716	Note 2

Note 1: Conversion to NTD used the spot exchange rate on December 31, 2018, that is, 1USD＝30.6922, 1EUR＝35.2000NTD.

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 INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(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, 2018			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2018 (Note1)	December 31, 2017 (Note1)	Shares	%	Carrying Amount			
Airtac International Group	Airtac Industrial (Hong Kong) Limited	Hong Kong	General investment	USD 87,500 RMB 297,000 (NTD 4,013,752)	USD 87,500 RMB 222,000 (NTD 3,954,119)	132,160,778	100	$ 19,891,500	$ 3,517,837	$ 3,517,837	2
	Airtac Trading (Hong Kong) Limited	Hong Kong	General investment	USD - (NTD -)	USD - (NTD -)	7,000,000	100	2,794	(51)	(51)	2
	Instant Reach International Limited	British Virgin Island	General investment	USD 2,283 EUR 1,000 RMB 17,500 (NTD 183,530)	USD 2,283 EUR 1,000 RMB 17,500 (NTD 183,530)	1	100	143,304	16,714	16,714	2
	Airtac Holding (Singapore) Pte. Ltd.	Singapore	General investment	USD 17,000 (NTD 521,767)	USD 15,000 (NTD 460,383)	17,000,000	100	345,908	(36,297)	(36,297)	2
Instant Reach International Limited	Airtac Industrial Co., Ltd	Sanxia District, New Taipei City	Processing, sales and import/export of machines and components	NTD 54,581	NTD 54,581	69,435	69.44	25,673	(1,666)	-	
	ATC (Italia) S.R.L	Via Mauro Macchi n.27, 20124 Milano (MI)	Production and sales of pneumatic and hydraulic control components	EUR 4,000 (NTD 140,800)	EUR 4,000 (NTD 140,800)	4,000,000	100	92,110	17,782	-	
Airtac Holding (Singapore) Pte. Ltd.	Airtac International (Singapore) Pte. Ltd.	Singapore	Production and sales of pneumatic control components and accessories	USD 12,500 (NTD 383,653)	USD 12,500 (NTD 383,653)	12,500,000	100	316,854	(1,695)	-	
	Airtac CO., Ltd.	Japan	Production and sales of pneumatic control components and accessories	JPY 98,000 (NTD 27,264)	JPY 98,000 (NTD 27,264)	2,000	100	(49,411)	(16,047)	-	
	Airtac USA Corporation	USA	Production and sales of pneumatic control components and accessories	USD 3,000 (NTD 92,077)	USD 1,000 (NTD 30,692)	3,000	100	69,676	(18,788)	-	
Airtac International (Singapore) Pte. Ltd.	Airtac Industrial (Malaysia) Sdn. Bhd.	Malaysia	Production and sales of pneumatic control components and accessories	MYR 1,000 (NTD 7,113)	MYR 1,000 (NTD 7,113)	1,000,000	100	(15,337)	(8,575)	-	
	Airtac Industrial Co. Ltd.	Thailand	Production and sales of pneumatic control components and accessories	THB 100,000 (NTD 95,310)	THB 100,000 (NTD 95,310)	1,000,000	100	86,561	1,289	-	

Note1：Conversion to NTD used the spot exchange rate on December 31, 2018, that is, 1 USD＝30.6922 NTD, 1 EUR＝35.2000 NTD, 1 JPY＝0.2782 NTD, 1 RMB=4.4720 NTD, 1 MYR＝7.1126 NTD, 1THB=0.9531 NTD.

Note2：The amount was eliminated upon consolidation.

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

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AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
DECEMBER 31, 2018

(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, 2018				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	-	$ 470,006 (RMB 105,100)	-	$ 470,006 (RMB 105,100)	1
Guangdong Airtac Automatic Industrial Co., Ltd	Structured deposits	-	Financial assets at amortized cost - current	-	$ 134,597 (RMB 30,098)	-	$ 134,597 (RMB 30,098)	1

Note1：Conversion to NTD used the spot exchange rate on December 31, 2018, that is, 1 RMB=4.4720 NTD.

TABLE 4

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(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)	-	-	$ -	-	$ 827,320 (RMB 185,000)	-	$ 358,927 (RMB 80,261)	$ 357,760 (RMB 80,000)	$ 1,167 (RMB 261)	-	$ 470,006 (RMB 105,100)

Note 1: Conversion to NTD used the spot exchange rate on December 31, 2018, that is 1 RMB= 4.4720 NTD.

TABLE 5

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

ACQUISITION OF REAL ESTATE AT COSTS OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(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			
Airtac International Group	Plant	2017.02.08-2018.12.31	$ 1,893,558	On progress of completion	Self-building	-	-	-	-	$ -	N/A	Manufacturing, research and development purpose	-
Ningbo Airtac Automatic Industrial Co., Ltd	Plant	2016.10.15-2018.12.31	$ 1,595,011	On progress of completion	Self-building	-	-	-	-	$ -	N/A	Manufacturing 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, 2018
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Purchaser (Seller)	Counterparty	Relationship	Transaction				Non-arm's Length Transaction and Reasons		Notes/Trade Payables/ Receivable		Note
			Purchase (Sale)	Amount	% of Total	Payment Term	Unit Price (Note)	Payment Terms (Note)	Balance	% to Total	
Ningbo Airtac Automatic Industrial Co., Ltd	Airtac (China) Co., Ltd.	The same parent company	Sales	$ 7,076,368	88	T/T 120 days	$ -	-	$ 700,150	75	
Ningbo Airtac Automatic Industrial Co., Ltd	Airtac International Group	The parent company	Sales	311,705	4	T/T 120 days	-	-	95,729	10	
Ningbo Airtac Automatic Industrial Co., Ltd	Guangdong Airtac Automatic Industrial Co., Ltd	The same parent company	Sales	308,909	4	T/T 120 days	-	-	51,978	6	
Ningbo Airtac Automatic Industrial Co., Ltd	Airtac International (Singapore) Pte. Ltd.	The same parent company	Sales	119,577	1	T/T 120 days	-	-	32,377	3	
Ningbo Airtac Automatic Industrial Co., Ltd	ATC (Italia) S.R.L	The same parent company	Sales	118,333	1	T/T 120 days	-	-	35,151	4	
Guangdong Airtac Automatic Industrial Co., Ltd	Airtac (China) Co., Ltd.	The same parent company	Sales	815,619	34	T/T 120 days	-	-	381,448	36	
Guangdong Airtac Automatic Industrial Co., Ltd	Guangdong Airtac Machinery Equipment Co., Ltd.	The same parent company	Sales	783,135	32	T/T 120 days	-	-	421,399	39	
Guangdong Airtac Automatic Industrial Co., Ltd	Airtac (Jiangsu) Automatic Co., Ltd.	The same parent company	Sales	594,371	24	T/T 120 days	-	-	196,913	18	
Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd.	Subsidiary	Sales	706,271	31	T/T 120 days	-	-	221,997	34	
Airtac International Group	Airtac (China) Co., Ltd.	Subsidiary	Sales	819,827	37	T/T 120 days	-	-	199,276	31	
Airtac International	Guangdong Airtac Automatic	Subsidiary	Sales	146,646	7	T/T 120 days	-	-	19,676	3	

Purchaser (Seller)	Counterparty	Relationship	Transaction				Non-arm's Length Transaction and Reasons		Notes/Trade Payables/ Receivable		Note
Group	Industrial Co., Ltd										
Airtac (China) Co., Ltd.	Airtac (Jiangsu) Automatic Co., Ltd	The same parent company	Sales	2,543,388	22	T/T 120 days	-	-	236,908	12	
Airtac (China) Co., Ltd.	Guangdong Airtac Machinery Equipment Co., Ltd.	Subsidiary	Sales	3,152,384	28	T/T 120 days	-	-	517,903	25	
Airtac (China) Co., Ltd.	Airtac (Tianjin) Technology Co., Ltd.	Subsidiary	Sales	591,127	5	T/T 120 days	-	-	146,531	7	
Airtac (China) Co., Ltd.	Airtac (Fujian) Intelligent Equipment Co., Ltd.	Subsidiary	Sales	217,562	2	T/T 120 days	-	-	132,877	6	
Guangdong Airtac Machinery Equipment Co., Ltd.	Airtac (China) Co., Ltd.	The parent company	Sales	230,474	5	T/T 120 days	-	-	62,886	5	

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, 2018
(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	700,150	6	-	-	700,150	-
Guangdong Airtac Automatic Industrial Co., Ltd	Airtac (China) Co., Ltd.	The same parent company	381,448	2	-	-	381,448	-
Guangdong Airtac Automatic Industrial Co., Ltd	Guangdong Airtac Machinery Equipment Co., Ltd.	The same parent company	421,399	2	-	-	421,399	-
Guangdong Airtac Automatic Industrial Co., Ltd	Airtac (Jiangsu) Automatic Co., Ltd.	The same parent company	196,913	3	-	-	196,913	-
Airtac (China) Co., Ltd.	Airtac (Jiangsu) Automatic Co., Ltd.	The same parent company	236,908	9	-	-	236,908	-
Airtac (China) Co., Ltd.	Guangdong Airtac Machinery Equipment Co., Ltd.	Subsidiary	517,903	5	-	-	358,449	-
Airtac (China) Co., Ltd.	Airtac (Tianjin) Technology Co., Ltd.	The same parent company	146,531	6	-	-	100,231	-
Airtac (China) Co., Ltd.	Airtac (Fujian) Intelligent Equipment Co., Ltd.	Subsidiary	132,877	3	-	-	113,960	-
Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd.	Subsidiary	221,997	2	-	-	126,849	-
Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd.	Subsidiary	150,392	Note 1	-	-	-	-
Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd Industrial Co., Ltd.	Subsidiary	184,539	Note 1	-	-	-	-
Airtac International Group	Airtac (China) Co., Ltd.	Subsidiary	199,276	4	-	-	199,276	-
Airtac International Group	Airtac Co., Ltd.	Subsidiary	113,561	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, 2018
(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, 2018	Investment Flow for the Period		Accumulated Investment Outflow from Taiwan as of December 31, 2018	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, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018	Note
					Outflow	Inflow							
Ningbo Airtac Automatic Industrial Co., Ltd	Production of pneumatic control components and auxiliary components	USD 52,000 RMB 210,000 (NTD 2,535,114)	N/A	N/A	$-	$-	N/A	$ 1,679,672	100	$ 1,796,967	$ 11,308,811	N/A	
Guangdong Airtac Automatic Industrial Co., Ltd	Production of pneumatic control components and auxiliary components	USD 6,000 (NTD 184,153)	N/A	N/A	-	-	N/A	607,444	100	628,709	3,227,051	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 1,115,932)	N/A	N/A	-	-	N/A	938,502	100	938,098	4,896,978	N/A	
Airtac (Jiangsu) Automatic Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	USD 1,500 RMB 23,000 (NTD 148,894)	N/A	N/A	-	-	N/A	319,898	100	319,898	934,919	N/A	
Guangdong Airtac Machinery Equipment Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	RMB 10,000 (NTD 44,720)	N/A	N/A	-	-	N/A	383,425	100	383,425	629,298	N/A	
Airtac (Tianjin) Technology Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	RMB 10,000 (NTD 44,720)	N/A	N/A	-	-	N/A	21,864	100	21,864	71,078	N/A	
Airtac (Fujian) Intelligent Equipment Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	RMB 10,000 (NTD 44,720)	N/A	N/A	-	-	N/A	16,959	100	16,959	61,663	N/A	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	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, 2018, that is, 1 USD=30.6922 NTD, 1RMB=4.4720 NTD.

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEARS ENDED DECEMBER 31, 2018
(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	$ 221,997	General terms and conditions	1%
		Ningbo Airtac Automatic Industrial Co., Ltd	1	Sales revenue	706,271	General terms and conditions	5%
		Ningbo Airtac Automatic Industrial Co., Ltd	1	Sell property, plant and equipment	188,182	General terms and conditions	1%
		Ningbo Airtac Automatic Industrial Co., Ltd	1	Other receivable	150,392	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd	1	Other receivable	184,539	General terms and conditions	1%
		Airtac Industrial (Malaysia) Sdn. Bhd.	1	Sales revenue	47,309	General terms and conditions	-
		Airtac Industrial (Malaysia) Sdn. Bhd.	1	Trade receivables	53,905	General terms and conditions	-
		Airtac Industrial (Malaysia) Sdn. Bhd.	1	Other receivable	19,029	General terms and conditions	-
		Airtac (China) Co., Ltd	1	Sales revenue	819,827	General terms and conditions	5%
		Airtac (China) Co., Ltd	1	Trade receivables	199,276	General terms and conditions	1%
		Guangdong Airtac Automatic Industrial Co., Ltd	1	Sales revenue	146,646	General terms and conditions	1%
		Guangdong Airtac Automatic Industrial Co., Ltd	1	Trade receivables	19,676	General terms and conditions	-
		Airtac Industrial Co., Ltd	1	Sales revenue	48,231	General terms and conditions	-
		Airtac Industrial Co., Ltd	1	Trade receivables	34,615	General terms and conditions	-
		ATC (Italia) S.R.L	1	Other receivable	49,280	General terms and conditions	-
		Airtac International (Singapore) Pte. Ltd.	1	Other receivable	46,038	General terms and conditions	-
		Airtac Co., Ltd.	1	Other receivable	113,561	General terms and conditions	-
1	Ningbo Airtac Automatic Industrial Co.,Ltd	Airtac International Group	2	Sales revenue	311,705	General terms and conditions	2%
		Airtac International Group	2	Trade receivables	95,729	General terms and conditions	-
		Airtac (China) Co., Ltd	3	Trade receivables	700,150	General terms and conditions	2%
		Airtac (China) Co., Ltd	3	Sales revenue	7,076,368	General terms and conditions	45%
		Guangdong Airtac Automatic Industrial Co., Ltd	3	Sales revenue	308,909	General terms and conditions	2%
		Guangdong Airtac Automatic Industrial Co., Ltd	3	Trade receivables	51,978	General terms and conditions	-
		ATC (Italia) S.R.L	3	Sales revenue	118,333	General terms and conditions	1%
		ATC (Italia) S.R.L	3	Trade receivables	35,151	General terms and conditions	-

No.	Company Name	Counter Party	Nature of Relationship (Note)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Sales or Assets
1	Ningbo Airtac Automatic Industrial Co., Ltd	Airtac International (Singapore) Pte. Ltd.	3	Trade receivables	32,377	General terms and conditions	-
		Airtac International (Singapore) Pte. Ltd.	3	Sales revenue	119,577	General terms and conditions	1%
		AIRTAC USA CORPORATION	3	Sales revenue	47,943	General terms and conditions	-
		AIRTAC USA CORPORATION	3	Trade receivables	10,781	General terms and conditions	-
		Airtac Co., Ltd.	3	Sales revenue	20,294	General terms and conditions	-
2	Guangdong Airtac Automatic Industrial Co., Ltd	Ningbo Airtac Automatic Industrial Co., Ltd	3	Sales revenue	40,976	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd	3	Trade receivables	13,748	General terms and conditions	-
		Airtac (China) Co., Ltd.	3	Trade receivables	381,448	General terms and conditions	1%
		Airtac (China) Co., Ltd.	3	Sales revenue	815,619	General terms and conditions	5%
		Airtac International Group	2	Sales revenue	87,593	General terms and conditions	1%
		Airtac International Group	2	Trade receivables	26,129	General terms and conditions	-
		ATC (Italia) S.R.L	3	Sales revenue	30,120	General terms and conditions	-
		Airtac International (Singapore) Pte.Ltd.	3	Sales revenue	47,814	General terms and conditions	-
		AIRTAC USA CORPORATION	3	Trade receivables	18,719	General terms and conditions	-
		AIRTAC USA CORPORATION	3	Sales revenue	32,183	General terms and conditions	-
		Guangdong Airtac Machinery Equipment Co., Ltd.	3	Sales revenue	783,135	General terms and conditions	5%
		Guangdong Airtac Machinery Equipment Co., Ltd.	3	Trade receivables	421,399	General terms and conditions	1%
		Airtac (Jiangsu) Automatic Co., Ltd.	3	Sales revenue	594,371	General terms and conditions	4%
		Airtac (Jiangsu) Automatic Co., Ltd.	3	Trade receivables	196,913	General terms and conditions	1%
3	Airtac (China) Co., Ltd	Airtac (Jiangsu) Automatic Co., Ltd.	3	Trade receivables	236,908	General terms and conditions	1%
		Airtac (Jiangsu) Automatic Co., Ltd.	3	Sales revenue	2,543,388	General terms and conditions	16%
		Guangdong Airtac Machinery Equipment Co., Ltd.	3	Trade receivables	517,903	General terms and conditions	1%
		Guangdong Airtac Machinery Equipment Co., Ltd.	3	Sales revenue	3,152,384	General terms and conditions	20%
		Ningbo Airtac Automatic Industrial Co., Ltd	3	Sales revenue	16,297	General terms and conditions	-
		Airtac (Tianjin) Technology Co., Ltd.	3	Trade receivables	146,531	General terms and conditions	-
		Airtac (Tianjin) Technology Co., Ltd.	3	Sales revenue	591,127	General terms and conditions	4%
		Airtac (Fujian) Intelligent Equipment Co., Ltd.	3	Trade receivables	132,877	General terms and conditions	-
		Airtac (Fujian) Intelligent Equipment Co., Ltd.	3	Sales revenue	217,562	General terms and conditions	1%
4	Guangdong Airtac Machinery Equipment Co., Ltd.	Airtac (China) Co., Ltd.	3	Trade receivables	62,886	General terms and	-

No.	Company Name	Counter Party	Nature of Relationship (Note)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Sales or Assets
		Airtac (China) Co., Ltd.	3	Sales revenue	230,474	conditions General terms and conditions	1%
5	Airtac Co., Ltd.	Ningbo Airtac Automatic Industrial Co., Ltd	3	Sales revenue	28,176	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.