# Airtac International Group
# and Subsidiaries

**Consolidated Financial Statements for the**
**Three Months Ended March 31, 2019 and 2018 and**
**Independent Auditors' Review Report**

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

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders
Airtac International Group

We have reviewed the accompanying consolidated balance sheets of Airtac International Group (the "Company" ) and its subsidiaries (collectively referred to as the "Group" ) as of March 31, 2019 and 2018 and the related consolidated statements of comprehensive income for the three months ended March 31, 2019 and 2018, as well as the consolidated statements of changes in equity and cash flows for the three months ended March 31, 2019 and 2018. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with Statement of Auditing Standards No. 36 - "Engagements to Review Financial Statements" of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard No. 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

May 2, 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**
**(In Thousands of New Taiwan Dollars)**

| | March 31, 2019 (Reviewed) | | December 31, 2018 (Audited) | | March 31, 2018 (Reviewed) | |
|---|---|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents (Notes 4 and 6) | $ 4,538,155 | 12 | $ 3,887,916 | 11 | $ 2,146,654 | 7 |
| Financial assets at fair value through profit or loss - current (Notes 4 and 7) | 10,390 | - | - | - | - | - |
| Financial assets at amortized cost - current (Notes 4, 8 and 30) | 1,028,873 | 3 | 658,517 | 2 | 41,991 | - |
| Notes receivable (Notes 4, 5 and 9) | 1,539,210 | 4 | 1,549,685 | 4 | 1,649,681 | 6 |
| Trade receivables (Notes 4, 5 and 29) | 3,342,100 | 9 | 3,445,549 | 10 | 3,705,569 | 12 |
| Other receivables (Notes 4 and 5) | 60,056 | - | 37,555 | - | 39,612 | - |
| Current tax assets (Note 4) | 4,638 | - | 3,353 | - | 28,556 | - |
| Inventories (Notes 4, 5 and 10) | 4,095,758 | 11 | 4,082,701 | 12 | 4,368,534 | 14 |
| Other current assets (Notes 14 and 15) | 360,463 | 1 | 344,981 | 1 | 375,915 | 1 |
| Total current assets | 14,979,643 | 40 | 14,010,257 | 40 | 12,356,512 | 40 |
| NON-CURRENT ASSETS | | | | | | |
| Property, plant and equipment (Notes 4, 12 and 33) | 19,302,945 | 52 | 18,507,500 | 53 | 16,094,324 | 52 |
| Right-of-use assets (Notes 4 and 13) | 817,279 | 2 | - | - | - | - |
| Other intangible assets (Note 4) | 74,864 | - | 76,741 | - | 82,960 | - |
| Deferred tax assets (Note 4) | 503,377 | 2 | 484,297 | 1 | 435,648 | 1 |
| Long-term prepayments for lease (Note 14) | - | - | 498,865 | 2 | 510,778 | 2 |
| Other non-current assets (Note 15) | 1,499,031 | 4 | 1,466,831 | 4 | 1,612,257 | 5 |
| Total non-current assets | 22,197,496 | 60 | 21,034,234 | 60 | 18,735,967 | 60 |
| TOTAL | $ 37,177,139 | 100 | $ 35,044,491 | 100 | $ 31,092,479 | 100 |
| **LIABILITIES AND EQUITY** | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Short-term loans (Note 16) | $ 10,980,483 | 30 | $ 10,745,173 | 31 | $ 8,275,262 | 27 |
| Short-term bills payable (Note 16) | 950,000 | 3 | 950,000 | 3 | 300,000 | 1 |
| Contract liabilities - current (Note 21) | 34,406 | - | 52,863 | - | 49,218 | - |
| Notes payable (Note 17) | 160,197 | - | 201,622 | 1 | 397,054 | 1 |
| Trade payables (Note 17) | 551,218 | 1 | 532,726 | 1 | 632,083 | 2 |
| Lease liability - current (Notes 4 and 13) | 52,634 | - | - | - | - | - |
| Other payables (Note 18) | 819,973 | 2 | 1,008,151 | 3 | 713,415 | 2 |
| Current tax liabilities (Note 4) | 384,542 | 1 | 294,103 | 1 | 224,000 | 1 |
| Current portion of long-term loans (Notes 16 and 30) | 279,750 | 1 | - | - | - | - |
| Other current liabilities (Note 18) | 204,508 | 1 | 154,002 | - | 67,327 | - |
| Total current liabilities | 14,417,711 | 39 | 13,938,640 | 40 | 10,658,359 | 34 |
| NON-CURRENT LIABILITIES | | | | | | |
| Lease liabilities - noncurrent (notes 4 and 13) | 80,336 | - | - | - | - | - |
| Long-term loans (Notes 16 and 30) | 3,934,223 | 11 | 3,502,950 | 10 | 2,909,881 | 9 |
| Deferred tax liabilities (Note 4) | 547,693 | 1 | 493,902 | 1 | 424,440 | 2 |
| Total non-current liabilities | 4,562,252 | 12 | 3,996,852 | 11 | 3,334,321 | 11 |
| Total liabilities | 18,979,963 | 51 | 17,935,492 | 51 | 13,992,680 | 45 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20) | | | | | | |
| Share capital | 1,890,250 | 5 | 1,890,250 | 5 | 1,890,250 | 6 |
| Capital surplus | 6,870,172 | 19 | 6,870,172 | 20 | 6,870,172 | 22 |
| Retained earnings | 9,782,868 | 26 | 9,096,802 | 26 | 8,489,405 | 27 |
| Other equity | (355,826) | (1) | (757,934) | (2) | (159,854) | - |
| Total equity attributable to owners of the Company | 18,187,464 | 49 | 17,099,290 | 49 | 17,089,973 | 55 |
| NON-CONTROLLING INTERESTS | 9,712 | - | 9,709 | - | 9,826 | - |
| Total equity | 18,197,176 | 49 | 17,108,999 | 49 | 17,099,799 | 55 |
| TOTAL | $ 37,177,139 | 100 | $ 35,044,491 | 100 | $ 31,092,479 | 100 |

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

# AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**
**(Reviewed, Not Audited)**

| | For the Three Months Ended March 31 | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | Amount | % | Amount | % |
| OPERATING REVENUE | | | | |
| Sales (Notes 4, 21 and 34) | $ 3,378,513 | 100 | $ 3,609,864 | 100 |
| OPERATING COSTS | | | | |
| Cost of goods sold (Notes 10 and 22) | 1,830,873 | 54 | 1,802,018 | 50 |
| GROSS PROFIT | 1,547,640 | 46 | 1,807,846 | 50 |
| OPERATING EXPENSES (Note 22) | | | | |
| Selling and marketing expenses | 446,040 | 13 | 435,599 | 12 |
| General and administrative expenses | 216,621 | 6 | 240,098 | 6 |
| Research and development expenses | 116,068 | 4 | 98,232 | 3 |
| Expected credit loss | (1,167) | - | 12,028 | - |
| Total operating expenses | 777,562 | 23 | 785,957 | 21 |
| PROFIT FROM OPERATIONS | 770,078 | 23 | 1,021,889 | 29 |
| NON-OPERATING INCOME AND EXPENSES (Note 22) | | | | |
| Other income | 25,202 | 1 | 5,907 | - |
| Other gains and losses | 179,287 | 5 | 117,064 | 3 |
| Finance costs | (70,831) | (2) | (45,498) | (1) |
| Total non-operating income and expenses | 133,658 | 4 | 77,473 | 2 |
| PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS | 903,736 | 27 | 1,099,362 | 31 |
| INCOME TAX EXPENSE (Note 23) | 217,639 | 7 | 220,808 | 6 |
| NET PROFIT FOR THE PERIOD | 686,097 | 20 | 878,554 | 25 |
| OTHER COMPREHENSIVE INCOME | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Exchange differences arising on translation to the presentation currency | 414,643 | 12 | 293,011 | 8 |
| Items that may be reclassified subsequently to profit or loss: | | | | |

(Continued)

# AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**
**(Reviewed, Not Audited)**

| | For the Three Months Ended March 31 | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | Amount | % | Amount | % |
| Exchange differences on translating foreign operations | (12,563) | - | (33,783) | (1) |
| Other comprehensive income for the period, net of income tax | 402,080 | 12 | 259,228 | 7 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | $ 1,088,177 | 32 | $ 1,137,782 | 32 |
| NET PROFIT ATTRIBUTABLE TO: | | | | |
| Owner of the Company | $ 686,066 | 20 | $ 878,899 | 24 |
| Non-controlling interests | 31 | - | (45) | - |
| | $ 686,097 | 20 | $ 878,854 | 24 |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | |
| Owner of the Company | $ 1,088,174 | 32 | $ 1,137,854 | 32 |
| Non-controlling interests | 3 | - | (72) | - |
| | $ 1,088,177 | 32 | $ 1,137,782 | 32 |
| EARNINGS PER SHARE (Note 24) | | | | |
| Basic | $ 3.63 | | $ 4.65 | |
| Diluted | $ 3.62 | | $ 4.64 | |

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

**AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES**

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

| | Equity Attributable to Owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share Capital | | | Retained Earnings | | Other Equity | | | | |
| | Shares (In Thousands) | Ordinary Shares | Capital Surplus (Note 20) | 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, 2018 | 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 |
| Other comprehensive income for the three months ended March 31, 2018, net of income tax | - | - | - | - | - | 259,255 | - | 259,255 | (27) | 259,228 |
| Net profit for the three months ended March 31, 2018 | - | - | - | 878,599 | - | - | - | 878,599 | (45) | 878,554 |
| Total comprehensive income for the three months ended March 31, 2018 | - | - | - | 878,599 | - | 259,255 | - | 1,137,854 | (72) | 1,137,782 |
| BALANCE AT MARCH 31, 2018 | 189,025 | $ 1,890,250 | $ 6,870,172 | $ 8,467,963 | $ 21,442 | $ (166,116) | $ 6,262 | $ 17,089,973 | $ 9,826 | $ 17,099,799 |
| BALANCE AT JANUARY 1, 2019 | 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 |
| Net profit for the three months ended March 31, 2019 | - | - | - | 686,066 | - | - | - | 686,066 | 31 | 686,097 |
| Other comprehensive income for the three months ended March 31, 2019, net of income tax | - | - | - | - | - | 402,108 | - | 402,108 | (28) | 402,080 |
| Total comprehensive income for the three months ended March 31, 2019 | - | - | - | 686,066 | - | 402,108 | - | 1,088,174 | 3 | 1,088,177 |
| BALANCE AT MARCH 31, 2019 | 189,025 | $ 1,890,250 | $ 6,870,172 | $ 9,777,877 | $ 4,991 | $ (362,088) | $ 6,262 | $ 18,187,464 | $ 9,712 | $ 18,197,176 |

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

# AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In Thousands of New Taiwan Dollars)**
**(Reviewed, Not Audited)**

| | For the Three Months Ended March 31 | |
|---|---|---|
| | **2019** | **2018** |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | $ 903,736 | $ 1,099,362 |
| Adjustments for: | | |
| Depreciation expenses | 319,248 | 244,101 |
| Amortization expenses | 4,919 | 3,952 |
| Expected credit gain (loss) | (1,167) | 12,028 |
| Net gain on financial assets at fair value through profit or loss | (390) | (1,186) |
| Finance costs | 70,831 | 45,498 |
| Interest income | (25,202) | (5,907) |
| Loss on disposal of property, plant and equipment | (12,745) | 33,200 |
| Write-down of inventories | 18,468 | 3,819 |
| Net loss on foreign currency exchange | (20,313) | (61,614) |
| Amortization of prepayments for lease | - | 4,088 |
| Changes in operating assets and liabilities: | | |
| Increase in notes receivable | 47,841 | 465,310 |
| Increase in trade receivables | 187,446 | (305,654) |
| (Increase) decrease in other receivables | (21,792) | (8,377) |
| Increase in inventories | 61,740 | (341,054) |
| (Increase) decrease in other current assets | 19,382 | (24,899) |
| Increase in net defined benefit assets | - | 2 |
| Increase in contract liabilities | (19,670) | (7,343) |
| Increase in notes payable | (46,145) | 122,902 |
| Increase (decrease) in trade payables | 5,724 | (173,353) |
| Increase in other payables | (164,929) | (198,429) |
| Increase in other current liabilities | 46,637 | (5,029) |
| Cash generated from operations | 1,373,619 | 901,417 |
| Interest received | 18,687 | 6,246 |
| Interest paid | (69,516) | (40,901) |
| Income tax paid | (109,623) | (380,297) |
| Net cash generated from operating activities | 1,213,167 | 486,465 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of financial assets measured at amortized cost | (1,529,376) | (42) |
| Proceeds on sale of financial assets at amortized cost | 1,145,437 | - |
| Purchase of financial assets at fair value through profit or loss | (10,000) | - |
| Proceeds from sale of financial assets designated as at fair value through profit and loss | - | 1,186 |
| Payments for property, plant and equipment | (989,192) | (1,529,635) |
| Proceeds from disposal of property, plant and equipment | 126,428 | 12,330 |
| Increase in refundable deposits | (3,666) | (1,315) |
| Decrease in refundable deposits | 5,023 | 3,447 |

(Continued)

# AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In Thousands of New Taiwan Dollars)**
**(Reviewed, Not Audited)**

| | For the Three Months Ended March 31 | |
|---|---|---|
| | **2019** | **2018** |
| Acquisitions of intangible assets | (1,623) | (9,415) |
| Acquisitions of right-of-use assets | (164,904) | - |
| Increase in prepayments for equipment | - | (273,769) |
| Increase in prepayments for lease | - | (986) |
| Net cash (used in) generated from investing activities | (1,421,873) | (1,798,199) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from short-term loans | 216,509 | 635,420 |
| Proceeds from long-term loans | 710,000 | 2,909,540 |
| Repayments of long-term loans | - | (2,040,584) |
| Repayment of the principat portion of lease liability | (14,703) | - |
| Net cash generated from financing activities | 911,806 | 1,504,376 |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | (52,861) | (62,762) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 650,239 | 129,880 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 3,887,916 | 2,016,774 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | $ 4,538,155 | $ 2,146,654 |

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 May 2, 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) IFRS 16 "Leases"

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a

number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents 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 are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, including property interest qualified as investment properties, were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights in China were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Except for the leasehold investment properties mentioned below, lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. the Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

(1) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
(2) The Group adjusts the right-of-use assets on January 1, 2019 by the amount of any provisions for onerous leases recognized on December 31, 2018, instead of assessing the impairment under IAS 36.
(3) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
(4) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

(5) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 3.17%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

| | |
|---|---|
| The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018 | $ 98,621 |
| Undiscounted amounts on January 1, 2019 | $ 98,621 |
| Discounted amounts using the incremental borrowing rate on January 1, 2019 | $ 92,652 |
| Add: Adjustments as a result of a different treatment of extension and termination options | 48,781 |
| Lease liabilities recognized on January 1, 2019 | $ 141,433 |

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

| | **As Originally Stated on January 1, 2019** | **Adjustments Arising from Initial Application** | **Restated on January 1, 2019** |
|---|---|---|---|
| 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 liabilities | $ - | $ 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 has 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 Group expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

3) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3 "Business Combinations", IFRS 11 "Joint Arrangements", IAS 12 "Income Taxes" 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, the related borrowing costs shall be included in the calculation of the capitalization rate on general borrowings.

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 Group applied the above amendments prospectively.

The impact of the 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 is summarized below:

Impact on assets, liabilities and equity for the current period

| | As Originally Stated on January 1, 2019 | Adjustments Arising from Initial Application | Restated on January 1, 2019 |
|---|---|---|---|
| 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 liabilities | $ - | $ 141,433 | $ 141,433 |
| | | | |
| Total effect on equity | $ - | $ - | $ - |

| | January 1, 2019 |
|---|---|
| Increase in prepayments for leases - current | ($ 10,715) |
| Decrease in prepayments for leases - non-current | ( 498,865) |
| Increase in right-of-use assets | 651,013 |
| Increase in assets | $141,433 |
| | |
| Increase in lease liabilities - current | $ 51,077 |
| Increase in lease liabilities - non-current | 90,356 |
| Increase in liabilities | $141,433 |
| Total effect on equity | $ - |

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

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|---|---|
| Amendments to IFRS 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 |
| Amendments to IAS 1 and IAS 8 "Definition of Material" | January 1, 2020 (Note 3) |

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 Group 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.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

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

b. Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value. The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

c. 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 12 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 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 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 12 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 (i.e. its subsidiaries, including structured entities).

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

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

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

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

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

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

f. Inventories

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

g. Property, Plant and Equipment

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

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

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

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

h. Intangible Assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

i. Impairment of Tangible and Intangible Assets Other Than Goodwill

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 an 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 in case of the Group can use a reasonable and consistent basis of allocation, otherwise, corporate assets are allocated to the smallest group of cash-generating units.

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 asset may be impaired.

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.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit 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 or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial Instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial asset at FVTPL

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

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

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

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 by 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 asset that has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

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

b) Impairment of financial assets

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

c) Derecognition of financial assets

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

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

2) Equity Instruments

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

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

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

3) Financial Liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

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

k. Revenue Recognition

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

Revenue from sale of goods

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

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

l. Leasing

2019

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

The Group as lessee

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

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

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

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

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

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

2018

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.

The Group as lessee

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

m. Borrowing Costs

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

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

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

n. Government Grants

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

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

o. Employee benefits

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 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.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Termination benefits

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

p. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistent with the accounting for the transaction itself which gives rise to the tax consequence, and is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

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

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

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. For details of the key assumptions and inputs used, see Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

c. 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 was 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.

d. Lease terms – 2019

In determining a lease term, the Group considers all facts and circumstances that create an economic incentive to exercise or not to exercise an option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Main factors considered include contractual terms and conditions for the optional periods, significant leasehold improvements undertaken over the contract term, the importance of the underlying asset to the lessee's operations, etc. The lease term is reassessed if a significant change in circumstances that are within control of the Group occur.

e. Lessees' incremental borrowing rates

In determining a lessee's incremental borrowing rate used in discounting lease payments, a risk-free rate for the same currency and relevant duration is selected as a reference rate, and the lessee's credit spread adjustments and lease specific adjustments (such as asset type, secured position, etc.) are also taken into account.

## 6. CASH AND CASH EQUIVALENTS

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Cash on hank | $ 1,356 | $ 1,942 | $ 1,249 |
| Check accounts | 107,085 | 111,600 | 246,227 |
| Demand deposits | 2,206,444 | 2,005,846 | 1,311,066 |
| Cash equivalent (investments with original maturities of less than 3 months) | | | |
| Time deposits | 2,223,270 | 1,768,528 | 588,112 |
| | $ 4,538,155 | $ 3,887,916 | $ 2,146,654 |

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

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Demand deposits | 0.001%~0.48% | 0.001%~0.48% | 0.001%~0.35% |
| Time deposits | 1.10%~3.60% | 1.10%~4.15% | 1.10%~4.10% |

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

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Finanical asets - current | | | |
| Financial assets mandatorily classified as at FVTPL | | | |
| Non-derivative financial assets | | | |
| －Mutual funds | $ 10,390 | $ - | $ - |

## 8. FINANCIAL ASSETS AT AMORTIZED COST

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Current | | | |
| Time deposits with original maturity of more than 3 month | $ 6,236 | $ 6,047 | $ 6,218 |
| Restricted bank deposits | 11,453 | 47,867 | 35,773 |
| Structured deposits | 1,011,184 | 604,603 | - |
| | $ 1,028,873 | $ 658,517 | $ 41,991 |

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

## 9. NOTES RECEIVABLE AND TRADE RECEIVABLES

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Notes receivable | | | |
| Notes receivable | $ 1,562,696 | $ 1,572,710 | $ 1,650,222 |
| Less: Allowance for impairment loss | ( 23,486) | ( 23,025) | ( 541) |
| | $ 1,539,210 | $ 1,549,685 | $ 1,649,681 |
| Trade receivables | | | |
| Trade receivables | $ 3,461,892 | $ 3,563,830 | $ 3,826,926 |
| Less: Allowance for impairment loss | ( 119,792) | ( 118,281) | ( 121,357) |
| | $ 3,342,100 | $ 3,445,549 | $ 3,705,569 |

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 three months ended March 31, 2019 | For the three months ended March 31, 2018 |
|---|---|---|
| Balance at January 1, per IAS39 | $ 23,025 | $ 549 |
| Less: Impairment losses reversed | ( 81 ) | ( 7 ) |
| Foreign exchange gains and losses | 542 | ( 1 ) |
| Balance at March 31 | $ 23,486 | $ 541 |

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

March 31, 2019

| | 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 | 0.71% | 4.58% | 25.52% | 46.61% | 92.41% | 98.63% | 100% | |
| Gross carrying amount | $ 2,961,323 | $ 349,006 | $ 65,630 | $ 32,084 | $ 30,889 | $ 9,876 | $ 13,084 | $ 3,461,892 |
| Loss allowance (Lifetime ECL) | ( 20,913) | ( 15,999) | ( 16,748) | ( 14,762) | ( 28,545) | ( 9,741) | ( 13,084) | ( 119,792) |
| Amortized cost | $ 2,940,410 | $ 333,007 | $ 48,882 | $ 17,322 | $ 2,344 | $ 135 | $ - | $ 3,342,100 |

December 31, 2018

| | 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 | $ 2,011 | $ 118 | $ - | $ 3,445,549 |

March 31, 2018

| | 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 | 0.88% | 5.63% | 26.45% | 36.42% | 86.72% | 97.78% | 100% | |
| Gross carrying amount | $ 3,164,733 | $ 513,830 | $ 83,658 | $ 33,144 | $ 7,357 | $ 7,564 | $ 16,640 | $ 3,826,926 |
| Loss allowance (Lifetime ECL) | ( 27,825) | ( 28,916) | ( 22,129) | ( 12,072) | ( 6,379) | ( 7,396) | ( 16,640) | ( 121,357) |
| Amortized cost | $ 3,136,908 | $ 484,914 | $ 61,529 | $ 21,072 | $ 978 | $ 168 | $ - | $ 3,705,569 |

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

| | For the Three Months Ended March 31, 2019 | For the Three Months Ended March 31, 2018 |
|---|---|---|
| Balance at January 1, per IAS39 | $ 118,281 | $ 110,524 |
| Add: Net remeasurement of loss allowance (a) | ( 1,086) | 12,035 |
| Less: Amounts written off | ( 47) | ( 3,144) |
| Foreign exchange gains and losses | 2,644 | 1,942 |
| Balance at March 31 | $ 119,792 | $ 121,357 |

a) The decrease and increase in loss allowance of $1,086 thousand and $12,035 thousand resulted from origination of new trade receivables net of those settled of $101,938 thousand and$365,563 thousand.

## 10. INVENTORIES

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Raw materials | $ 1,175,797 | $ 1,242,564 | $ 1,196,851 |
| Finished goods | 1,857,723 | 1,777,176 | 2,086,417 |
| Work in progress | 1,062,238 | 1,062,961 | 1,085,266 |
| | $ 4,095,758 | $ 4,082,701 | $ 4,368,534 |

As of March 31, 2019, December 31, 2018, and March 31, 2018, the allowance for inventory devaluation was $79,734 thousand, $60,465 thousand and $50,502 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2019 and 2018 were $1,830,873 thousand and $1,802,018 thousand, respectively. The cost of

goods sold included inventory write-downs for the three months ended March 31, 2019 and 2018 were $18,468 thousand and $3,819 thousand, respectively.

The cost of goods sold included scraps for the three months ended March 31, 2019 and 2018 were $28,098 thousand and $37,296 thousand, respectively.

## 11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

The consolidated entities were as follows:

| Name of investing company | Name of subsidiary | % of Ownership | | |
|---|---|---|---|---|
| | | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Airtac International Group | Airtac Trading (Hong Kong) Limited | 100 | 100 | 100 |
| | Airtac Industrial (Hong Kong) Limited | 100 | 100 | 100 |
| | Instant Reach International Limited | 100 | 100 | 100 |
| | Airtac Holding (Singapore) Pte. Ltd. | 100 | 100 | 100 |
| Airtac Industrial （Hong Kong） Limited | Ningbo Airtac Automatic Industrial Co., Ltd. | 100 | 100 | 100 |
| | Guangdong Airtac Automatic Industrial Co., Ltd. | 100 | 100 | 100 |
| | Airtac (China) Co., Ltd. | 100 | 100 | 100 |
| | Airtac (Jiangsu) Automatic Co., Ltd. | 100 | 100 | 100 |
| Instant Reach International Limited | ATC (Italia) S.R.L. | 100 | 100 | 100 |
| | Airtac Industrial Co., Ltd. | 69.44 | 69.44 | 69.44 |
| Airtac Holding （Singapore） Pte. Ltd. | Airtac International (Singapore) Pte. Ltd. | 100 | 100 | 100 |
| | Airtac Co., Ltd. | 100 | 100 | 100 |
| | AIRTAC USA CORPORATION | 100 | 100 | 100 |
| Airtac International （Singapore）Pte. Ltd. | Airtac Industrial (Malaysia) Sdn. Bhd. | 100 | 100 | 100 |
| | Airtac Industrial (Thailand) Co., Ltd. | 100 | 100 | 100 |
| Airtac (China) Co., Ltd. | Guangdong Airtac Machinery Equipment Co., Ltd. | 100 | 100 | 100 |
| | Airtac (Tianjin) Technology Co., Ltd. | 100 | 100 | 100 |
| | Airtac (Fujian) Intelligent Equipment Co., Ltd. | 100 | 100 | - |

a. Airtac Trading (Hong Kong) Limited, Airtac Industrial (Hong Kong) Limited, Instant Reach International Limited and Airtac Holding (Singapore) Pte. Ltd. are primarily holding companies.

b. Ningbo Airtac Automatic Industrial Co., Ltd. was established on August 16, 2001 with an operation period of 50 years, and engages primarily in the production of pneumatic and hydraulic components, Actuator components, air preparation components, and pneumatic accessories. Guangdong Airtac Automatic Industrial Co., Ltd. (previously Guangzhou Airtac Automatic Industrial Co., Ltd.) was established on December 31, 2006 with an operation period of 50 years, and engages primarily in the production of pneumatic and hydraulic control components, Actuator components, air preparation components, and pneumatic accessories. Airtac (China) Co., Ltd. was established on May 6, 2011 with an operation period of 50 years, and engages primarily in the production, R&D, distribution, storage of industrial control components, pneumatic components, hydraulic components, pneumatic whole set equipment, wind power tools, electric tools, low-voltage electric appliances, and hand tools, import and export of the aforementioned products and support services. Airtac (Jiangsu) Automatic Co., Ltd. primarily in the production, distribution, storage of industrial con was established on July 2, 2015 with an operation period of 50 years, and engages troll components, pneumatic components, hydraulic components, pneumatic whole set equipment, wind power tools, electric tools, low-voltage electric appliances, and hand tools, import and export of the aforementioned products and support services.
c. 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.
d. 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.
e. 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.
f. 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, 2018 | $ 890,359 | $ 7,713,473 | $ 6,492,666 | $ 308,317 | $ 1,138,369 | $ 1,679,728 | $18,222,912 |
| Additions | - | 2,944 | 605,289 | 13,399 | 56,996 | 765,212 | 1,443,840 |
| Disposals | - | - | ( 123,617 ) | ( 9,013 ) | ( 23,312 ) | - | ( 155,942 ) |
| Reclassification | - | 17,336 | 49,155 | - | 477 | ( 67,860 ) | ( 892 ) |
| Effect of foreign currency exchange differences | - | 263,713 | 89,671 | 15,112 | 22,780 | ( 186,551 ) | 204,725 |
| Balance at March 31, 2018 | $ 890,359 | $ 7,997,466 | $ 7,113,164 | $ 327,815 | $ 1,195,310 | $ 2,190,529 | $19,714,643 |
| Accumulated depreciation | | | | | | | |
| Balance at January 1, 2018 | $ - | $ 895,956 | $ 1,740,939 | $ 166,682 | $ 632,494 | $ - | $ 3,436,071 |
| Depreciation expenses | - | 47,378 | 144,732 | 11,856 | 40,135 | - | 244,101 |
| Disposals | - | - | ( 80,001 ) | ( 8,168 ) | ( 22,243 ) | - | ( 110,412 ) |
| Effect of foreign currency exchange differences | - | 14,920 | 20,740 | 1,444 | 13,455 | - | 50,559 |
| Balance at March 31, 2018 | $ - | $ 958,254 | $ 1,826,410 | $ 171,814 | $ 663,841 | $ - | $ 3,620,319 |
| Carrying amounts at March 31, 2018 | $ 890,359 | $ 7,039,212 | $ 5,286,754 | $ 156,001 | $ 531,469 | $ 2,190,529 | $16,094,324 |
| Cost | | | | | | | |
| Balance at January 1, 2019 | $ 890,359 | $ 8,425,762 | $ 8,659,183 | $ 349,317 | $ 1,319,361 | $ 2,974,998 | $22,618,980 |
| Additions | - | 3,507 | 452,912 | 9,616 | 89,072 | 388,698 | 943,805 |
| Disposals | - | ( 4,945 ) | ( 120,887 ) | ( 7,975 ) | ( 4,187 ) | - | ( 137,994 ) |
| Reclassification | - | - | 820 | - | 1,883 | ( 2,703 ) | - |
| Effect of foreign currency exchange differences | - | 128,826 | 160,471 | 8,086 | 27,313 | 28,559 | 353,255 |
| Balance at March 31, 2019 | $ 890,359 | $ 8,553,150 | $ 9,152,499 | $ 359,044 | $ 1,433,442 | $ 3,389,552 | $23,778,046 |
| Accumulated depreciation | | | | | | | |
| Balance at January 1, 2019 | $ - | $ 1,063,270 | $ 2,163,246 | $ 171,741 | $ 713,223 | $ - | $ 4,111,480 |
| Depreciation expenses | - | 51,806 | 189,576 | 13,612 | 47,684 | - | 302,678 |
| Disposals | - | ( 6,780 ) | ( 5,606 ) | ( 7,762 ) | ( 4,163 ) | - | ( 24,311 ) |
| Effect of foreign currency exchange differences | - | 30,553 | 39,300 | 1,380 | 14,021 | - | 85,254 |
| Balance at March 31, 2019 | $ - | $ 1,138,849 | $ 2,386,516 | $ 178,971 | $ 770,765 | $ - | $ 4,475,101 |
| Carrying amount at January 1, 2019 | $ 890,359 | $ 7,362,492 | $ 6,495,937 | $ 177,576 | $ 606,138 | $ 2,974,998 | $18,507,500 |
| Carrying amount at March 31, 2019 | $ 890,359 | $ 7,414,301 | $ 6,765,983 | $ 180,073 | $ 662,677 | $ 3,389,552 | $19,302,945 |

There was no impairment indication for property, plant and equipment. The Group did not recognize any impairment loss for the three months ended March 31, 2019 and 2018.

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

| | |
|---|---|
| Buildings | |
| Main Buildings | 40-50 years |
| Engineering systems | 10-20 years |
| Machinery and equipment | 4-20 years |
| Transportation equipment | 5 years |
| Office equipment and other equipments | 3-15 years |

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

## 13. LEASE AGUREMENT

2019

a. Right-of-use assets

| | March 31, 2019 |
|---|---|
| Carrying amount | |
| Land | $681,824 |

| | March 31, 2019 |
|---|---|
| Buildings | 133,020 |
| Transportation equipment | 2,435 |
| | $817,279 |

| | For the three months ended March 31, 2019 |
|---|---|
| Additions to right-of-use assets | $167,876 |
| Depreciation of right-of-use assets | |
| Land | $ 2,735 |
| Buildings | 13,517 |
| Transportation equipment | 318 |
| | $ 16,570 |

b. Lease Liabilities

| | March 31, 2019 |
|---|---|
| Carry amount | |
| Current | $ 52,634 |
| Non-current | $ 80,336 |

| | March 31, 2019 |
|---|---|
| Land | - |
| Buildings and structures | 1.79%~4.35% |
| Transportation equipment | - |

c. Material terms of right-of-use assets

The Company lease buildings mainly for the use of offices and staff dormitory with lease terms of 1 to 6 years. The prepayments for leases is applicable to the land use right located in Mainland China with lease terms of 50 years.The Company does not have purchase options to acquire the leasehold buildings at the end of the lease terms

d. Other lease information

2019

| | For the three months ended March 31, 2019 |
|---|---|
| Expenses relating to short-term leases | $ 8,393 |
| Total cash outflow for leases | ($ 5,821) |

The Group leases certain buildings and transporation equipments which qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

The amount of lease commitments for short-term leases for which the recognition exemption is applied was $18,124 thousand as of March 31, 2019.

2018

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

| | December 31, 2018 | March 31, 2018 |
|---|---|---|
| Not later than one year | $ 42,137 | $ 38,331 |
| Later than one year and not later than five years | 55,999 | 39,247 |
| Later than five years | 485 | 533 |
| | $ 98,621 | $ 78,111 |

The lease payments and sublease payments recognized in profit or loss were as follows:

| | For the Three Month ended March 31, 2018 |
|---|---|
| Minimum lease payments | $ 20,126 |

## 14. PREPAYMENTS FOR LEASE

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Current asset | $ - | $ 10,715 | $ 10,519 |
| Non-current asset | - | 498,865 | 510,778 |
| | $ - | $ 509,580 | $ 521,297 |

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

## 15. OTHER ASSETS

| | March 31, 2019 | December 31, 208 | March 31, 2018 |
|---|---|---|---|
| Current | | | |
| Excess VAT paid | $ 205,108 | $ 217,115 | $ 233,912 |
| Prepayments | 60,814 | 52,213 | 65,398 |
| Prepaid tax expenses | - | - | 2,299 |
| Prepaid expenses | 94,530 | 64,928 | 63,780 |
| Prepayments for lease | - | 10,715 | 10,519 |
| Others | 11 | 10 | 7 |
| | $ 360,463 | $ 344,981 | $ 375,915 |
| Non-current | | | |
| Prepayments for equipment | $ 1,455,123 | $1,422,294 | $ 1,582,061 |
| Refundable deposits | 36,951 | 37,580 | 23,237 |
| Net defined benefit assets | 6,959 | 6,957 | 6,959 |
| | $ 1,499,031 | $1,466,831 | $ 1,612,257 |

## 16. LOANS

(1) Short-term loans

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Unsecured loans | | | |
| Line of credit loans | $ 10,980,483 | $ 10,745,173 | $ 8,275,262 |

The range of interest rate on bank loans was 0.64%~3.49%, 0.65%~3.70%, and 0.85%~2.98% per annum as of March 31, 2019, December 31, 2018, and March 31, 2018, respectively.

(2) Short-term bills payable

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Commercial paper | $ 950,000 | $ 950,000 | $ 300,000 |

Outstanding short-term bills payable were as follows:

March 31, 2019

| Promissory Institutions | Nominal amount | Discount amount | Carrying amount |
|---|---|---|---|
| Grand Bills | $ 150,000 | $ - | $ 150,000 |
| International Bills | 200,000 | - | 200,000 |
| TFC Bills | 100,000 | - | 100,000 |
| TC Bills | 200,000 | - | 200,000 |
| Mega Bills | 200,000 | - | 200,000 |
| TaChing Bills | 100,000 | - | 100,000 |
| | $ 950,000 | $ - | $ 950,000 |

December 31, 2018

| Promissory Institutions | Nominal amount | Discount amount | Carrying amount |
|---|---|---|---|
| Grand Bills | $ 150,000 | $ - | $ 150,000 |
| International Bills | 200,000 | - | 200,000 |
| TFC Bills | 100,000 | - | 100,000 |
| TC Bills | 200,000 | - | 200,000 |
| Mega Bills | 200,000 | - | 200,000 |
| TaChing Bills | 100,000 | - | 100,000 |
| | $ 950,000 | $ - | $ 950,000 |

March 31, 2018

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

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 1.2500%~1.2880%, 1.2480%~1.2700% and 1.2700%~1.2780% per annum as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

(3) Long-term loans

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Secured loans | | | |
| Between March 2018 and March 2023 (with interest rate of 1.7895%) | $ 4,230,000 | $ 3,520,000 | $ 2,930,000 |
| Deduct: Current portion | ( 279,750) | - | - |
| Deduct: Syndication loan charge fee | ( 16,027) | ( 17,050) | ( 20,119) |
| Long-term loans | $ 3,934,223 | $ 3,502,950 | $ 2,909,881 |

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 facilities will be automatically cancelled as the effective term terminated. As of March 31, 2019, the Group draw all the amount of this loan. The second one is a secured loan in the amount of $3,300,000 thousand. This loan is to support the capital needs of Phase 2 factory and manufacturing productivity expansion plan in Tainan ShuGu Park. The Loan is effective in 18 months after the first draw and the undrawn facilities will be automatically cancelled as the effective term terminated. As of March 31, 2019, the Group draw in the amount of $1,530,000 thousand of this loan. The third one is an unsecured loan in the amount of $500,000 thousand on a revolving basis. The purpose of this loan is for providing medium-term working capital. As of March 31, 2019, the Group draw all the amount of this loan. If the Group meet all criteria in 5 years after the first draw, the Group could apply to Mega International Comercial Bank for extending the credit period for two years once in written application. The principal will be payable after two years from the first draw of the first and second loans in 7 semiannually installments. The first to the sixth installment will be calculated at a repayable amount equal to 7.5% of the outstanding principal prior to the day before the first installment and the 55% remainder principal will be repaid in full on the maturity date. Each credit of the third loan would be repaid in full on each maturity date. During the loan period, financial ratios of the Group comply with predetermined financial covenants since year 2018.

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

## 17. NOTES PAYABLE AND TRADE PAYABLES

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

## 18. OTHER LIABILITIES

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Other payables | | | |
| Payables for purchase of equipment | $ 220,050 | $ 260,804 | $ 138,625 |
| Salaries and bonus | 506,828 | 652,617 | 511,053 |
| Others | 93,095 | 94,730 | 63,737 |
| | $ 819,973 | $ 1,008,151 | $ 713,415 |
| Other current liabilities | | | |
| Other taxes | $ 194,774 | $ 143,815 | $ 57,155 |
| Others | 9,734 | 10,187 | 10,172 |
| | $ 204,508 | $ 154,002 | $ 67,327 |

## 19. 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.

## 20. EQUITY

a. Share capital

Ordinary shares

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Numbers of shares authorized (in thousands) | 200,000 | 200,000 | 200,000 |

| | | | |
|---|---|---|---|
| Shares authorized | $ 2,000,000 | $ 2,000,000 | $ 2,000,000 |
| Number of shares issued and fully paid (in thousands) | 189,025 | 189,025 | 189,025 |
| Shares issued | $ 1,890,250 | $ 1,890,250 | $ 1,890,250 |

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

b. Capital surplus

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| 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 | $ 6,123,279 |
| Organization Reconstruction | 704,640 | 704,640 | 704,640 |
| Donations | 41,552 | 41,552 | 41,552 |
| | 6,869,471 | 6,869,471 | 6,869,471 |
| Used to offset a deficit only | | | |
| Void employee share option (2) | 701 | 701 | 701 |
| | $ 6,870,172 | $ 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) The Company issued new ordinary shares in July, 2017. The Company reserved 1,000 thousand of the newly issued shares for empolyees to subscribe. The compensation cost calculated by Black-Scholes evaluation model is $70,090 thousand, and the employees actual subscribes 990 thousand shares. The employees actual subscription portion has been transferred to the capital surplus for $69,389 thousand, and the amount transferred to the capital surplus- invalid employee oprions for $701 thousand.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. At least 50% of the balance of net income less accumulated deficit, legal reserve and special reserve should be appropriated as dividends. The cash dividends should be at least 10% of total dividends declared. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors, plesse refer to employees' compensation and remuneration of directors and supervisors in Note 22 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 2018 having been proposed by the board of directors on March 14, 2019 and the appropriations of earnings for 2017 approved in the shareholders' meetings on June 11, 2018 were as follows:

| | Appropriation of Earnings | | Dividends Per Share (NT$) | |
|---|---|---|---|---|
| | For Year 2018 | For Year 2017 | For Year 2018 | For Year 2017 |
| Special reserve reversed | $ 4,991 | $ 16,451 | $ - | $ - |
| Cash dividends | 1,008,199 | 1,353,419 | 5.3 | 7.16 |

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 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 appropriations 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 Three Months Ended March 31 | |
|---|---|---|
| | 2019 | 2018 |
| Balance at January 1 | ( $ 764,196) | ( $ 425,371) |
| Exchange differences on translating foreign operations | ( 12,301 ) | ( 33,580 ) |
| Exchange differences on translating to presentation currency | 414,409 | 292,835 |
| Balance at March 31 | ( $ 362,088) | ( $ 166,116) |

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

## 21. REVENUE

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2019 | 2018 |
| Revenue from contracts with customers | | |

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2019 | 2018 |
| Revenue from sale of goods | $ 3,378,513 | $ 3,609,864 |

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

| | March 31, 2019 | December 31, 2019 | March 31, 2018 |
|---|---|---|---|
| Contract liabilities | | | |
| Sale of goods | $ 34,406 | $ 52,863 | $ 49,218 |

Revenue recognized in the current reporting period that was included in the contract liability balance at the beginning of the period and from the performance obligations satisfied in the previous periods is as follows:

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2019 | 2018 |
| From contract liabilities at the start of the year | | |
| Sale of goods | $ 43,671 | $ 43,893 |

c. Disaggregation of revenue

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

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

Net income from continuing operations includes:

a. Other income

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2019 | 2018 |
| Interest income | $ 18,419 | $ 5,907 |
| Financial assets at amortized cost | 6,783 | - |
| | $ 25,202 | $ 5,907 |

b. Other gains and losses

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2019 | 2018 |
| Gain/(loss) on disposal of financial assets | | |
| Financial assets designated as at FVTPL | $ 390 | $ 1,186 |
| Net foreign exchange gains (losses) | 151,582 | 146,329 |
| Government grants | 13,672 | 1,424 |
| Gain (loss) on disposal of property, plant and equipment | 12,745 | ( 33,200 ) |
| Others | 898 | 1,325 |
| | $ 179,287 | $ 117,064 |

c. Financial costs

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2019 | 2018 |
| Interest on bank loans | $ 69,699 | $ 45,498 |
| Interest on lease liability | 1,132 | - |
| | $ 70,831 | $ 45,498 |

Information about capitalized interest was as follows:

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2019 | 2018 |
| Capitalized interest | $ 7,424 | $ 3,501 |
| Capitalization rate | 1.54% | 1.62% |

d. Depreciation and amortization

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2019 | 2018 |
| Property, plant and equipment | $ 302,678 | $ 244,101 |
| Right-of-use assets | 16,570 | - |
| Intangible assets | 4,919 | 3,952 |
| | $ 324,167 | $ 248,053 |
| An analysis of deprecation by function | | |
| Operating costs | $ 234,160 | $ 184,446 |
| Selling and marketing expenses | 32,208 | 18,859 |
| General and administration expenses | 34,117 | 30,517 |
| Research and development expenses | 18,763 | 10,279 |
| | $ 319,248 | $ 244,101 |
| An analysis of amortization by function | | |
| Operating costs | $ 220 | $ 194 |
| Selling and marketing expenses | 304 | 272 |
| General and administration expenses | 3,381 | 2,405 |
| Research and development expenses | 1,014 | 1,081 |
| | $ 4,919 | $ 3,952 |

e. Employee benefits expense

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2019 | 2018 |
| Post-employment benefits | | |
| Defined contribution plans (Note 19) | $ 50,563 | $ 57,964 |
| Defined benefit plans | - | 2 |
| | 50,563 | 57,966 |
| Other employee benefits | 909,270 | 975,045 |
| Total employee benefits expense | $ 959,833 | $1,033,011 |
| | | |
| An analysis of employee benefits expense by function | | |
| Operating costs | $ 503,733 | $ 560,149 |
| Operating expenses | 456,100 | 472,862 |
| | $ 959,833 | $1,033,011 |

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.

For the three months ended March 31, 2019 and 2018, the employees' compensation and the remuneration of directors and supervisors were as follows:

Accrual rate

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2019 | 2018 |
| Employees' compensation | 2.0% | 2.0% |

Amount

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2019 | 2018 |
| Employees' compensation | $18,471 | $22,640 |

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

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

Amount

| | For the year ended December 31 | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | Cash | Stock | Cash | Stock |
| Employees' compensation | $ 77,832 | $ - | $ 87,828 | $ - |

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017.

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

g. Gain or loss on foreign currency exchange

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2019 | 2018 |
| Foreign exchange gains | $ 190,860 | $ 281,955 |
| Foreign exchange losses | ( 39,278) | ( 135,626) |
| | $ 151,582 | $ 146,329 |

## 23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follow:

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2019 | 2018 |
| Current tax | | |
| In respect of the current period | $ 191,535 | $ 227,671 |
| Adjustments for prior periods | - | 5,072 |
| Income tax expense recognized in profit or loss | 191,535 | 232,743 |
| Deferred tax | | |
| In respect of the current period | 26,104 | ( 11,935) |
| Income tax expense recognized in profit or loss | $ 217,639 | $ 220,808 |

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. The effect of the change in tax rate on

deferred tax income/expense to be recognized in profit or loss is recognized in full in the period in which the change in tax rate occurs. In addition, the rate of the corporate surtax applicable to 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. Income tax assessments

The income tax returns of the Company and subsidiaries, except the Company and Instant Reach International Limited are exempted from income tax, Airtac International Group Taiwan Branch, and Airtac Industrial Co., Ltd have been examined and cleared by the ROC tax authority through 2017. The other subsidiaries have also filed business income tax returns by the deadlines set by the local governments.

## 24. EARNINGS PER SHARE

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

Net profit for the period

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2019 | 2018 |
| Profit for the period attributable to owners of the Company | $ 686,066 | $ 878,599 |
| Earnings used in the computation of basic earnings per share | 686,066 | 878,599 |
| Effect of dilutive potential ordinary shares | - | - |
| Earnings used in the computation of diluted earnings per share | $ 686,066 | $ 878,599 |

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

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2019 | 2018 |
| Weighted average number of ordinary shares in computation of basic earnings per share | 189,025 | 189,025 |
| Effect of dilutive potential ordinary shares: | | |
| Employee dividends | 242 | 231 |
| Weighted average number of ordinary shares used in computation of dilutive earnings per share | 189,267 | 189,256 |

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

## 25. GOVERNMENT GRANTS

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

## 26. CASH FLOW INFORMATION

1. Non-Cash Transactions

The Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statement of cash flows during the period of the three months ended March 31, 2019 and 2018.

a. The Group acquired property, plant and equipment with an aggregate fair value of $934,805 thousand during the period of the three months ended March 31, 2019. Other currect assets decrease $1,515 thousand in total. Other trade payables decrease $46,902 thousand in total. The cash paid of the Group for acquision of property, plant and equipment was $989,192 thousand (see the Note 12).

b. The Group acquired the right-of-use assets with value of $167,876 thousand during the period of the three months ended March 31, 2019. Lease liability increase $2,972 thousand. The cash paid of the Group for acquision of the right-of-use assets was $164,904 thousand (see the Note 13).

c. The Group acquired property, plant and equipment with an aggregate fair value of $1,443,840 thousand during the period of the three months ended March 31, 2018. Other trade payables decrease $85,795 thousand in total. The cash paid of the Group for acquision of property, plant and equipment was $1,529,635 thousand (see the Note 12).

d. The Group acquired the land use right with an aggregate fair value of $33,862 thousand during the period of the three months ended March 31, 2018. Refundable deposits decrease $32,876 thousand in total. The cash paid of the Group for acquision of the land use right was $986 thousand

2. Reconcilation of liabilities arising from financing activities

For the period of the three months ended March 31, 2019

| | | | Non-cash changes | | | |
|---|---|---|---|---|---|---|
| | Balance as of January 1, 2019 | Financing Cash Flow | New Leases | Finance cost | Foreign Exchange Movement | Balance as of March 31, 2019 |
| Short-term loans | $ 10,745,173 | $ 216,509 | $ - | $ - | $ 18,801 | $ 10,980,483 |
| Long-term loans | 3,502,950 | 710,000 | - | 1,023 | - | 4,213,973 |
| Lease liabilities | 141,433 | ( 14,703) | 2,972 | 1,132 | 2,136 | 132,970 |
| | $ 14,389,556 | $ 911,806 | $ 2,972 | $ 2,155 | $ 20,937 | $ 15,327,426 |

For the period of the three months ended March 31, 2018

| | | | Non-cash changes | | | |
|---|---|---|---|---|---|---|
| | Balance as of January 1, 2018 | Financing Cash Flow | New Leases | Finance cost | Foreign Exchange Movement | Balance as of March 31, 2018 |
| Short-term loans | $ 7,704,455 | $ 635,420 | $ - | $ - | ($ 64,613) | $ 8,275,262 |
| Long-term loans | 2,037,379 | 868,956 | - | 3,546 | - | 2,909,881 |
| | $ 9,741,834 | $ 1,504,376 | $ - | $ 3,546 | ($ 64,613) | $ 11,185,143 |

## 27.CAPITAL MANAGEMENT

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

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

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

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

## 28.FINANCIAL INSTRUMENTS

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

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

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

Fair value hierarchy

March 31, 2019:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Mutual Funds | $ 10,390 | $ - | $ - | $ 10,390 |

December 31, 2018: None

March 31, 2018: None

There were no transfers between the level 1 and level 2 during the period of the three months ended March 31, 2019 and 2018.

c. Categories of financial instruments

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Financial assets | | | |
| Financial assets at FVTPL | | | |
| Designated as at FVTPL | $ 10,390 | $ - | $ - |

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Financial assets at amortized cost (Note 1) | 10,508,394 | 9,579,222 | 7,583,507 |
| Financial liabilities | | | |
| Measured at amortized cost (Note 2) | 17,169,016 | 16,288,005 | 12,716,642 |

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, debt investments, and notes receivable and trade receivables.

Note 2: The balances included financial liabilities measured at amortization cost, which comprise short-term loans, short-term bills payables, notes payable, trade payables, other payables, and long-term loans (including current portion).

d.Financial risk management objectives and policies

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

1. Market risk

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

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

(1) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Note 31.

Sensitivity analysis

The Group was mainly exposed to the currency USD.

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

below indicates an increase in pre-tax profit and other equity associated with the functional currency strengthen 1% against the USD. For a 1% weakening of the functional currency against the USD, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

| | USD Impact | |
|---|---|---|
| | For the Three Months Ended March 31 | |
| | 2019 | 2018 |
| Profit and losses | $ 38,538 | $ 30,438 |

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:

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Fair value risk | | | |
| -Financial assets | $ 3,240,690 | $ 2,379,178 | $ 594,330 |
| -Financial liabilities | 16,144,456 | 15,198,123 | 11,485,143 |
| Cash flow risk | | | |
| -Financial assets | 2,217,897 | 2,053,713 | 1,346,839 |
| -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 three months ended March 31, 2019 and 2018 would increase or decrease by $5,545 thousand and $3,367 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits and borrowings.

2. Credit risk

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

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

The Group 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 three months ended March 31, 2019 and 2018.

The Group's concentration of credit risk by geographical locations was mainly in Mainland China, which accounted for 91.84%, 92.03%, and 91.86% of the total trade receivables as of March 31, 2019, December 31, 2018, and March 31, 2018, respectively.

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 March 31, 2019, December 31, 2018, and March 31, 2018, 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.

March 31, 2019

| | 1 to 3 months | 3 months to 1 year | 1 to 5 years | Longer than 5 years |
|---|---|---|---|---|
| Non-derivative financial liabilities | | | | |
| Non-interest bearing | $ 1,311,338 | $ 220,050 | $ - | $ - |
| Variable interest rate liabilities | 12,611 | 40,023 | 80,336 | - |
| Fixed interest rate liabilities | 11,782,928 | 521,900 | 4,092,749 | - |
| | $13,106,877 | $ 781,973 | $4,173,085 | $ - |

Additional information about the maturity analysis for lease liabilities:

| | 1 to 12 months | 1 to 5 year | 5 to 10 years | Longer than 10years |
|---|---|---|---|---|
| Lease liabilities | $ 56,202 | $ 83,576 | $ - | $ - |

December 31, 2018

| | 1 to 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 | $ 260,804 | $ - | $ - |
| Fixed interest rate liabilities | 11,420,308 | 356,702 | 3,641,006 | - |
| | $12,902,003 | $ 617,506 | $3,641,006 | $ - |

March 31, 2018

| | 1 to 3 months | 3 months to 1 year | 1 to 5 years | Longer than 5 years |
|---|---|---|---|---|
| Non-derivative financial liabilities | | | | |
| Non-interest bearing | $ 1,603,927 | $ 138,625 | $ - | $ - |
| Fixed interest rate liabilities | 8,406,491 | 231,704 | 3,098,439 | - |
| | $10,010,418 | $ 370,329 | $3,098,439 | $ - |

(2) Financing facilities

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Unsecured bank loans （re-examined annually） | | | |
| -Amounts used | $12,430,483 | $11,995,173 | $ 8,575,262 |
| -Amounts unused | 4,836,440 | 4,411,538 | 2,199,904 |
| | $17,266,923 | $16,406,711 | $10,775,166 |
| Secured bank loans | | | |
| -Amounts used | $ 3,730,000 | $ 3,200,000 | $ 2,930,000 |
| -Amounts unused | 1,770,000 | 2,280,000 | 2,570,000 |
| | $ 5,500,000 | $ 5,500,000 | $ 5,500,000 |

e. Transfers of financial assets

During the three months ended March 31, 2019, the Group transferred a portion of its commercial acceptance bills in mainland China with an aggregate carrying amount of $138,215 thousand to some of its suppliers in order to settle the trade payables. According to the contract, if these commercial acceptance bills are not paid at maturity, suppliers have the right to request that the Group pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these commercial acceptance bills, it continues to recognize the full carrying amounts of these commercial acceptance bills.

As of March 31, 2019, the carrying amount of these commercial acceptance bills that have been transferred but not derecognized was $138,215 thousand.

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

## 29. TRANSACTIONS WITH RELATED PARTIES

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

(1) Name and relation

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

(2) Operating transaction

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2019 | 2018 |
| Sales of goods | | |
| Substantive related parties | $ 26 | $ 108 |

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:

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Trade Receivables | | | |
| Substantive related parties | $ 7 | $ 12 | $ 119 |

No expense was recognized for the three months ended March 31, 2019 and 2018 for allowance for impaired trade receivables with respect to the amounts owed by related parties.

(3) Compensation of key management personnel

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

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2019 | 2018 |
| Short-term employee benefits | $ 27,994 | $ 19,818 |

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

the market trends.

## 30.ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Pledge deposits (classified as financial assets at amortized cost) | $ 6,236 | $ 6,047 | $ 6,218 |
| Restricted bank deposits (classified as financial assets at amortized cost) | 11,453 | 47,867 | 35,773 |
| Land | 890,359 | 890,359 | 890,359 |
| Machinery and Equipments | 1,696,790 | 1,737,552 | - |
| Buildings, net | 2,748,258 | 2,758,708 | 2,722,175 |
| | $ 5,353,096 | $ 5,440,533 | $ 3,654,525 |

## 31.SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Acquisition of property, plant and equipment | $ 2.798,521 | $ 3,159,027 | $ 2.782,018 |

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

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

March 31, 2019

| | Foreign currency | Exchange rate | Carrying amount |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 3,384 | 30.84(USD: NTD) | $ 104,364 |
| USD | 15,928 | 6.73(USD: RMB) | 491,216 |
| RMB | 807,922 | 4.58(RMB: NTD) | 3,700,282 |
| | | | $ 4,295,862 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | $ 183 | 30.84(USD: NTD) | $ 5,651 |
| USD | 144,092 | 6.73(USD: RMB) | 4,443,703 |
| RMB | 15,733 | 4.58(RMB: NTD) | 72,059 |
| | | | $ 4,521,413 |

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 |

March 31, 2018

| | Foreign currency | Exchange rate | Carrying amount |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 3,270 | 29.22 (USD: NTD) | $ 95,543 |
| USD | 24,478 | 6.29 (USD: RMB) | 715,253 |
| RMB | 487,898 | 4.65 (RMB: NTD) | 2,267,263 |
| | | | $ 3,078,059 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | $ 353 | 29.22 (USD: NTD) | $ 10,303 |
| USD | 131,559 | 6.29 (USD: RMB) | 3,844,272 |
| RMB | 23,152 | 4.65 (RMB: NTD) | 107,587 |
| | | | $ 3,962,162 |

For the three months ended March 31, 2019 and 2018, realized and unrealized net foreign exchange gains were $151,582 thousand and $146,329 thousand, respectively. It is impractical to disclose net foreign exchange gains by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

## 33. DISCLOSED ITEMS

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

1. Loans provided to other parties (Table 1)

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

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

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

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

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

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

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

9. Derivative transactions (None)

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

11. Information for investees (Table 2)

(2) 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.

## 34. SEGMENT INFORMATION

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

Pneumatic components - direct sales
- distributors

a. Segment revenues and results

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

| | Revenues | | Profit Before Tax | |
|---|---|---|---|---|
| | For The Three Months ended March 31 | | For The Three Months ended March 31 | |
| | 2019 | 2018 | 2019 | 2018 |
| Pneumatic components | | | | |
| -Direct sales | $2,434,610 | $2,715,482 | $ 711,028 | $ 949,316 |
| -Distributors | 943,903 | 894,382 | 275,671 | 312,671 |
| Total amounts of continuing operations | $3,378,513 | $3,609,864 | 986,699 | 1,261,987 |
| Interest income | | | 25,202 | 5,907 |
| Gain (Loss) on disposal of property, plant and equipment | | | 12,745 | ( 33,200) |
| Net exchange gains (losses) | | | 151,582 | 146,329 |
| Net gain arising on financial assets designated as at FVTPL | | | 390 | 1,186 |
| HQ admin. cost and directors' salaries | | | ( 202,051) | ( 237,349) |
| Finance costs | | | ( 70,831) | ( 45,498) |
| Profit before income tax from continuing operations | | | $ 903,736 | $1,099,362 |

The segment revenues were accounted for the transactions with external customers. No inter-segment sales occurred for the three months ended March 31, 2019 and 2018.

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

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Segment assets | | | |
| Pneumatic components | | | |
| -Direct sales | $ 26,242,352 | $ 35,607,687 | $ 23,039,798 |
| -Distributors | 10,244,772 | 8,949,154 | 7,588,477 |
| Total segment total assets | 36,669,124 | 34,556,841 | 30,628,275 |
| Unallocated assets | 508,015 | 487,650 | 464,204 |
| Consolidated total assets | $ 37,177,139 | $ 35,044,491 | $ 31,092,479 |

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 THREE MONTHS ENDED MARCH 31, 2019
## (In Thousands of New Taiwan Dollars and Foreign Currencies, Unless Specified Otherwise)

| No. | Lender | Borrower | Financial Statement Account | Related Parties | Highest Balance for the Period (Note1) | Ending Balance (Note1) | Actual Borrowing Amount | Interest Rate | Nature of Financing | Business Transaction Amounts | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower | Aggregate Financing Limits | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Item | Value | | | |
| 0 | Airtac International Group | ATC (Italia) S.R.L | Other receivables | Yes | EUR 3,500 (NTD 121,135) | EUR 2,500 (NTD 86,525) | EUR 1,400 (NTD 48,545) | - | Short-term financing needs | $ - | Revolving fund | $ - | - | - | $ 7,274,985 | $ 7,274,985 | Note 2 |
| 0 | Airtac International Group | Ningbo Airtac Automatic Industrial Co., Ltd | Other receivables | Yes | USD 10,000 (NTD 308,394) | USD 10,000 (NTD 308,394) | USD 4,900 (NTD 151,113) | 3.69%~ 4.02% | Short-term financing needs | - | Revolving fund | - | - | - | 7,274,985 | 7,274,985 | Note 2 |
| 0 | Airtac International Group | Airtac International （Singapore）Pte. Ltd. | Other receivables | Yes | USD 4,000 (NTD 123,358) | USD 4,000 (NTD 123,358) | USD 1,500 (NTD 46,259) | - | Short-term financing needs | - | Revolving fund | - | - | - | 7,274,985 | 7,274,985 | Note 2 |
| 0 | Airtac International Group | Airtac Co., Ltd | Other receivables | Yes | USD 8,000 (NTD 246,715) | USD 4,500 (NTD 138,777) | USD 2,935 RMB 3,000 (NTD 104,263) | - | Short-term financing needs | - | Revolving fund | - | - | - | 7,274,985 | 7,274,985 | Note 2 |
| 0 | Airtac International Group | Airtac Industrial （Malaysia）Sdn. Bhd. | Other receivables | Yes | USD 1,000 (NTD 30,839) | USD 1,000 (NTD 30,839) | USD 620 (NTD 19,120) | - | Short-term financing needs | - | Revolving fund | - | - | - | 7,274,985 | 7,274,985 | Note 2 |
| 0 | Airtac International Group | AIRTAC USA CORPORATION | Other receivables | Yes | USD 2,000 (NTD 61,679) | USD 2,000 (NTD 61,679) | USD 1,000 (NTD 30,839) | - | Short-term financing needs | - | Revolving fund | - | - | - | 7,274,985 | 7,274,985 | Note 2 |

Note 1: Conversion to NTD used the spot exchange rate on March 31, 2019, that is, 1USD＝30.8394 NTD, 1EUR＝34.6101 NTD, 1RMB=4.5800 NTD.

Note 2: According to Company’s Loans to Others Procedure, the limits on loans provided to other parties is 40% of the Group’s net worth at the end of the period.

# AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

**INFORMATION FOR INVESTEES**
**FOR THE THREE MONTHS ENDED MARCH 31, 2019**
**(In Thousands of New Taiwan Dollars and Foreign Currencies, Unless Specified Otherwise)**

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | March 31, 2018 | | | Net Income (Loss) of the Investee | Share of Profits (Loss) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | March 31, 2019 (Note1) | December 31, 2018 (Note1) | Shares | % | Carrying Amount | | | |
| Airtac International Group | Airtac Industrial (Hong Kong) Limited | Hong Kong | General investment | USD 87,500<br>RMB 297,000<br>(NTD 4,058,708) | USD 87,500<br>RMB 297,000<br>(NTD 4,058,708) | 132,160,778 | 100 | $ 21,098,106 | $ 723,890 | $ 723,890 | 2 |
| | Airtac Trading (Hong Kong) Limited | Hong Kong | General investment | USD -<br>(NTD -) | USD -<br>(NTD -) | 7,000,000 | 100 | 2,841 | ( 20) | ( 20) | 2 |
| | Instant Reach International Limited | British Virgin Island | General investment | USD 2,283<br>EUR 1,000<br>RMB 17,500<br>(NTD 185,166) | USD 2,283<br>EUR 1,000<br>RMB 17,500<br>(NTD 185,166) | 1 | 100 | 148,002 | 5,666 | 5,666 | 2 |
| | Airtac Holding (Singapore) Pte. Ltd. | Singapore | General investment | USD 17,000<br>(NTD 524,270) | USD 17,000<br>(NTD 524,270) | 17,000,000 | 100 | 323,329 | ( 27,613) | ( 27,613 ) | 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 | 25,767 | 102 | - | |
| | 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<br>(NTD 138,440) | EUR 4,000<br>(NTD 138,440) | 4,000,000 | 100 | 96,144 | 5,642 | - | |
| Airtac Holding (Singapore) Pte. Ltd. | Airtac International (Singapore) Pte. Ltd. | Singapore | Production and sales of pneumatic control components and accessories | USD 12,500<br>(NTD 385,493) | USD 12,500<br>(NTD 385,493) | 12,500,000 | 100 | 315,606 | ( 5,737) | - | |
| | Airtac CO., Ltd. | Japan | Production and sales of pneumatic control components and accessories | JPY 98,000<br>(NTD 27,293) | JPY 98,000<br>(NTD 27,293) | 2,000 | 100 | ( 55,573) | ( 6,138) | - | |
| | Airtac USA Corporation | USA | Production and sales of pneumatic control components and accessories | USD 3,000<br>(NTD 92,518) | USD 3,000<br>(NTD 92,518) | 3,000 | 100 | 54,584 | ( 15,448) | - | |
| Airtac International (Singapore) Pte. Ltd. | Airtac Industrial (Malaysia) Sdn. Bhd. | Malaysia | Production and sales of pneumatic control components and accessories | MYR 1,000<br>(NTD 7,273) | MYR 1,000<br>(NTD 7,273) | 1,000,000 | 100 | ( 15,770) | ( 109) | - | |
| | Airtac Industrial Co.. Ltd. | Thailand | Production and sales of pneumatic control components and accessories | THB 100,000<br>(NTD 97,370) | THB 100,000<br>(NTD 97,370) | 1,000,000 | 100 | 85,777 | ( 2,546) | - | |

Note1：Conversion to NTD used the spot exchange rate on March 31, 2019, that is, 1 USD＝30.8394 NTD, 1 EUR＝34.6101 NTD, 1 JPY＝0.2785 NTD, 1 RMB= 4.5800 NTD, 1 MYR＝7.2731 NTD, 1THB=0.9737 NTD.

Note2：The amount was eliminated upon consolidation.

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

# AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES
# MARKETABLE SECURITIES HELD
# MARCH 31, 2019

**(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 | MARCH 31, 2019 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of Shares | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| Guangdong Airtac Automatic Industrial Co., Ltd. | Structured deposits | - | Financial assets at amortized cost - current | - | $ 1,011,184 (RMB 220,783) | - | $ 1,011,184 (RMB 220,783) | 1 |
| Airtac Industrial Co.. Ltd. | FSI Global Airtificial Intelligence Fund | - | Financial assets at fair value through profit or loss - current | - | $ 10,390 | - | $ 10,390 | - |

Note1 ：Conversion to NTD used the spot exchange rate on March 31, 2019, that is, 1 RMB=4.5800 NTD.

# AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL**
**FOR THE THREE MONTHS ENDED MARCH 31, 2019**
**(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) | - | - | $ 481,356 (RMB 105,100) | - | $ 137,400 (RMB 30,000) | - | $ 620,854 (RMB135,558) | $ 618,300 (RMB 135,000) | $ 2,554 (RMB 558) | - | $ - (RMB -) |
| Guangdong Airtac Automatic Industrial Co., Ltd. | Structured deposits | Financial assets at amortized cost - current | Fubon Bank (China) | - | - | $ 137,848 (RMB 30,098) | - | $ 1,396,900 (RMB 305,000) | - | $ 528,272 (RMB 115,343) | $ 526,700 (RMB 115,000) | $ 1,572 (RMB 343) | - | $ 1,011,184 (RMB 220,783) |

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 THREE MONTHS ENDED MARCH 31, 2019
## (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 | 2017.02.08-2019.03.31 | $ 2,083,669 | On progress of completion | Self-building | - | - | - | - | $ - | N/A | Manufacturing, research and development purpose | - |
| Ningbo Airtac Automatic Industrial Co., Ltd | Plant | 2016.10.15-2019.03.31 | $2,016,425 | 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 THREE MONTHS ENDED MARCH 31, 2019**
**(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 | $ 1,701,829 | 88 | T/T 120 days | $ - | - | $ 1,227,636 | 84 | |
| Guangdong Airtac Automatic Industrial Co., Ltd | Airtac (China) Co., Ltd. | The same parent company | Sales | 185,622 | 35 | T/T 120 days | - | - | 138,530 | 33 | |
| Guangdong Airtac Automatic Industrial Co., Ltd | Guangdong Airtac Machinery Equipment Co., Ltd. | The same parent company | Sales | 152,581 | 29 | T/T 120 days | - | - | 113,266 | 27 | |
| Airtac International Group | Ningbo Airtac Automatic Industrial Co., Ltd | Subsidiary | Sales | 122,174 | 28 | T/T 120 days | - | - | 225,616 | 40 | |
| Airtac International Group | Airtac (China) Co., Ltd. | Subsidiary | Sales | 191,123 | 43 | T/T 120 days | - | - | 135,361 | 24 | |
| Airtac (China) Co., Ltd. | Airtac (Jiangsu) Automatic Co., Ltd. | The same parent company | Sales | 538,097 | 22 | T/T 120 days | - | - | 228,718 | 11 | |
| Airtac (China) Co., Ltd. | Guangdong Airtac Machinery Equipment Co., Ltd. | Subsidiary | Sales | 725,228 | 30 | T/T 120 days | - | - | 697,996 | 33 | |
| Airtac (China) Co., Ltd. | Airtac (Tianjin) Technology Co., Ltd. | Subsidiary | Sales | 118,880 | 5 | T/T 120 days | - | - | 138,381 | 6 | |

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**
**MARCH 31, 2019**
**(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 | $ 1,227,636 | 7 | $ - | - | $ 412,539 | $ - |
| Guangdong Airtac Automatic Industrial Co., Ltd. | Airtac (China) Co., Ltd. | The same parent company | 138,530 | 3 | - | - | 40,428 | - |
| Guangdong Airtac Automatic Industrial Co., Ltd. | Guangdong Airtac Machinery Equipment Co., Ltd. | The same parent company | 113,266 | 2 | - | - | 33,365 | - |
| Airtac (China) Co., Ltd. | Airtac (Jiangsu) Automatic Co., Ltd. | The same parent company | 228,718 | 9 | - | - | 121,640 | - |
| Airtac (China) Co., Ltd. | Guangdong Airtac Machinery Equipment Co., Ltd. | Subsidiary | 697,996 | 5 | - | - | 163,080 | - |
| Airtac (China) Co., Ltd. | Airtac (Tianjin) Technology Co., Ltd. | Subsidiary | 138,381 | 3 | - | - | 39,388 | - |
| Airtac International Group | Ningbo Airtac Automatic Industrial Co., Ltd. | Subsidiary | 225,616 | 2 | - | - | - | - |
| Airtac International Group | Ningbo Airtac Automatic Industrial Co., Ltd. | Subsidiary | 151,113 | Note 1 | - | - | - | - |
| Airtac International Group | Ningbo Airtac Automatic Industrial Co., Ltd. | Subsidiary | 305,624 | Note 1 | - | - | - | - |
| Airtac International Group | Airtac (China) Co., Ltd. | Subsidiary | 135,361 | 5 | - | - | 58,348 | - |
| Airtac International Group | Airtac CO., Ltd. | Subsidiary | 104,263 | Note 1 | - | - | - | - |

Note 1: 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 THREE MONTHS ENDED MARCH 31, 2019
## (Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

| Investee Company Name | Main Businesses and Products | Paid-in Capital (Note 3) | Method of Investment | Accumulated Investment Outflow from Taiwan as of January 1, 2019 | Investment Flow for the Period | | Accumulated Investment Outflow from Taiwan as of March 31, 2019 | Net income of Investee Company | % of Ownership – Direct or Indirect investment | Investment Gain (Loss) Recognized for the Period (Note 2) | Carrying Amount as of March 31, 2019 | Accumulated Inward Remittance of Earnings as of March 31, 2019 | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | | | |
| Ningbo Airtac Automatic Industrial Co., Ltd | Production of pneumatic control components and auxiliary components | USD 52,000<br>RMB 210,000<br>(NTD 2,565,449) | N/A | N/A | $ - | $ - | N/A | $ 401,195 | 100 | $ 381,171 | $ 11,964,320 | N/A | |
| Guangdong Airtac Automatic Industrial Co., Ltd | Production of pneumatic control components and auxiliary components | USD 6,000<br>(NTD 185,036) | N/A | N/A | - | - | N/A | 119,631 | 100 | 120,207 | 3,425,579 | N/A | |
| Airtac (China) Co., Ltd. | Wholesale and agency of pneumatic components, tools and equipment, and related support services | USD 18,000<br>RMB 126,000<br>(NTD 1,132,189) | N/A | N/A | - | - | N/A | 184,705 | 100 | 191,444 | 5,207,301 | N/A | |
| Airtac (Jiangsu) Automatic Co., Ltd. | Wholesale and agency of pneumatic components, tools and equipment, and related support services | USD 1,500<br>RMB 23,000<br>(NTD 151,599) | N/A | N/A | - | - | N/A | 66,665 | 100 | 66,665 | 1,024,378 | N/A | |
| Guangdong Airtac Machinery Equipment Co., Ltd.. | Wholesale and agency of pneumatic components, tools and equipment, and related support services | USD 10,000<br>(NTD 45,800) | N/A | N/A | - | - | N/A | 74,294 | 100 | 74,294 | 719,028 | N/A | |
| Airtac (Tianjin) Technology Co., Ltd. | Wholesale and agency of pneumatic components, tools and equipment, and related support services | RMB 10,000<br>(NTD 45,800) | N/A | N/A | - | - | N/A | 7,572 | 100 | 7,572 | 80,391 | N/A | |
| Airtac (Fujian) Intelligent Equipment Co., Ltd. | Wholesale and agency of pneumatic components, tools and equipment, and related support services | RMB 10,000<br>(NTD 45,800) | N/A | N/A | - | - | N/A | 9,249 | 100 | 9,249 | 72,430 | N/A | |

| Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2019 | 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 March 31, 2019, that is, 1 USD＝30.8394 NTD, 1RMB=4.5800.

# AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

## INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
## FOR THE THREE MONTHS ENDED MARCH 31, 2019
## (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 | $ 225,616 | General terms and conditions | 1% |
| | | Ningbo Airtac Automatic Industrial Co., Ltd | 1 | Sales revenue | 122,174 | General terms and conditions | 4% |
| | | Ningbo Airtac Automatic Industrial Co., Ltd | 1 | Other receivable | 151,113 | General terms and conditions | - |
| | | Ningbo Airtac Automatic Industrial Co., Ltd | 1 | Other receivable | 305,624 | General terms and conditions | 1% |
| | | Ningbo Airtac Automatic Industrial Co., Ltd | 1 | Sale of fixed assets | 118,827 | General terms and conditions | 4% |
| | | Airtac (China) Co., Ltd | 1 | Trade receivables | 135,361 | General terms and conditions | - |
| | | Airtac (China) Co., Ltd | 1 | Sales revenue | 191,123 | General terms and conditions | 6% |
| | | Guangdong Airtac Automatic Industrial Co., Ltd | 1 | Trade receivables | 14,412 | General terms and conditions | - |
| | | Guangdong Airtac Automatic Industrial Co., Ltd | 1 | Sales revenue | 14,195 | General terms and conditions | - |
| | | ATC (Italia) S.R.L | 1 | Other receivable | 48,454 | General terms and conditions | - |
| | | Airtac Industrial （Malaysia）Sdn. Bhd. | 1 | Trade receivables | 55,027 | General terms and conditions | - |
| | | Airtac Industrial （Malaysia）Sdn. Bhd. | 1 | Other receivable | 19,120 | General terms and conditions | - |
| | | AIRTAC USA CORPORATION | 1 | Other receivable | 30,839 | General terms and conditions | - |
| | | Airtac Co., Ltd. | 1 | Other receivable | 104,263 | General terms and conditions | - |
| | | Airtac International (Singapore) Pte. Ltd. | 1 | Other receivable | 46,259 | General terms and conditions | - |
| | | Airtac Industrial Co., Ltd | 1 | Trade receivables | 25,532 | General terms and conditions | - |
| 1 | Ningbo Airtac Automatic Industrial Co.,Ltd | Airtac International Group | 2 | Trade receivables | 57,846 | General terms and conditions | - |
| | | Airtac International Group | 2 | Sales revenue | 57,379 | General terms and conditions | 2% |
| | | Airtac (China) Co., Ltd | 3 | Trade receivables | 1,227,636 | General terms and conditions | 3% |
| | | Airtac (China) Co., Ltd | 3 | Sales revenue | 1,701,829 | General terms and conditions | 50% |
| | | Guangdong Airtac Automatic Industrial Co., Ltd | 3 | Trade receivables | 80,623 | General terms and conditions | - |
| | | Guangdong Airtac Automatic Industrial Co., Ltd | 3 | Sales revenue | 69,280 | General terms and conditions | 2% |
| | | ATC (Italia) S.R.L | 3 | Trade receivables | 37,508 | General terms and conditions | - |
| | | ATC (Italia) S.R.L | 3 | Sales revenue | 37,925 | General terms and conditions | 1% |
| | | Airtac International (Singapore) Pte. Ltd. | 3 | Trade receivables | 23,239 | 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 |
| | | Airtac International (Singapore) Pte. Ltd. | 3 | Sales revenue | 23,112 | General terms and conditions | 1% |
| | | AIRTAC USA CORPORATION | 3 | Trade receivables | 30,781 | General terms and conditions | - |
| | | AIRTAC USA CORPORATION | 3 | Sales revenue | 30,339 | General terms and conditions | 1% |
| 2 | Guangdong Airtac Automatic Industrial Co., Ltd | Airtac International Group | 2 | Trade receivables | 13,204 | General terms and conditions | - |
| | | Airtac International Group | 2 | Sales revenue | 13,162 | General terms and conditions | - |
| | | Ningbo Airtac Automatic Industrial Co.,Ltd | 3 | Trade receivables | 59,081 | General terms and conditions | - |
| | | Ningbo Airtac Automatic Industrial Co.,Ltd | 3 | Sales revenue | 50,768 | General terms and conditions | 2% |
| | | Airtac (China) Co., Ltd | 3 | Trade receivables | 138,530 | General terms and conditions | - |
| | | Airtac (China) Co., Ltd | 3 | Sales revenue | 185,622 | General terms and conditions | 5% |
| | | ATC (Italia) S.R.L | 3 | Trade receivables | 12,542 | General terms and conditions | - |
| | | ATC (Italia) S.R.L | 3 | Sales revenue | 12,724 | General terms and conditions | - |
| | | Guangdong Airtac Machinery Equipment Co., Ltd. | 3 | Trade receivables | 113,266 | General terms and conditions | - |
| | | Guangdong Airtac Machinery Equipment Co., Ltd. | 3 | Sales revenue | 152,581 | General terms and conditions | 5% |
| | | Airtac (Jiangsu) Automatic Co., Ltd. | 3 | Trade receivables | 72,704 | General terms and conditions | - |
| | | Airtac (Jiangsu) Automatic Co., Ltd. | 3 | Sales revenue | 97,767 | General terms and conditions | 3% |
| 3 | Airtac (China) Co., Ltd | Airtac (Jiangsu) Automatic Co., Ltd. | 3 | Trade receivables | 228,718 | General terms and conditions | 1% |
| | | Airtac (Jiangsu) Automatic Co., Ltd. | 3 | Sales revenue | 538,097 | General terms and conditions | 16% |
| | | Guangdong Airtac Machinery Equipment Co., Ltd. | 3 | Trade receivables | 697,996 | General terms and conditions | 2% |
| | | Guangdong Airtac Machinery Equipment Co., Ltd. | 3 | Sales revenue | 725,228 | General terms and conditions | 21% |
| | | Airtac (Tianjin) Technology Co., Ltd. | 3 | Trade receivables | 138,381 | General terms and conditions | - |
| | | Airtac (Tianjin) Technology Co., Ltd. | 3 | Sales revenue | 118,880 | General terms and conditions | 4% |
| | | Airtac (Fujian) Intelligent Equipment Co., Ltd. | 3 | Trade receivables | 91,328 | General terms and conditions | - |
| | | Airtac (Fujian) Intelligent Equipment Co., Ltd. | 3 | Sales revenue | 99,295 | General terms and conditions | 3% |
| 4 | Guangdong Airtac Machinery Equipment Co., Ltd. | Airtac (China) Co., Ltd | 3 | Trade receivables | 73,920 | General terms and conditions | - |
| | | Airtac (China) Co., Ltd | 3 | Other receivables | 40,010 | General terms and conditions | 1% |

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.